

# ASU System Policy

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**Effective Date:** May 4, 2012

**Subject:** Fraud

**Category:** Legal, Compliance, & Internal Audit 5.02

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## 1. Purpose

The Arkansas State University System Fraud Policy is established to facilitate the development of controls which will aid in the prevention and detection of fraud within the Arkansas State University System. The System intends to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of prevention and detection controls and conduct of investigations.

## 2. Definitions

**Arkansas State University System (ASU System).** Arkansas State University System means all the institutions and System offices within the Arkansas State University System, now and in the future.

**Fraud.** Fraud is the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to the injury of the ASU System. Fraud includes, but is not limited to, the following examples:

- An entry into the accounting records of the ASU System that is intentionally made to represent what is not true or does not exist, with intent to deceive;
- Forgery or conversion of a check, bank draft, wire transfer, or any other ASU System financial document;
- Unauthorized alteration of any document or account belonging to the ASU System;
- Creation of false records;
- Misappropriation of funds, securities, supplies, or other ASU System assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Disclosing confidential or proprietary information to outside parties for personal gain;
- Theft of identity;
- Accepting or seeking anything of material value from contractors, vendors or persons providing services or materials to the ASU System, except as provided by law or regulation;

- Unauthorized destruction, removal, or use of ASU System records, furniture, fixtures, or equipment; and
- Any similar or related inappropriate conduct.

**Management.** Management means the executive charged with control of the institution or institutional unit and includes the Chair of the Board of Trustees, the System President, the campus chancellors, and their designees.

### 3. Arkansas State University System Fraud Policy

Arkansas State University System does not tolerate fraud. Any fraud, or suspected fraud, involving the Board of Trustees, employees, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, students, and any other parties with a business relationship with the ASU System must be reported to the Office of Internal Audit.

### 4. Process

- A. Prevention.** Management is responsible for the prevention and detection of fraud, misappropriations, and other inappropriate conduct. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, be alert for any indication of irregularity, and take immediate remedial measures should weaknesses be discovered.
- B. Reporting.** Any fraud that is detected or suspected must be reported to the Internal Audit Department, which coordinates investigations with University Counsel and other affected areas, both internal and external, and communicates the issue to the Arkansas Division of Legislative Audit. Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. If there is any question as to whether an action constitutes fraud, contact the Internal Audit Director for guidance.

An employee who discovers or suspects fraudulent activity must contact the Internal Audit Department either directly or through the ASU System's established reporting mechanism. The employee or other complainant may remain anonymous. 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 the Internal Audit Department or University Counsel. No information concerning the status of an investigation will be given out.

The reporting individual should not contact the suspected individual in an effort to determine facts or demand restitution or discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by University Counsel or the Internal Audit Department.



**C. Investigations.** The Internal Audit Department has the primary responsibility for the investigation of all suspected fraud as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Internal Audit Department will issue reports to appropriate designated System officers and personnel and to the Board of Trustees. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position or title, or relationship to the ASU System.

**D. Confidentiality.** The Internal Audit Department treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Internal Audit Department, and should not attempt to personally conduct investigations or interviews related to any suspected fraudulent act. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know subject to the Arkansas Freedom of Information Act. This confidentiality is important to avoid damaging the reputations of persons suspected, but subsequently found innocent of wrongful conduct.

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**E. Retaliation.** The ASU System prohibits retaliation against any person who, in good faith, reports detected or suspected fraud. False reports subject the employee to discipline in accordance with established procedures.

**F. Action.** Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for further independent investigation will be made in accordance with Arkansas and Federal laws by the Officers and Trustees of the System in consultation with University Counsel, as will final decisions on disposition of the case. The Internal Audit Department does not have the authority to terminate an employee for committing fraudulent acts. Decisions to terminate an employee reside with the ASU System's senior management and officers in consultation with Human Resources and University Counsel.

(Adopted by the Arkansas State University Board of Trustees on May 4, 2012, Resolution 12-11)