

TEXAS STATE TECHNICAL COLLEGE SYSTEM
SYSTEM OPERATING STANDARD

No. GA.1.15	Page 1 of 6	Effective Date: 09/08/09
DIVISION:	General Administration	
SUBJECT:	Fraudulent Use of Assets and Resources	
AUTHORITY:	Minute Order #53-06	
PROPOSED BY:	<i>Original Signed by Jason Mallory</i>	
TITLE:	Director of Audits	Date: 09/08/09
RECOMMENDED BY:	<i>Original Signed by Jason Mallory</i>	
TITLE:	Director of Audits	Date: 09/08/09
APPROVED BY:	<i>Original Signed by Bill Segura</i>	
TITLE:	Chancellor	Date: 09/08/09

STATUS: Approved by Leadership Alliance 09/08/09

HISTORICAL STATUS: Revised 08/2009
 Approved by BOR 04/28/06 MO#53-06
 Approved by MC 03/24/06
 Proposed 02/2006

POLICY

It is the policy of Texas State Technical College that all employees are responsible for safeguarding the organization's assets and resources and ensuring that they are used only for authorized purposes, in accordance with Texas State Technical College rules, policies, and applicable law. It is a violation of policy for any employee to receive or use Texas State Technical College assets or resources for non-Texas State Technical College purposes or for personal gain.

PERTINENT INFORMATION

This TSTC fraud policy and System Operating Standard are established to facilitate the development of controls which will aid in the detection and prevention of fraud against TSTC. It is the intent of TSTC to promote consistent organizational behavior by providing guidelines and assigning responsibility for developing controls and conducting investigations.

This policy and System Operating Standard apply to any fraud, or suspected fraud,

involving employees and students, stakeholders, consultants, vendors, contractors, outside agencies, or any other parties with a business relationship with TSTC. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to TSTC.

DELEGATION OF AUTHORITY

The Chancellor, Executive Vice Chancellor, and College Presidents have the authority and responsibility to ensure compliance with and uniform implementation of this System Operating Standard.

OPERATING REQUIREMENTS

1. Fraud Prevention

Administration personnel are responsible for overseeing the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Each manager should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. When a dishonest or improper activity is detected or suspected, administration should determine whether an error or misunderstanding has occurred or whether fraud is present.

2. Fraud Detection

Any fraud that is detected or suspected must be reported immediately.

To report suspected fraud, a secure, confidential fraud hotline is available at www.tstc.edu/ethicspoint or 1-866-294-8695. This is answered 24 hours a day (see System Operating Standard GA.1.17, Fraud Hotline). Internal Audit administers fraud hotline reports and coordinates all investigations, in conjunction with an Investigation Team.

Suspected fraud can also be reported to the State Auditor's Office at <http://sao.fraud.fraud.state.tx> or 1-800-TX-AUDIT. The State Auditor will determine the appropriate procedures to be performed, which may include an investigation by TSTC management and/or Internal Audit.

3. Actions Constituting Fraud

Fraud is defined as the intentional, false representation, or concealment of a material fact for the purpose of inducing another to act upon it to TSTC's injury. This means:

- cheating by obtaining money or some other benefit by deliberate deception;
or

- deliberately deceiving by imitation, impersonation, or other means.

Fraud includes alteration, misappropriation, and other fiscal wrongdoings including, but not limited to the following:

- forgery, falsification, or alteration of any document (e.g., checks, drafts, promissory notes, time sheets, travel expense reports, contractor agreements, purchase orders, grants, other financial documents or reports, electronic files, etc.) or account belonging to TSTC;
- misappropriation of funds, securities, supplies, or other assets;
- impropriety/misrepresentation in the handling or reporting of money or financial transactions;
- authorizing or receiving payment for goods not received or services not performed;
- authorizing or receiving payments for hours/time not worked;
- assigning employees to perform non-employment related tasks;
- embezzlement, bribery, or kickbacks;
- disclosing confidential and proprietary information to outside parties;
- accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to TSTC;
- destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment;
- any similar or related inappropriate conduct; and
- actions designed to conceal or perpetuate any of the aforementioned activities.

4. Other Inappropriate Actions

Non-fraudulent actions concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and Human and Organization Development, rather than Internal Audit. If there is any question as to whether an action constitutes fraud, contact Internal Audit at 254-867-3999 for guidance.

5. Investigation

Internal Audit has the primary responsibility for the investigation of all suspected fraudulent acts, as defined in the policy and System Operating Standard. If the investigation substantiates that a fraud activity has or has likely occurred, then Internal Audit will report to the appropriate administrative personnel and to the Board of Regents through the Audit Committee, if appropriate. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with the Investigation Team, as will final decisions on disposition of the case.

The Investigation Team is comprised of Internal Audit and General Counsel. It may also include the College's Police Department and/or other appropriate individuals.

The State Auditor's Office will determine the appropriate investigative procedures for reports made directly to them via their hotline.

6. Confidentiality

Internal Audit treats all information received *confidentially*. Any employee who suspects dishonest or fraudulent activity will notify Internal Audit immediately, and *should not attempt to personally conduct investigations or interviews/interrogations* related to any suspected fraudulent act (see Reporting Procedure section below).

Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to protect the reputations of persons suspected and TSTC.

7. Authorization for Investigating Suspected Fraud

Members of the Investigation Team will have:

- free and unrestricted access to all TSTC records and premises, whether owned or rented; and
- the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on TSTC premises, or other premises controlled by TSTC, without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.

8. Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or wrongdoings to avoid mistaken accusations and to avoid alerting suspected individuals that an investigation is under way.

An employee or other complainant who discovers or suspects fraudulent activity will *contact Internal Audit immediately* through the secure, confidential hotline at www.tstc.edu/ethicspoint or 1-866-294-8695, or the State Auditor's Office at <http://sao.fraud.fraud.state.tx> or 1-800-TX-AUDIT. The employee or other complainant may remain anonymous. The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by Internal Audit, TSTC General Counsel, or College Police.

All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to Internal Audit, General Counsel, or College Police.

No information concerning the status of an investigation will be given to the general public. The proper response to any inquiry is to say, "I am not at liberty to discuss this matter" and to refer them to the appropriate College or System Public Information Officer.

Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should not have an expectation that they will be kept apprised of outcomes of reports they make.

9. Administrative or Criminal Action

During the course of or upon completion of an investigation, as appropriate, the findings will be reviewed with the appropriate administrator(s), representative(s) from Human and Organization Development, and General Counsel. Internal Audit and College Police do not have the authority to terminate an employee. Employment decisions must be reviewed and approved by the appropriate administration. Actions in response to activities which may be considered criminal must be reviewed and approved by the appropriate administrators, Human and Organization Development, and General Counsel.

10. Report to State Auditor's Office

If Internal Audit has reasonable cause to believe that money received from the state by TSTC may have been lost, misappropriated, or misused, or that other fraudulent or other such unlawful conduct has occurred in relation to the operation of TSTC, the Internal Audit shall report the reason and the basis of the belief to the State Auditor's Office.

Before an alleged fraud or suspected unlawful conduct is reported to the State Auditor's Office, the incident should satisfy the following two criteria:

- Reasonable Cause criteria are satisfied when a set of facts exists which would induce a reasonable and prudent person to believe that an offense may have been committed.
- Reasonable Cause to Believe criteria are satisfied when the basis of the belief is more than mere suspicion and it should be possible to point to particular facts that support the belief that a loss may have occurred as a result of a fraud

or unlawful conduct.

It is not necessary that probable cause be established or a suspect be identified.

11. Administration

The Director of Audits is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

PERFORMANCE STANDARDS

1. All incidents are reported to Internal Audit.
2. College Operating Procedures at each College exist for implementation of this System Operating Standard.
3. This System Operating Standard is reviewed on an annual basis and revised as needed.
4. Incidents of alleged fraud or other such unlawful conduct that satisfy the State Auditor's Office's criteria, as described in this System Operating Standard, are reported by Internal Audit to the State Auditor's Office.

COLLEGE OPERATING PROCEDURE

COLLEGE		Page 1 of
OFFICE OF RESPONSIBILITY:		
APPROVED BY:		
TITLE:		Date
FORWARDED TO SYSTEM OFFICE ON		