



**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)

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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

# UIHC Department of Orthopaedics Special Investigation

## 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	<u>1,311</u>
	<u><u>\$272,159</u></u>

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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	<u>9,094</u>
	<u><u>\$50,326</u></u>

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The **volume** of improper transactions was **very significant**:

	<u><b>Amount</b></u>	<u><b>Average</b></u>
IT equipment bought and sold	<u>852 items</u> <u>\$203,592</u>	<u>8/month</u> <u>\$1,885/month</u>
Improper PCard purchases	<u>192 purchases</u> <u>\$ 44,070</u>	<u>2/month</u> <u>\$408/month</u>
Improper travel reimbursements	<u>14 trips</u>	<u>\$1,084/trip</u>

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## 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.

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## 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

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## 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