

# FRAUD IN THE WORKPLACE: PREVENTION AND DETECTION



UNIVERSITY of  
ROCHESTER

OFFICE OF UNIVERSITY AUDIT

## WHAT IS FRAUD?

**Fraud is any illegal act characterized by deceit, concealment, or violation of trust.**

**Some common examples include:**

- *embezzlement, misappropriation, or misapplication* of University funds and/or property;
- *forged signatures* on cash-related forms\*;
- *alteration or falsification of documents or computer files*†;
- *diversion of drugs* for personal use or resale;
- *personal purchases* charged to the University‡;
- *conflict of interest*: pursuit of personal benefit in violation of University Personnel Policy 113: Conflict of Interest;
- *falsification* of research data;
- *breach* of patient confidentiality;
- *unauthorized disclosure* of personal identifying information (PII);
- *inappropriate billing* practices.

\* i.e., Form F-5: Petty Cash, Form F-4: Request for Payment, and/or Form F-3: Employee Expense Report

† Including time and attendance records, travel reimbursement requests, and reports to management or external agencies

‡ Via PCard, Request for Payment, Travel Expense, or 312 Requisition, for example

## WHAT ARE SOME CONTRIBUTING FACTORS?

Fraudulent activity can occur when an unethical person is working in an environment that lacks any of the following internal controls:

- *management oversight*
- *segregation of duties*\*
- *appropriate ledger review and reconciliation of accounts*
- *safeguarding of assets*
- *access control*, both physical and systems

Most fraud is committed by trusted employees. As such, it can go undetected for extended periods of time.

Verification is a necessary mitigating control when high trust is placed in an individual employee in a position of authority.

\* Authorization, custody, recording, and reconciliation

## WHAT CAN YOU DO TO HELP?

**Preventing fraud at the University is everyone's responsibility. The use of proper internal controls can help prevent fraud from occurring or detect it sooner.**

**For example, you can:**

- *create or contribute to a culture* that expects and models honesty;
- *review work processes* to identify opportunities to strengthen associated internal controls;
- *implement or improve management oversight* to offset known internal control weaknesses.

## BEST PRACTICES TO PREVENT OR DETECT FRAUD AND PROTECT ITS EVIDENCE

*Trust is not an internal control.*

Rather, you should:

- *review* your *ledger reports* for unusual activity;
- *safeguard cash* (including checks), cash equivalents (PCards, gift cards), *and other assets*;
- *assure adequate segregation of duties*. When that is not possible, institute mitigating controls;
- *provide management oversight* when high trust is placed in an individual employee who holds a position of authority;
- *revoke*—immediately—physical and electronic access of terminated employees.

## WHAT TO DO IF YOU SUSPECT FRAUD

You should *immediately* report your concern regarding possible fraud to your supervisor or, if you prefer, to an appropriate administrative office mentioned below.

Members of the Department of Public Safety and the Office of University Audit staff have received specific training in conducting fraud investigations. If you prefer, you may instead call the Office of Human Resources, URM Compliance Office, or the anonymous University Integrity Hotline (numbers provided on the back of this brochure) to report your concern.

Due to the sensitive nature of a fraud investigation, and the need to preserve evidence, it is imperative that department management should neither attempt to conduct its own investigation, nor alert the suspected individual or others about a pending investigation.

## WHAT DOES A FRAUD INVESTIGATION ENTAIL?

The three main objectives of a fraud investigation are:

- **verifying the facts;**
- **determining responsibility and accountability;**
- **recommending stronger internal controls** to prevent similar acts from occurring—or to detect them on a more timely basis if they were to occur.

The University will share evidence gathered with the appropriate authorities to determine whether criminal action could be pursued.

## IF YOU SEE SOMETHING, SAY SOMETHING

If you have questions regarding the ethical propriety of any activity within your or another department, please feel free to contact any of the following to set up a confidential meeting to discuss your concerns.

**Office of University Audit (OUA)**

275-2291

[www.rochester.edu/adminfinance/audit/index.html](http://www.rochester.edu/adminfinance/audit/index.html)

**Department of Public Safety**

275-3333

[www.security.rochester.edu](http://www.security.rochester.edu)

**Office of Human Resources**

275-2815

**URMC Compliance Office**

275-1609

[www.urmc.rochester.edu/urmc/compliance](http://www.urmc.rochester.edu/urmc/compliance)

**The University Integrity Hotline (anonymous)**

756-8888

*Every effort will be made to protect your confidentiality.*

## ETHICS: IT'S NOT A CHOICE, IT'S OUR CODE

“It is the responsibility of each individual faculty or staff member acting on behalf of the University to comply with legal and regulatory requirements, policies, and procedures that apply to his or her position.”

—*Policy 114: Compliance Education (excerpt)*

## WANT TO LEARN MORE?

In addition to fraud awareness training and fraud investigation, the Office of University Audit provides a wide variety of audit and advisory services, including process and internal control reviews.