

Guidelines for Investigating Suspected Financial Fraud

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Introduction

Safeguarding the University's assets is the duty of all employees. The purpose of this document is to provide guidance to a manager or employee who suspects fraud is being committed.

Overview of Fraud

Occupational fraud is defined as: "The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." In general terms a fraud takes place when someone intentionally creates a deception in order to obtain money or some other benefit causing a loss to the institution. The following is a partial list of examples:

- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, services, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to the University
- Destruction, removal, or inappropriate use of records, furniture, fixtures, equipment or supplies
- Providing false information on a job application
- Falsifying payroll records or time sheets
- Conducting work on an outside business on University time

Potential Red Flags of Fraud

- Employee living beyond their income
- Employee who suffers a significant personal financial loss
- Employee who routinely asks for their PCard or spending limits to be increased
- Employee who is disgruntled and feels that the institution "owes them"
- Contacts from employee ex-spouse or creditors alleging excessive debts
- Employee who does not take leave
- Employee who is reluctant to provide information to others (to co-workers, managers, auditors)
- Employee who displays disregard for University or regulatory policies or procedures
- Employee who desires to handle all aspects of financial transactions themselves, rather than promoting segregation of duties and cross-training
- Employee who processes abnormally high number of expense transactions or journal entries
- Changes in behavior – absenteeism, "creative" explanations, deceit
- Unusually close relationship with vendor / patient / donor, etc.

If you suspect a fraud has or is about to take place

If you suspect fraud, be careful to stick to examining the facts and do not jump to conclusions. Be careful to maintain the integrity of any evidence. **You should not attempt to perform an investigation - a lead investigator will be appointed as outlined in the next section.** You should just document your suspicions and the available facts such as:

- When it occurred
- How it occurred
- Who was involved
- What amount of funds/assets are involved
- The physical address of the potential perpetrator
- Does the potential perpetrator know they are under suspicion
- Who else knows or has been informed of the suspicion, if applicable
- What type of funds are involved – specifically does the issue involve research funds

It is particularly important to gather this information if you receive an anonymous call alerting you to the possibility of fraud. This may be the institution's only chance to gather this information.

If after examining the evidence there is a possibility that fraud exists you may either:

- Call the Vanderbilt Hotline toll free at 1-844-814-5935 or make a report by going to <http://www.vanderbiltcompliancehotline.ethicspoint.com/>. These reports can be made anonymously and the hotline personnel will route your concern to the appropriate authority. They will appoint someone to take the lead role in the fraud investigation. **OR**
- You can consult the chart below and interact directly with the area that will take the lead in the fraud investigation. Find the type of fraud suspected in the grid below and call the area with responsibility for investigating that type of fraud. The area responsible for investigating each type of fraud will then take the lead role in the fraud investigation.

Every attempt will be made to maintain the confidentiality of the report to the extent possible.

Vanderbilt prohibits retaliation for good faith reports of fraud or other wrongdoing consistent with HR Policy #040, False Claims Act and Whistleblower Protection, <http://hr.vanderbilt.edu/policies/HR-040.php>.

Fraud Classification Table - Call the Department under which the fraud type is listed				
Internal Audit 343-6660	Conflicts/Compliance 322-2401	Human Resources 343-3322	Finance 343-6601	Vanderbilt Police 322-2745
Cash Misappropriation over \$250	Conflict of Interest	Falsifying Timesheets	Cash Misappropriation under \$250	Missing / Theft personal assets
Pcard Discrepancies	Conflict of Commitment	Fraudulent Employee Credentials		Identity Theft
Expense Reimbursement Schemes	Vendor Kickbacks	Excessive/ inappropriate internet usage		
Personal Purchases with University Funds		Unauthorized use of VU supplies or equipment		
Billing and Accounts Receivable Schemes		Forging Payroll Documents		
Payroll Schemes (excluding timesheets)		Misrepresentation of Benefits / Eligibility		
Theft/Misuse of Non-Cash Assets				
Bid Rigging				
Illegal Gratuities				
Fraudulent Financial Statements				
Fraudulent Financial Transaction				
OTHER - not classified elsewhere				

Once you call the appropriate area they will take the lead in the investigation and appoint a liaison to keep you informed if necessary. The lead investigator will take the responsibility to loop in all applicable departments so that there is one point of coordination for the investigation, and decisions can be made in a timely and appropriate order. You should notify your supervisor immediately when you have reported a potential fraud unless you are advised by the lead investigator not to do so if it could jeopardize the investigation.