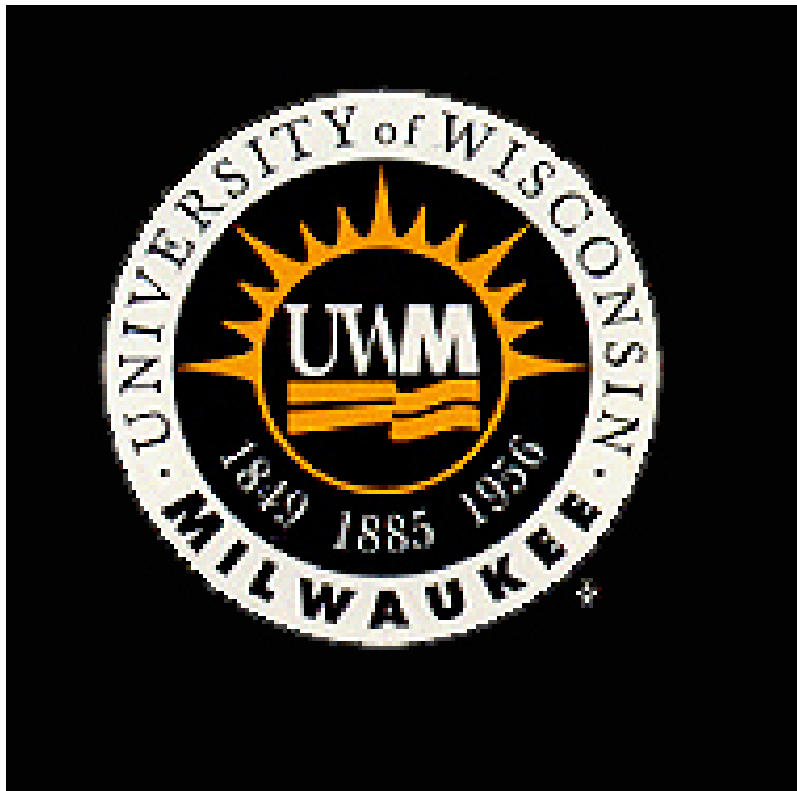


# UW SYSTEM FRAUD HOTLINE: UWM PILOT



- Controlling the risk of waste, fraud and abuse of public resources within UWS through advances in confidential web-based hotlines.

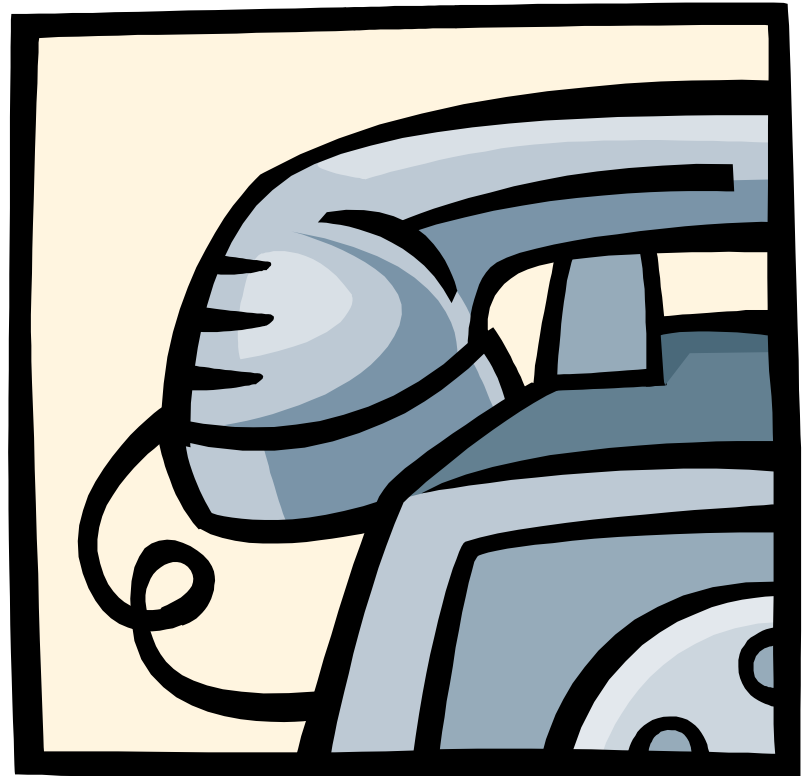
June 9, 2005



# AGENDA

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- Why does UWS need a fraud hotline?
- Typical risks to be mitigated.
- Features of an independent hotline provider.
- Why a UWS pilot at UWM?
- Role of Internal Audit.
- Budget.
- Questions.





# WHY DOES UWS NEED A FRAUD HOTLINE?

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1. Sends a message of “zero tolerance” for waste, fraud and abuse of public resources.
2. Promotes loss prevention (or early detection) in a more cost effective, less disruptive manner than investigating and prosecuting a well-established scheme.
3. Establishes a reporting mechanism that minimizes risks and exposures, integral to a loss contingency plan.
4. Turns everyone into an auditor.
5. Leverages small internal audit staffs by utilizing known information in hands of stakeholders.



# WHY DOES UWS NEED A FRAUD HOTLINE?

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6. Deals with problems internally before they become public relations issues.
7. Augments Wisconsin's *Whistleblower Law*.
8. Implements *Sarbanes-Oxley* as recommended by NACUBO.
9. Demonstrates fiscal responsibility by adopting a best business practice.
10. Serves as deterrent to employees who take ethical shortcuts, especially during budget cuts.
11. Encourages employees to act when others do wrong.
12. Inspires confidence in stakeholders.
13. Creates a culture that values ethical behavior.

# WHY DOES UWS NEED A FRAUD HOTLINE?



- Tips account for 46% of all fraud detected nationwide (Association of Certified Fraud Examiners).
- 75% of the workforce may have something to share but don't because of fear of retribution or retaliation (AICPA's *Report to the Nation*, 2002).



# SURVEY QUESTION AND RESULTS

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- **Survey question:** What is primarily motivating you to consider a confidential reporting system at your institution of higher education?
- **Survey results:**
  - ✓ Best business practice initiative: **44%**
  - ✓ *Sarbanes-Oxley* influence: **20%**
  - ✓ Compliance programs (e.g., research grants): **10%**
  - ✓ Audit committee directive: **8%**
  - ✓ Regulatory/legislative requirements: **7%**
  - ✓ Senior management directive: **6%**
  - ✓ Other: **5%**

(Based upon a recent survey by the Association of College and University Auditors with replies from 143 institutions.)



# TYPICAL RISKS TO BE MITIGATED BY A FRAUD HOTLINE

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- Falsification of hours worked.
- Misuse of UWS procurement card.
- Falsification of travel expense reports, contracts, filings.
- Kickbacks and conflicts of interest.
- Misuse of UWS property, resources, funds.
- Vendor payoffs, bribery.
- Worker compensation fraud.
- Waste or abuse of public resources.
- Misuse of donor funds.
- Improper giving or receiving of gifts.
- Breach of data privacy.
- Unethical reporting of information and/or financial transactions.



# FEATURES OF AN INDEPENDENT HOTLINE PROVIDER

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Administered by an independent application service provider since anyone within UWS could be involved.

1. Accept complaints via web, telephone, e-mail, fax and surface mail.
2. "Safe Harbor Certified" by the U.S. Department of Commerce to ensure data collected is afforded adequate protection.
3. Available 24/7/365.





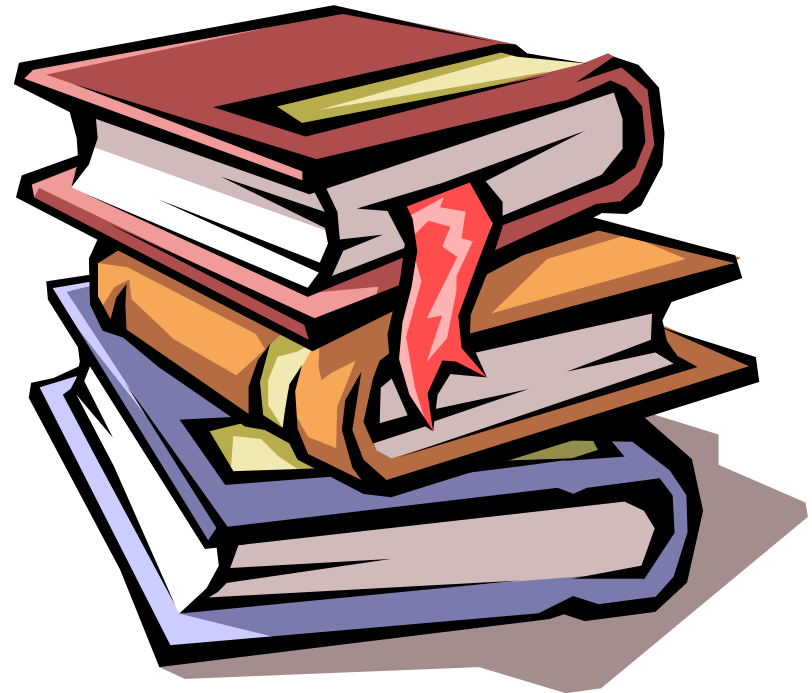
# FEATURES OF AN INDEPENDENT HOTLINE PROVIDER

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4. Compliant with Wisconsin's *Open Records Law*.
5. Multilingual.
6. Anonymity of reporter/filer.
7. Offers actionable reporting mechanisms, analytical tools, and reports that reduce frivolous allegations.
8. Offers key risk mitigation tools:
  - ✓ Follow-up questions for clarification.
  - ✓ Real-time anonymous "chat" capabilities.
9. Experienced in higher education.

# INSTITUTIONS WITH HOTLINES

- Universities that have recently implemented web-based hotlines hosted by third-parties:
  - ✓ Syracuse
  - ✓ Baylor
  - ✓ Northwestern
  - ✓ Georgia Tech
  - ✓ Minnesota
  - ✓ Auburn
- Milwaukee County Dept. of Audit, 11 years with in-house phone fraud hotline.





# WHY A UWS PILOT AT UWM?

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- A two-year pilot at UWM will allow UWS to:
  - ✓ Evaluate volume of complaints including frivolous allegations.
  - ✓ Develop institutional policies and procedures from which to build.
  - ✓ Prepare and train personnel to respond to complaints.
  - ✓ Assess support for concept among senior management and governance groups.



# ROLE OF INTERNAL AUDIT

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1. Serve as primary point of contact with provider of hotline services.
2. Spearhead efforts to promote the hotline and garner campus-wide and system-wide support.
  - ✓ Posters
  - ✓ Presentations
  - ✓ Wallet cards
  - ✓ Pens
3. Determine where and by whom follow-up on a complaint is needed.



# ROLE OF INTERNAL AUDIT

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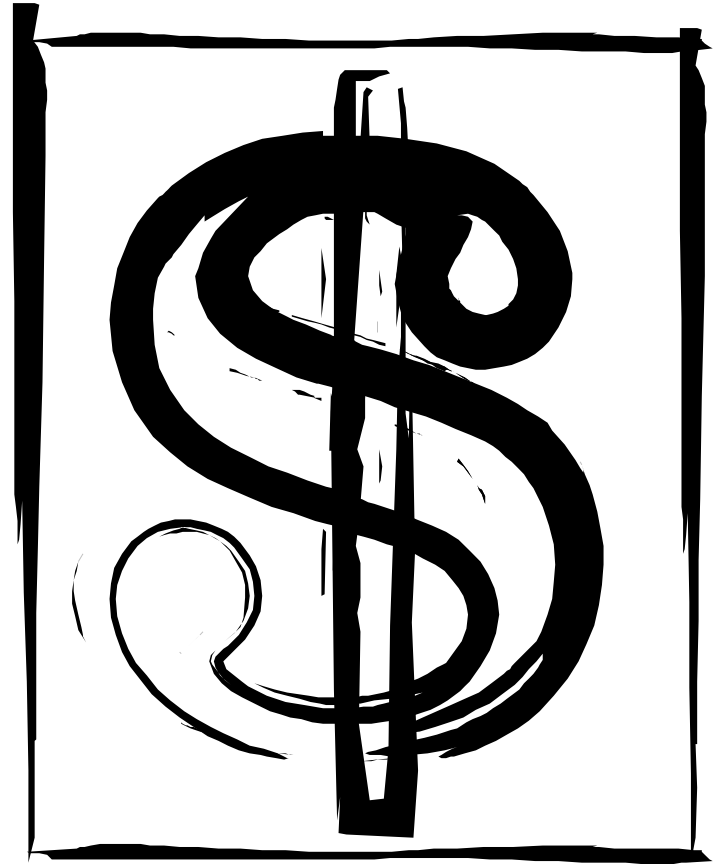
4. Coordinate timely investigation, resolution and reporting.
5. Identify campus-wide risks exposed by complaints.
6. Analyze results of complaints and revise audit plans accordingly.
7. Assist in evaluating overall success of hotline and possibility of expanding its scope beyond just waste fraud and abuse of public resources. For example:
  - ✓ Human resources (harassment, discrimination).
  - ✓ Athletics (NCAA compliance).
  - ✓ Human or animal research.
  - ✓ Environmental and safety matters.



# BUDGET

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- Incremental cost to implement hotline at UWM is estimated to be \$14,000 over a two-year pilot:
  - ✓ \$12,000 for third-party provider.
  - ✓ \$1,000 for web development.
  - ✓ \$1,000 in promotional costs.





# QUESTIONS

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- Comments, questions or suggestions?
- Information desired in the future concerning the status of the pilot?

