Fraudulent or Dishonest Activities

Section: VII: Financial Services
Chapter: 2
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University of Texas System policy dictates that every suspected act of embezzlement, misappropriation and other fiscal irregularity be reported immediately and investigated by the appropriate University departments. University Administration is responsible for establishing and maintaining internal control that provides reasonable assurance that improprieties are prevented and detected. Each department should be familiar with the types of improprieties that might occur in their areas and be alert for any indication that such an act has occurred.

2.1 Definition of Terms

The terms embezzlement, misappropriation and other fiscal irregularities include but are not limited to any dishonest, illegal, or fraudulent act involving University property; forgery or alteration of checks, drafts, promissory notes, and securities; forgery or alteration of employee benefit or salary-related items such as time cards, billings, claims, surrenders, assignments, changes in beneficiary, etc.; forgery or alteration of medical-related items such as reports, charts, prescriptions, x-rays, billings, claims, etc.; forgery or alteration by employees, of student-related items such as grades, transcripts, loans, fee or tuition documents, etc.; misappropriation of funds, securities, supplies or any other asset to include use of University assets for private gain (i.e., equipment used for private consulting work, personal telephone calls made on University telephones, etc.); illegal or fraudulent handling or reporting of money transactions; acceptance or solicitation of any gift, favor, or service that might reasonably tend to influence the employee in the discharge of his or her official duties; destruction or disappearance of records, furniture, fixtures, or equipment where theft is suspected;

The Office of Auditing and Consulting Services will supervise all audits of allegations of dishonest or fraudulent activities. When an audit reveals suspected criminal activity, or an audit is initiated due to an allegation of criminal activity, the University Police are to be notified immediately. The Director of Police for the University of Texas System should be made aware of all felony fraud investigations and will be kept current of the progress of investigations conducted by the University Police.

If an audit reveals activity which may constitute a felony offense, the Director of Auditing and Consulting Services is to immediately notify the Vice President for Business Affairs, and then notification will be given to the U.T. System Director of Audits.
In accordance with the Regents' Rules Series 80601 the Vice President for Business Affairs and Administration will notify the Executive Vice Chancellor for Business Affairs as soon as it is known that a loss has occurred, for approval of all insurance and fidelity bond claims. It is the responsibility of the Vice President for Business Affairs to notify the President, who advises the Executive Vice Chancellor of criminal activity, as appropriate.

The Office of Auditing and Consulting Services, University Police, the Vice President for Business Affairs and the U.T. System Office of General Counsel will coordinate assistance provided to state, federal and local law enforcement agencies. All reasonable assistance will be given to law enforcement agencies when requested.

All requests for information and assistance related to investigations conducted by auditors of federal or state agencies are to be forwarded immediately to the Office of Auditing and Consulting Services, who will consult with the Vice President for Business Affairs.

The Vice President for Business Affairs is available and receptive to relevant information on a confidential basis, subject to the provisions of the Texas Open Records Act. Employees and students may directly contact the Vice President whenever an activity is suspected to be dishonest or fraudulent. The reporting individual should not attempt to personally conduct investigations or interviews/interrogations in order to determine whether or not a suspected activity is improper.

2.2 Audits/Investigations

Audits revealing violations of the Penal Code for which an audit report will be issued should be reduced to final report form only after consultation with the Vice President for Business Affairs and the Office of General Counsel. This ensures that appropriate documentation of the facts has been achieved in order to permit appropriate personnel action, protect innocent persons, support appropriate civil or criminal actions, document claims made pursuant to applicable fidelity bonds, preserve the integrity of the criminal investigation and prosecution, and avoid unnecessary litigation.

In order to avoid the use of investigative techniques that might prevent evidence from being used in a criminal prosecution, the University Police will coordinate the criminal investigation, once probable criminal activity has been detected.

To avoid damaging the reputations of innocent persons initially suspected of wrongful conduct, and to protect the University from potential civil liability, the results of audits/investigations will not be disclosed or discussed with anyone other than authorized representatives of law enforcement and/or regulatory agencies, and only those persons associated with the University who have a legitimate need to know such results in order to perform their duties and responsibilities, subject to the provision of the Open Records Act.

Care must be taken in the investigation of suspected improprieties or irregularities so as to avoid incorrect accusations or alert suspected individuals that an audit is underway. Also, care must be taken
to avoid making statements that could provide a basis for a suit for false accusation or other offenses. Accordingly, the reporting individual should:

a. not contact the suspected individual to determine facts or demand restitution;

b. not discuss any facts, suspicions or allegations associated with the case with anyone, unless specifically directed to do so by the Offices of Auditing and Consulting Services, University Police, or the Office of General Counsel.

All inquiries from the suspected individual, his/her representative or attorney are to be directed to the Vice President for Business Affairs. Under no circumstances should there be any reference to "what you did," "the crime," "the fraud," "the forgery," "the misappropriation," etc.

To the extent permitted by the Texas Open Records Act, confidentiality of those reporting dishonest or fraudulent activities will be maintained. However, the confidentiality cannot be maintained if that individual is required to serve as a witness in legal proceedings.

When an audit initiated due to an allegation of criminal activity has failed to detect criminal activity, and when advised by the Office of General Counsel, the Director of Auditing and Consulting Services has the discretion to stop the audit.

2.3 Operational Audit Findings

Each investigation of possible dishonest or fraudulent activities has the potential to provide insight into specific activities and may disclose control weaknesses and other areas that need additional auditing or University Administration attention.

Each investigation will be reviewed by the Office of Auditing and Consulting Services to determine whether additional work needs to be done in order to provide the Internal Audit Committee and University Administration with a basis for taking any corrective action necessary.

Allegations involving scientific misconduct will be handled in accordance with the policies based upon the U.T. System policy entitled "Procedure for Dealing with Allegations of Misconduct in Science".