

**Investigation Collaboration  
Police and Audit**

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**Session Objectives**

- ▶ Obtain an overview of history and policy regarding Internal Audit and UC Police investigation coordination.
- ▶ Discuss roles and goals of Internal Audit and UC Police during an investigation.
- ▶ Review two case studies of actual investigations.
- ▶ Understand what can go wrong without effective coordination.
- ▶ Review lessons learned and best practices.

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**History**

- ▶ Prior to 2002 there was no formal mandate for coordination between parties to an investigation (Internal Audit, Police, Human Resources and Academic Affairs).
- ▶ The UC Whistleblower Policy, issued in October 2002, called for coordination between investigation units.

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### Whistleblower Policy

- ▶ Requires each campus to establish an investigation group or committee to coordinate investigations.
  - Members of the group should include Internal Audit and the Police, along with others such as Human Resources, Compliance and Campus Counsel.
- ▶ Does not mandate specifically how coordination is to be carried out.
  - Variations in coordination process at each campus.
  - Variations in extent of work and timing of hand-off between Internal Audit and Police.

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### Reason for Coordination

- ▶ Coordination is critical to ensure:
  1. Employees and others who violated law are properly prosecuted.
  2. Appropriate actions are taken against those who have violated policies, misused University resources, or failed to meet assigned responsibilities.
- ▶ Coordination process begins when Internal Audit believes they have identified criminal activity.

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### Roles and Responsibilities– Internal Audit

- ▶ The role of Internal Audit in the investigation process is to:
  - Determine if an improper governmental activity has occurred.
  - Collect information/evidence needed by the Police so that they can complete a criminal investigation.
  - Identify policy violations and other activities that can be used by management to determine if personal actions should be taken against employees.
  - Determine if a breakdown in internal controls allowed the improper act or policy violations to occur and if so, what controls need to be put in place.

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### Roles and Responsibilities– Police

- ▶ The role of the Police in the investigation process is to:
  - Collect information/evidence to determine if a crime has been committed.
  - Assist the District Attorney in prosecution of those alleged to have committed a crime.

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### Case Study – UCSF

Phase	IAS Role
Allegations	Employee embezzled funds from Facilities Management by submitting disbursement requests for goods or services not received, picking up checks in the Controller's Office, and depositing checks into a personal bank account.
How it was discovered	Vendor contacted the Controller's Office to complain that 1099 issued for 2011 was overstated. Controller's Office made copies of a few checks and confirmed with the vendor that they had not received the payments.

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### Case Study – UCSF

Phase	IAS Role
Loss	Approximately \$100,000
Initial IAS work	a. Obtained all cancelled checks made payable to the vendor along with submitted invoices and check requests. b. Formally requested that the Controller's Office and Facilities Management cease performing any investigative work.
IAS work independent of Police	Controls review to identify breakdowns in internal controls, and to recommend controls to prevent or detect future embezzlements.

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### Case Study – UCSF

Phase	IAS Role
Investigation coordination	<ul style="list-style-type: none"> <li>a. Initial meeting with Police to determine what work Internal Audit would perform. Also decided that Police investigation took priority over administrative investigation.</li> <li>b. Developed list of employees to be interviewed and discussed with Police.</li> <li>c. Performed detailed analysis to reconstruct embezzlement.</li> <li>d. Provided evidence of additional losses to Police.</li> <li>e. Held regular meetings with Police to discuss respective cases.</li> </ul>

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### Case Study – UCSF

Phase	IAS Role
IAS work in support of criminal investigation	Data extracts of vendor payments and review of supporting documentation.
Case status	Case is under review by San Francisco District Attorney's Office.

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### Case Study – UCD

Phase	IAS Role
Allegations	Employee of Intercollegiate Athletics (ICA) embezzled funds by using gas and purchase cards for personal purposes, selling equipment on E-Bay, and stealing cash from ICA event deposits.
How it was discovered	ICA manager became suspicious after discussion with employee regarding gas cards. Manager obtained statements and saw that gas card appeared to have been used for non-University purposes.
Loss	Approximately \$38,000

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### Case Study – UCD

Phase	IAS Role
Initial IAS work	<ul style="list-style-type: none"><li>a. Reviewed evidence obtained by manager and determined that embezzlement appeared to have taken place.</li><li>b. Seized employee computer and requested back-up of employee data on shared server. Maintained chain of custody over computer.</li><li>c. Evaluated potential risk of fraud in employee's other areas of responsibilities. Identified other areas of concern with purchasing card, sale of University assets, and theft of cash from deposits.</li></ul>

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### Case Study – UCD

Phase	IAS Role
Initial IAS work	<ul style="list-style-type: none"><li>d. Prepared detailed schedules of fraudulent activities, and obtained and reviewed supporting documentation.</li></ul>
IAS work independent of Police	Controls review to identify breakdowns in internal controls, and to recommend controls to prevent or detect future embezzlements.

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### Case Study – UCD

Phase	IAS Role
Investigation coordination	<ul style="list-style-type: none"><li>a. First coordination meeting between IAS, Police Department and Human Resources was held. The plan for interviewing the suspect employee was discussed, and it was determined that the Police would conduct the interview. (Lybarger rule was considered when determining who would interview employee.)</li><li>b. Additional update meetings with all units involved in the investigation.</li></ul>

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### Case Study – UCD

Phase	IAS Role
IAS work in support of criminal investigation	IAS provided the Police with detailed schedules and supporting documentation for each embezzlement scheme.
Case status	Employee pled guilty to embezzlement charges and served time in jail.

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### What Can Go Wrong Without Effective Coordination-Internal Audit

- ▶ Jeopardizing successful prosecution of a criminal case by not recognizing a criminal act has occurred and damaging integrity of evidence.
- ▶ Not collecting records timely, giving suspect time to alter or destroy them.
- ▶ Collecting records but not maintaining a proper chain of custody and failing to document when records were collected, where records were held, and who provided the records.

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### What Can Go Wrong Without Effective Coordination-Internal Audit

- ▶ Auditors altering or damaging records by making notes on original documents.
- ▶ Interviewing employees suspected of committing a crime without first obtaining approval of Police.
- ▶ Not reporting case to UCOP as required by UC policy.

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**What Can Go Wrong Without Effective Coordination–Police**

- ▶ Without timely notification of an alleged crime, the collection of evidence is jeopardized.
- ▶ Criminal case can be compromised if a witness/suspect is interviewed by non-police.
- ▶ Criminal investigators aren't aware of each department's policies and procedures before interviewing.
- ▶ Non-police alerting a potential suspect of pending allegation allows time to create an alibi and/or destroy evidence.

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**What Can Go Wrong Without Effective Coordination–Police**

- ▶ Leads and fact finding can be hindered when Internal Audit and Police fail to meet consistently on an investigation to share new information/suspicious.

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**Lessons Learned and Best Practices–Internal Audit**

- ▶ Hold a coordination meeting with Police as soon as possible.
- ▶ Schedule regular update meetings with Police to ensure all efforts are known and agreed to.
- ▶ Retain a history of meetings with Police and copies of records provided to them.
- ▶ Prepare records in a manner that makes it easy for Police and District Attorney to understand evidence collected.

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**Lessons Learned and Best Practices-Internal Audit**

- ▶ Create a clean workpaper file recognizing that during the discovery phase of a case, the workpapers will be given to the suspect's attorney.
- ▶ Confirm if you are or are not agents of the Police.

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**Lessons Learned and Best Practices-Police**

- ▶ Request assistance from Internal Audit in understanding administrative and financial systems, policies, procedures, and practices involving departments in advance of conducting interviews or presenting evidence to others such as District Attorney.
- ▶ Utilize Internal Audit to collect the accounting and administrative records needed for the criminal case.
- ▶ Have regular meetings with Internal Audit to share information, confirm work to be done, and ensure respective coordination is working.

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**Lessons Learned and Best Practices-Police**

- ▶ In a criminal investigation, the suspect and all witnesses are interviewed by the Police.
- ▶ At the conclusion of an investigation when case is closed, have a debriefing with Internal Audit and Police. Identify what worked, and what can be done better.
- ▶ When the allegation is determined to be a crime, the Police take the lead and all others involved take direction from the criminal investigators.

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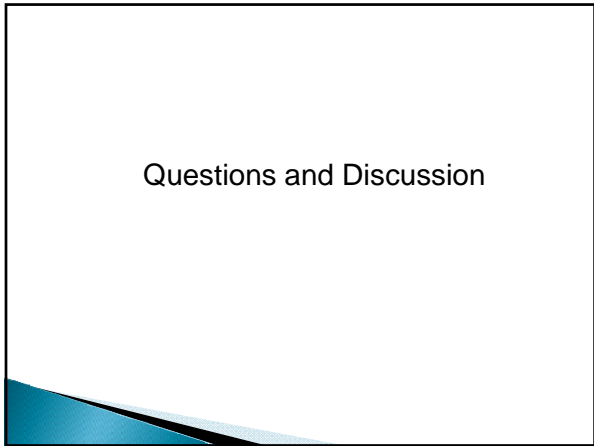
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