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. 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 used the PCard to pay for personal expenses.

- **How was this discovered?** The employee did not submit the expenses through Concur. Email notifications/reports about unsubmitted expenses were not received by the supervisor or the department manager. Expenses were identified by Procurement Services reviewing expenses over 90-days old.

- **How did it turn out?** The employee was terminated.

- **What important control was missing?** No default approver was listed for the employee in Concur. If a default approver had been listed, the supervisor would have received an email about unsubmitted expenses and they would have been identified faster. The correct department manager was not listed in the system, so the burst reports on unsubmitted expenses were not received by the right person.

An employee processed customer refunds to their own credit card.

- **How was this identified?** A customer called to inquire about an expected refund that had not yet been received. The employee who typically handles refunds was out, so the call was handled by a co-worker.

- **What happened?** The employee is on administrative leave while a DPSS investigation is in progress.

- **What important control was missing?** The approval of refunds was verbally delegated to the employee performing the refunds and no compensating oversight control was in place to detect the fraud. This was a trusted employee, who was a "friend" of the supervisor. The employee was targeting older credit balances that customers may have forgotten.

A faculty advisor to a student group was being paid by the group to video its events.

- **Why was this a problem?** Students from the group called the hotline because of a conflict of interest situation. Because he was their faculty advisor, they felt obligated to use him for video services.

- **What was the result?** The faculty advisor was required to stop providing videography services to this group.

- **Why is this a critical example?** This is an abuse of power situation. Without a hotline, there may have been no place the students felt comfortable raising their concerns. The perception of a conflict can create problems. Real and potential conflicts of interest must be disclosed, discussed, and managed.

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

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

- **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 continue. A supervisor with 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.

---

[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 - 2020
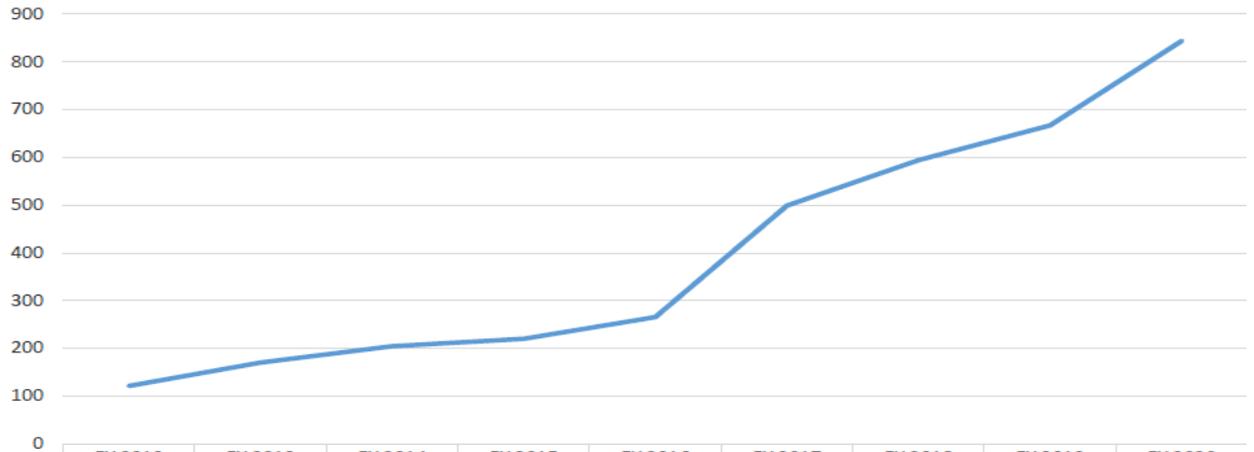
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of Reports	121	170	204	220	265	499	594	667	844

Location	FY 2020	FY 2019	FY 2018	FY 2017
Ann Arbor Campus	189	145	246	101
Dearborn Campus	5	2	5	2
Flint Campus	21	29	22	21
Michigan Medicine/ Medical School	629	491	321	375
Total	844	667	594	499

Method of Reporting	FY 2020	FY 2019	FY 2018	FY 2017
Internet	522	433	404	351
Phone	318	234	190	148
Email/Other	4	-	-	-
Total	844	667	594	499

Anonymous/ Non-Anonymous	FY 2020	FY 2019	FY 2018	FY 2017
Anonymous	517	449	206	364
Non-anonymous	327	218	388	135
Total	844	667	594	499

Most Commonly Reported Concerns

Hostile work environment

Patient confidentiality and privacy/HIPAA

Sexual harassment

Patient safety and care concerns

Discrimination

Unsafe conditions

Substance abuse/impairment

Conflict of interest/conflict of commitment

Retaliation

Time reporting discrepancies

What can you do?

Create a strong internal control environment

Exhibit ethical behavior

Develop a positive work environment

Promote Hotline awareness