



Ethics, Compliance and Audit Services

College of Engineering Investigation

June 30, 2022

Background

The Office of Ethics, Compliance and Audit Services received information on January 7, 2022, from an employee in the College of Engineering (COE) alleging multiple incidents of financial wrongdoing on the part of the fiscal officer, the top financial officer for the COE.

Once theft was confirmed the MU Police Department was notified and provided with the evidence collected to date. The fiscal officer was placed on administrative leave and access to email and Peoplesoft suspended on January 11, 2022. The fiscal officer was subsequently terminated on January 14, 2022. An associate dean and associate director of finance were terminated on February 1 and February 2, 2022, respectively for their parts in the misappropriations of COE funds.

This document is a summary of the internal review completed. The criminal investigation is on-going, and the University continues to cooperate with the appropriate authorities.

Investigation Plan and Scope

The objectives of the investigation plan were:

1. Investigate each of the known allegations to determine if they could be substantiated and quantified.
2. In conjunction with subject matter experts across MU and the UM System, investigate other potential methods through which the fiscal officer could have defrauded the university.

This investigation covered the time during which the individual in question was the fiscal officer at the COE, October 15, 2016, through January 11, 2022.

During the initial part of the investigation, it was raised that in the summer of 2019, eighteen staff members in the COE reported numerous concerns regarding the management style of the fiscal officer to the Human Resources Partner (HRP) who supported the COE at that time. The HRP shared the concerns with their supervisor, the former associate vice chancellor of HR before sharing them with the former COE dean. We were informed by staff that an investigation had been performed related to these allegations and later learned that the former associate vice chancellor of HR and the former dean did not feel an investigation was necessary. As a result, we performed a separate investigation focused on these allegations to determine if they could be substantiated.

FINDINGS

Financial Investigation Results

Through interviews, email searches, and financial records we were able to substantiate the amount of loss to the university through theft as \$30,723. This includes the value of recovered equipment of \$20,450 for a net loss of \$10,273 to the university. We substantiated cash benefit to the fiscal officer through the sale of university assets as \$3,825. None of the misappropriations identified related to federal funding.

Additionally, at least \$132,352 of other items including but not limited to cash, and consumer electronics, is unaccounted for. This information has been provided to the proper authorities for further investigation.

Work Environment Investigation Results

In our review of the August 2019 allegations regarding the fiscal officer's behavior toward and treatment of staff, it was noted the staff raising the allegations reported to the fiscal officer or were under the fiscal officer's direct influence.

An investigation was not conducted in 2019 to determine if the allegations were true. Instead, the former associate vice chancellor of HR and the former dean met with the fiscal officer and shared generalized concerns and a few specific concerns as they wanted to give the fiscal officer an opportunity to improve and thought there was a lack of self-awareness about how the fiscal officer's behavior came across to staff. A restructure of direct reporting relationships between the complainants and the fiscal officer was implemented because of the complaints shared with the former associate vice chancellor of HR and the former dean. Subsequently, the former dean did conduct one-on-one interviews with staff in the COE. Consistent issues with the fiscal officer's behavior towards and treatment of staff were shared with the former dean in these subsequent interviews, as had previously been shared with the former HRP. In May of 2020, the interim dean restructured the COE again, returning most staff and functions to directly reporting to the fiscal officer. The reasoning for the restructure was to reduce the workload of the interim dean, who was also functioning as a department chair and faculty member.

When asked whether disciplinary action was considered, both the former associate vice chancellor of HR and former dean indicated it was not, but the former associate vice chancellor of HR clarified that disciplinary action could have been discussed later if the fiscal officer did not improve. However, there was no follow-up, and it was assumed the environment had improved given HR had not received additional complaints.

The results of our internal investigation confirmed that many allegations expressed by the 18 staff members were true.

Root Cause Analysis

Many factors contributed to the ability of the fiscal officer stealing assets, converting the assets to cash, and concealing the financial improprieties that occurred.

- 1. *The fiscal officer had means, motive and opportunity.*** The fiscal officer had a high level of trust and authority from the former dean, and this was extended by the current dean, giving the fiscal officer the opportunity to influence behaviors. The fiscal officer consistently enforced this perception with faculty and staff by providing department chairs with funding not approved by the dean, and coercing employees through fear and rewards to do what they were told. We confirmed that the fiscal officer had personal financial issues which was potentially the motive for developing schemes to use cash for personal purchases or divert cash for personal benefit. The fiscal officer understood and coerced others to take advantage of vulnerabilities in procurement, inventory, surplus, and financial processes.

As an example of the fiscal officer's power, a faculty member said they began to realize the fiscal officer wielded far too much power in the college and was undermining the authority of the former dean. This faculty person stated that department chairs who wanted to propose new initiatives might seek approval from the former dean, but even if they got it, they knew it was not final until the fiscal officer approved it. They said the fiscal officer would tell everyone that

they “were the policy” and made people believe the fiscal officer wrote the policy for the college.

2. ***Failure to credibly investigate complaints in 2019 sent an unintended message to staff that leadership approved of the fiscal officer’s behavior towards staff.*** By not paying the consequences for how the fiscal officer treated staff, the fiscal officer was emboldened to continue schemes for personal benefit. Staff raised zero concerns from this point forward, assuming leadership did not care. In interviews with staff, the most cited reason for feeling the fiscal officer was powerful was that despite all the concerns reported to the former HR Partner and shared with the former dean during the one-on-ones in 2019, nothing was done, creating the perception that the fiscal officer was “untouchable.”
3. ***The fiscal officer understood and coerced others to take advantage of vulnerabilities in procurement, inventory, surplus, and financial processes.***

Concealment of financial misappropriations

- To successfully conceal electronic purchases for personal gain, or to sell for cash, the fiscal officer needed the cooperation of someone with a One Card. Because of the fiscal officer position, they had the authority to authorize purchases. The fiscal officer rewarded one employee for purchasing whatever the fiscal officer requested, successfully grooming an accomplice as responsible as the fiscal officer for the financial improprieties. The fiscal officer also instructed other subordinates to make purchases with a One Card, and even used a surrendered One Card and a student One Card to make inappropriate purchases. The fiscal officer authorized a staff member to record the transaction and within minutes would approve it on at least two occasions. When the custodian of the fund got a notification, the details of the transaction was not visible because the expense had already been approved. The fiscal officer’s actions in authorizing and approving inappropriate transactions were not detected because there is not a practice or policy of reviewing the work of the college/school/division top finance person except in so far as the dean exercises supervision.
- The fiscal officer used gift accounts to make questionable purchases because gift accounts are not regularly monitored by their custodians compared to operations accounts.
- The fiscal officer was able to execute several transactions after being denied by the dean. The fiscal officer simply would tell the dean’s assistant that the dean authorized the transaction. Because the staff believed the fiscal officer had the full trust of the dean, no questions were asked. The dean’s signature was applied and the transaction would go through.

Procurement, Inventory and Surplus Process for Electronic Purchases

The fiscal officer used One Cards to purchase electronics, the preferred asset for extracting cash from the university. These items were below the amount that qualified as an asset to be tracked in the asset management system. The Department of Information Technology (DoIT) tracks items purchased through their purchasing process, but not items purchased with a One Card. The fiscal officer took advantage of the gaps in inventory processes to conceal

inappropriate purchases and understood that it would be difficult to prove the existence or status through university records of many items purchased inappropriately.

Management Actions

- Annual Code of Conduct training will include information that Surplus is the only authorized unit to sell university assets. If anyone approaches you to purchase items with cash report this immediately through the Hotline. Code of Conduct training will be implemented in the fall semester of 2022.
- Two short trainings are being modified to be UM System specific: Your Responsibility to Speak Up, and Fraud Awareness. All faculty and staff will be required to view these two trainings. These trainings will be deployed once the modifications are made to be UM Specific.
- A more in-depth module about detecting fraud is being modified to be UM System specific and will be required training for all finance personnel. This module will be deployed once the existing module is modified to be UM Specific.
- A case study with specific examples is being developed for live presentation to leadership. The presentation will be deployed in the fall semester of 2022.
- A standard audit for selected schools and colleges will be the majority of the FY23 Audit Plan. The audit focuses on expenses, grant management, gift management, scholarship management, purchasing practices and inventory. Data analytics will be leveraged to focus on high-risk transactions and movement of funds. Lessons we have learned from this investigation will be integrated. These audits will begin in August 2022.
- As part of their job responsibilities, the new Executive Director of HR is accountable for the quality of investigations related to HR matters. They are working collaboratively with the Hotline Committee and will access the investigators when needed. In the past, concerns were delegated to staff and often sent to units for investigating.
- Identify levels/titles of individuals who will have periodic background and credit checks including fiscal officers and other finance leaders.
- Create a required time out of the office policy for colleges/schools/divisions (CSD) level business and finance directors. This would include a rotation of other professionals to work in an area other than their own while the CSD level business and finance director is on vacation.
- Complete the integrated finance function and involve the Vice Chancellor and Chief Business Officer in all aspects of personnel management for the CSD level business and finance directors. This will include hiring, evaluating, terminating, adjustments in job expectations, requests for time off and adjustments in pay.
- Strengthen the process for academic leaders to understand their responsibility for financial performance through training and periodic reviews
- The practice of providing students with one-cards on an as needed basis will be reviewed and adjusted as necessary this year as part of internal audit reviews.
- IT and Procurement will develop a process to track IT device purchases over established thresholds regardless of the purchasing method by December 2022.
- Finance will work with Internal Audit to review the use of discretionary gift accounts. Additionally, processes will be established to require formal Dean approval by December 2022.