

Fraud and Investigations

It is estimated that the typical organization loses 5% of revenues to fraud each year¹. 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.

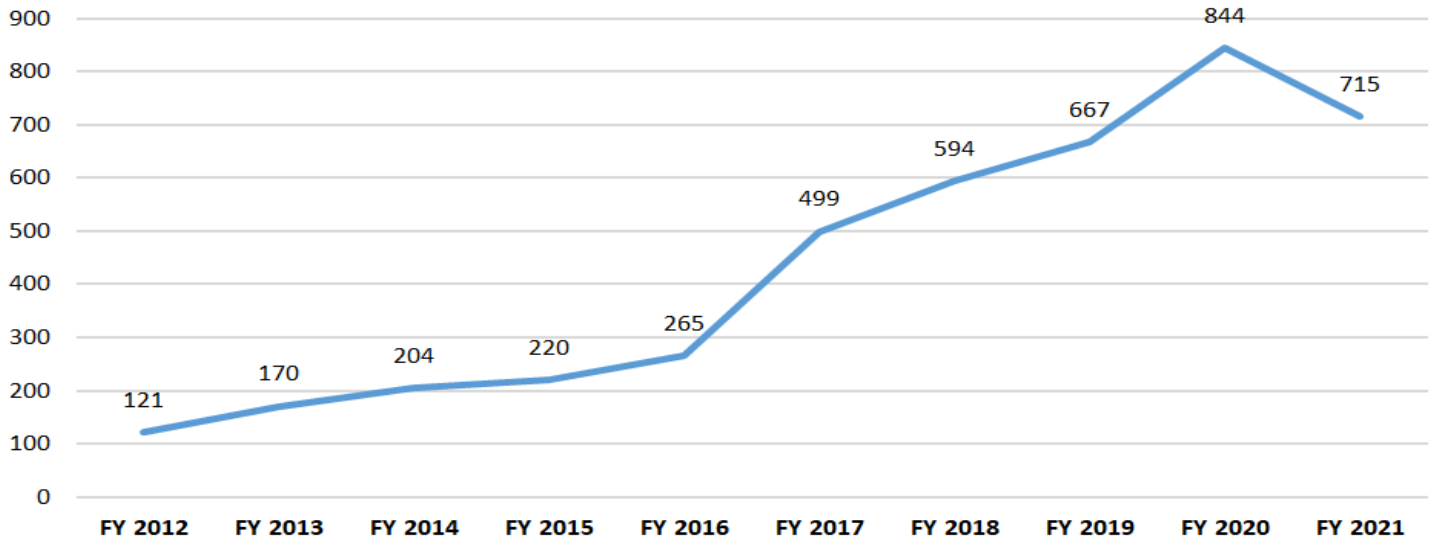
- **How was this discovered?** Coworkers noticed discrepancies between actual attendance and time reports and called the hotline.
- **So what?** Theft of time from the university might seem small at an individual or department level, but from a university-wide perspective, the loss may be significant.
- **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 2022 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



Location	FY 2021	FY 2020	FY 2019	FY 2018
Ann Arbor Campus	109	189	145	246
Dearborn Campus	3	5	2	5
Flint Campus	3	21	29	22
MI Medicine/ Medical School	600	629	491	321
Total	715	844	667	594

Method of Reporting	FY 2021	FY 2020	FY 2019	FY 2018
Internet	468	522	433	404
Phone	177	318	234	190
Email/Other	70	4	-	
Total	715	844	667	594

Anonymous/ Non-Anonymous	FY 2021	FY 2020	FY 2019	FY 2018
Anonymous	466	517	449	206
Non-Anonymous	249	327	218	388
Total	715	844	667	594

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