

RISK CASE STUDY



Case: Employee Cheque and Credit Card Fraud

Abstract:

A community health centre (CHC) employee's fraudulent activities were possible due to absent and poorly enforced financial controls in place at the time.

Case summary:

During the course of their employment at a community health centre, an office administrator was found to have issued organizational cheques to family members, as well as themselves. The employee's fraud was discovered following complaints from suppliers, who required payment for expenses. The employee had also forged signatures and spent large sums of money on the CHC's credit card for personal use.

Medical legal findings:

Expert review of the case was critical of the policies and procedures employed by the CHC, noting that the CHC had failed to implement internal controls. Expert review felt the CHC's failure to segregate duties allowed the involved employee to issue fraudulent cheques.

The CHC's existing policies and procedures gave the employee signing authority on cheques. While an additional signature was required on all cheques, the policy was not enforced, allowing the employee to issue fraudulent cheques without oversight. Prior to the review of the CHC's financial records, the CHC's had not been aware that the employee had been in possession of the credit card, which was presumed to have been cancelled several months prior to the employee's fraudulent activities.

Reflections:

Reflecting on your practices as well as your organization's policies and practice expectations:

1. What checks and balances are in place at your facility to prevent and identify possible cheque and credit card fraud? Has oversight accountability for fraud risks been designated to one person or committee?
2. Is submission of appropriate backup/documentation enforced for all staff and volunteers regardless of their position in the organization? Do all managers and senior leaders receive fraud training?
3. Describe the typical means that healthcare organizations use to identify internal fraud?
4. What is your organization's process for handling an anonymous tip of a suspected internal fraud? Who should be (and should not be) notified before conducting an internal investigation and why?
5. Does your organization have an anonymous, confidential method to report potential fraud, and are the mechanism known by all staff and volunteers (e.g. whistleblower hotline)?
6. What are some of the behavioural red flags for employees and volunteers involved in the management of finances/donations which may be indicative of fraud?



Key Words:

Fiduciary

Employee Fraud

Cheque Fraud

Credit Card Fraud

Segregation of Duties

Conflict of Interest