Auditor of State
David A. Vaudt
Board of Regents
Audit/Compliance and
Investment Committee

Special Investigation
University of Iowa Hospitals
and Clinics
Department of Orthopaedics

October 24, 2012
UIHC Department of Orthopaedics
Special Investigation

*Catalyst for* – tip from employee (IT equipment missing)

*Investigation initiated by* – University’s Department of Public Safety and the Regents’ Office of Internal Audit

*Our investigation requested* – by University after initial investigation confirmed fraud had occurred

*Individual involved* – Jennifer Whitmore-Meier, IT Support Consultant

*Period covered* – December 1, 2002 through January 31, 2012 (approximately 9 years)
While our special investigation centered on the purchase and sale of Department IT equipment, *many other areas of improper activity were found:*

- PCard used for shipping IT equipment sold on eBay
- PCard used for other items sold on eBay and personal items
- Improper travel reimbursements
- Improper internet reimbursements
- Improper cell phone reimbursements
- Undeposited collections – rebates and refunds
- Unrecorded vacation time
Summary of *improper costs and undeposited collections*:

- Items sold on eBay and shipping costs: $203,592
- Improper PCard purchases: 44,070
- Improper travel reimbursements: 15,174
- Improper internet and cell phone reimbursements: 3,465
- Undeposited collections: 2,046
- Unrecorded vacation time: 2,501
- Sales tax improperly paid: 1,311

Total: $272,159
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We also found **unnecessary costs**:  
Travel expenses to medical conferences $20,668  
“Exceptional performance” bonuses 20,564  
Internet and cell phone reimbursements 9,094  

$50,326
The **volume** of improper transactions was **very significant**:

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Amount</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT equipment bought and sold</td>
<td>852 items</td>
<td>$1,885/month</td>
</tr>
<tr>
<td></td>
<td>$203,592</td>
<td>$1,885/month</td>
</tr>
<tr>
<td>Improper PCard purchases</td>
<td>192 purchases</td>
<td>$408/month</td>
</tr>
<tr>
<td></td>
<td>$44,070</td>
<td>$408/month</td>
</tr>
<tr>
<td>Improper travel reimbursements</td>
<td>14 trips</td>
<td>$1,084/trip</td>
</tr>
</tbody>
</table>

David A. Vaudt, Auditor of State, October 24, 2012
Red flags without disciplinary actions:

- **July 2006**
  - $1,893 of Best Buy reward program dollars accumulated for personal benefit

- **August 2006**
  - $840 of personal expenses submitted in travel expense reimbursement

- **September 2011**
  - Training conference deception—trainers did not show up on time for conference in California, so had to stay over for delayed conference

November 2011 missing equipment concern brought to University’s Department of Public Safety and the Regents’ Office of Internal Audit who did initial investigation.
UIHC Department of Orthopaedics Special Investigation

Recommendations:

- Segregation of duties
- Centralized purchasing
- Purchasing internal controls
- Lack of inventory records and internal controls
- PCard internal controls
- Travel costs
- Meal reimbursements
- Unrecorded vacations
Recommendations (continued):

- Internet reimbursements
- Cell phone allowance
- Rewards programs
- Supporting documentation
- Use of PCards
- Computer Security
- Maintenance of E-mail accounts
- Fiscal responsibility
- Bonuses
Questions