Fraud and Investigations

It is estimated that the typical organization loses 5% of revenues to fraud each year[1]. Fraud can happen anywhere and unfortunately it happens at the University of Michigan too. Below are some examples of cases that have been investigated recently. These examples are presented for your awareness and to get you thinking about the risk of fraud in your unit and what controls you have in place to prevent it or detect it in a timely way.

An employee submitted an expense report with a fraudulent bed &breakfast receipt. (The employee had actually stayed with a relative while at a conference.)

- **How was it caught?** The approver was suspicious (the location of the B&B seemed far from the conference, the unusual receipt, and curiosity about why the employee didn't stay at the conference hotel). The approver asked for help.

- **What happened?** The expense was denied. Human Resources got involved due to other performance issues. The employee was terminated.

- **Why is this an important example?** This fraud was identified because of a diligent review by the expense report approver.

A department business manager was using a business parking pass for their personal use. They did not purchase their own annual parking pass.

- **How was the hotline call handled?** The complaint was referred to Parking Services. They spoke to the department head who addressed the issue with the business manager.

- **What was the result?** The business manager was required to purchase their own parking pass. The department instituted a practice to sign-out business passes for improved monitoring.

- **Why is this significant?** Misuse of a business pass might seem small; however, even small misconduct by a leader can set the wrong tone for a department.

An employee was not reporting time off on their university timesheet to save vacation days.

- **How was this discovered?** Coworkers noticed the discrepancies between actual attendance and the time reports and called.

- **So what?** Theft of time from the university might seem small at an individual or department level, but from a university-wide perspective, the loss may be significant.

- **Why is this a critical example?** A supervisor's sloppiness can allow a fraud to perpetuate. A supervisor with the local knowledge about what was truly worked and who can attest to the accuracy of the timesheet is the key control. No report can be run centrally to identify this fraud.
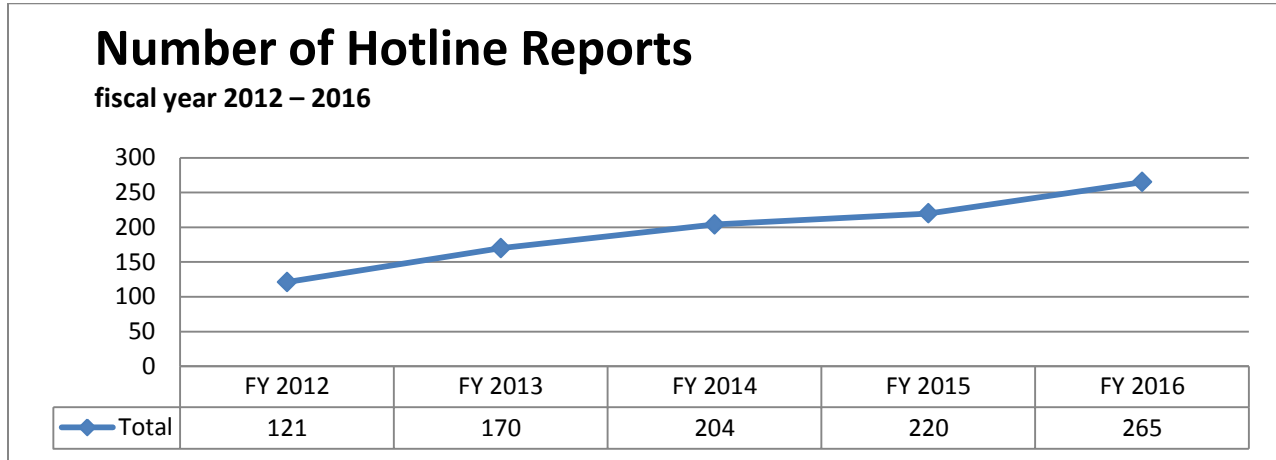
An administrator purchased computers using department funds and then sold them for personal gain.

- **How was this identified?** The administrator's mother became suspicious and could not figure out where the computers were coming from. She called the university to report the situation.

- **How did it turn out?** The administrator was terminated and prosecuted.

- **What important control was missing?** Units should monitor expenses and/or track valuable assets. Even items that do not require tagging by the university asset policy can be misappropriated.

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[1] From the ACFE's 2014 Global Fraud Study, Report to the Nations on Occupational Fraud and Abuse.

Compliance Hotline Statistics

Below are some statistics about the Compliance Hotline. It is important to note that not all reports to the hotline are about fraud. Some are other forms of misconduct, but all are reviewed. It is also important to note that not all fraud is reported through the Hotline. Sometimes reports are made directly to units (e.g., Procurement Services, University Audits, DPSS, HR, OGC). These and many other departments work together to safeguard university personnel and assets.

Number of Hotline Reports
fiscal year 2012 – 2016

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total	121	170	204	220	265

Average Calls per Month

July	14.3
August	18.7
September	17.8
October	18.8
November	21.2
December	18.2
January	13.4
February	17.4
March	18.2
April	17.4
May	17.4
June	16.8

Most commonly reported concerns

- Conflict of Interest
- Discrimination
- Disruptive Behavior
- Financial Fraud
- Harassment
- Privacy
- Retaliation
- Theft of services or time

Hotline Stats

68.9%	anonymous
33.1%	non-anonymous
76.2%	Health System
22.6%	Campus
0.7%	Flint
0.5%	Dearborn
55.2%	internet
44.6%	telephone
0.2%	other

What can you do?

- ➢ Create strong internal control environment
- ➢ Exhibit ethical behavior
- ➢ Develop a positive work environment
- ➢ Promote Hotline awareness