



BOV POLICY # 30 (2020) REPORTING AND INVESTIGATING SUSPECTED WRONGDOING

Policy Title:	Reporting and Investigating Suspected Wrongdoing
Policy Type:	Board of Visitors
Policy Number:	BOV Policy #30 (2020)
Approved:	November 2020
Responsible Office:	Internal Audit
Responsible Executive:	Chief Audit Executive
Applies to:	All University organizations, students, faculty, staff, and volunteers

POLICY STATEMENT

The University will not tolerate fraud, theft, waste or abuse of state or University property or resources. University employees should report suspected wrongdoing or possible fraudulent activities to the Chief Audit Executive or the State Fraud, Waste or Abuse Hotline. All reported allegations will be fully reviewed, and substantiated fraudulent activities will be reported to the proper authorities.

The purpose of this policy is to establish the overall roles and responsibilities of University employees for preventing, identifying, and reporting fraudulent transactions at the University. This policy details responsibility for the reporting and investigation of suspected irregularities.

Non-compliance with this policy may result in disciplinary action up to and including termination of employment. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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DEFINITIONS

Abuse: Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse can occur in financial or nonfinancial settings and does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement. Examples may include excessive charges, improper billing practices, or payment for unnecessary services

Fraud: The State Fraud, Waste and Abuse Hotline Policies and Procedures Manual defines fraud as, “The intentional deception perpetrated by an individual or individuals, or an organization or organizations, either internal or external to state government, which could result in a tangible or intangible benefit to themselves, others, or the Commonwealth or could cause detriment to others or the Commonwealth. Fraud includes a false representation of a matter of fact, whether by words or by conduct, by false or misleading statements, or by concealment of that which should have been disclosed, which deceives and is intended to deceive.”

Examples of Fraud, Waste, and Abuse include but are not limited to:

- Personal use of state-owned supplies or equipment
- Contract fraud
- Conducting personal business on state time
- Embezzlement or other financial irregularity
- Unauthorized use of University employees/time
- Violations of state procurement policy
- Falsification of official documents (time and leave records, check deposit, etc.)
- Inappropriate expenditures
- Engaging in bribery, kickbacks, or seeking unauthorized rebates

Good Faith Report: A report of conduct wrongdoing or abuse which is made without malice and which the person making the report has reasonable cause to believe is true.

Internal Controls: Policies, practices, and procedures that are designed to provide reasonable assurance that objectives are achieved in the following categories:

- Effectiveness and efficiency of operations (including safeguarding of assets and records)
- Reliability of financial reporting
- Compliance with laws and regulations
- Safeguarding of assets



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Red Flag: A red flag is a set of circumstances that are unusual in nature or vary from normal activity. The circumstances or activity signal that something is out of the ordinary and may need to be investigated further.

Waste: Waste is the intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of resources, to the detriment or potential detriment of the University. Waste also includes incurring unnecessary costs as a result of inefficient or ineffective practices, systems, or controls.

Whistleblower: An employee or citizen of the Commonwealth who witnesses or has evidence of wrongdoing or abuse and who makes or demonstrates by clear and convincing evidence that he is about to make a good faith report of, or testifies or is about to testify to, the wrongdoing or abuse to one of the employee's superiors, an agent of the employer, or an appropriate authority.

Wrongdoing: A violation, which is not merely technical or minimal in nature, of a federal or state law or regulation or a formally adopted code of conduct or ethics of a professional organization to protect the interests of the public or employee.

CONTACT(S)

The Chief Audit Executive officially interprets this policy and is responsible for matters pertaining to this Policy as it relates to the University Community. The President's Office is responsible for obtaining approval for any revisions as required by [BOV Policy # 01 \(2014\) Creating and Maintaining Policies](#) through the appropriate governance structures. Questions regarding this policy should be directed to the Chief Audit Executive.

STAKEHOLDER(S)

All University organizations, students, faculty, staff, and volunteers

REPORTING AND INVESTIGATING SUSPECTED WRONGDOING POLICY CONTENTS

University employees are responsible for safeguarding University resources under their control and for ensuring that those resources are used only for authorized purposes and in accordance with University policies, and applicable federal and state laws. Administrators and all levels of management have additional responsibility for the design and implementation of effective internal controls to protect University resources from misuse or abuse. Administrators and managers should be familiar with the potential risks and exposures in their areas of responsibility and be alert to any indicators of fraud and financial misconduct, including abusive or dishonest activities.



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Upon discovery of information or circumstances suggesting fraud or misuse of University property or funds, the individual should report the information to the Chief Audit Executive or the Office of State Inspector General Fraud, Waste, and Abuse Hotline by phone at 1-800-723-1615. To avoid conflict, employees are discouraged from personally conducting investigations or interviews. Self-investigating may also compromise the investigation.

Concerns related to employee's moral, ethics or behavior should be referred to the University Human Resource Department or the State Department of Human Resource Management. If unsure whether or not actions are considered as fraud or whom to contact, the employee should contact Internal Audit for guidance.

To protect employee confidentiality, allegations and results will not be disclosed or discussed with anyone other than those with legitimate need to know. The University will provide appropriate support to reporting employees to protect against retaliation and respond to concerns of retaliation or unfair treatment linked to the employee's reporting. Allegations made maliciously will not be tolerated.

All reported allegations will be fully investigated and results reported to the appropriate levels of management. Internal Audit may coordinate the investigations with the General Counsel, University Police and/or other affected areas, both internal and external. Once probable criminal activity has been detected, the University Police will take over the investigation. Internal Audit will support the investigation as required.

Internal Audit will work with management to identify control weaknesses, if any, to prevent further similar violations. Management Action Plans should be developed to mitigate the weaknesses identified. The status of the action plans should be communicated to the President and the Audit Committee on a quarterly basis.

Internal Audit will communicate all substantiated cases of fraud or financial misconduct to the University President, Audit Committee and General Counsel. Internal Audit will not make any recommendations related to disciplinary action. Criminal or civil actions may be taken against employees who participate in fraudulent acts. Decision to take action will be made by the Vice President or Director in conjunction with the President's Office and consultation with University Counsel. The determination of disciplinary action is not dependent on the outcomes of law enforcement's investigations or prosecutorial decisions as to whether or not to file criminal charges. The reporter of the allegation may not be privileged to the results of the report submitted.

Code of Virginia § 30-138 requires agency heads to promptly report circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred to the Auditor of Public Accounts, Office of the State Inspector General, and Virginia State Police. The President of the University has assigned this reporting responsibility to the Chief Audit Executive. The University is committed to assisting law enforcement and/or other agencies in the prosecution of those suspected of committing fraud.



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An employee suspected of committing or otherwise involved in fraud may be suspended with or without pay during an investigation of the allegations. If the evidence substantiates that the employee participated in fraudulent acts, the employee will be subject to disciplinary action, up to and including termination, pursuant to the policies outlined in the Virginia Department of Human Resource Management Standards of Conduct Policy 1.60, the Teaching Faculty, and Administrative and Professional Faculty Handbook.

WHISTLEBLOWER PROTECTION

University employees shall not intimidate or take retaliatory action, directly or indirectly, against any member of the University community as a result of whistleblowing. Retaliation against employees for making good faith reports is prohibited by the Virginia Fraud and Abuse Whistleblower protection Act, as set forth in Section 2.2-3011 of the Code of Virginia. The University will provide appropriate support to reporting employees to protect against retaliation and respond to concerns of retaliation or unfair treatment linked to the employee's reporting.

The types of retaliation that are prohibited include, but are not limited to: (1) intimidation, (2) adverse actions with respect to the whistleblower's work assignments, salary, vacation, and other terms of employment; (3) unlawful discrimination; (4) termination of employment; (5) adverse actions against a relative of the whistleblower who is a University employee or student; and (6) threats of any of the above.

TRAINING

New employees should be advised of this policy at the time of hire. Periodic training should be provided to all stakeholders, at a minimum on an annual basis.

PUBLICATION

This policy will be widely published and distributed to the University community. To ensure timely publication and distribution thereof, the Responsible Office will make every effort to:

- Communicate the policy in writing, electronic or otherwise, to the University community within 14 days of approval;
- Submit the policy for inclusion in the Online Policy Library within 14 days of approval; and
- Educate and train all stakeholders and appropriate audiences on the policy's content as necessary. Failure to meet publication requirements does not invalidate this policy.



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REVIEW SCHEDULE

- Next Scheduled Review: September 2027
- Approved date: November, 2020
- Revision History: September 28, 2018
- Supersedes: *BOV Policy #30 (2018)*

RELATED DOCUMENTS

State agencies, courts, and local constitutional officers to report certain fraudulent transactions; penalty. [Code of Virginia § 30-138](#)

Department of Human Resource Management Employee Dispute Resolution.
<https://www.dhrm.virginia.gov/employment-dispute-resolution>

Department of Human Resource Management policy 1.60 - Standard of Conduct
http://www.dhrm.virginia.gov/docs/default-source/hrpolicy/pol1_60.pdf?sfvrsn=2

Office of the State Inspector General, State Fraud, Waste, and Abuse Hotline.
<https://www.osig.virginia.gov/program-areas/citizen-services/state-fraud-waste-and-abuse-hotline/>

Code of Virginia: The Fraud and Abuse Whistleblower Protection Act
<http://law.lis.virginia.gov/vacode/title2.2/chapter30.1/>

Common types of fraud in higher education and examples of red flags (document attached).

FORMS

There are no forms associated with this policy.

COMMON TYPES OF FRAUD IN HIGHER EDUCATION AND EXAMPLES OF RED FLAGS

Remember that red flags do not indicate guilt or innocence but merely provide possible warning signs of fraud. By themselves, they don't necessarily mean anything, but the more that are present, the higher the risk that fraud, waste and abuse is occurring or could occur. The below lists are not meant to be all inclusive.

Unusual activity that is suspicious as to:

- Time (of day, week, month, year, or season)
- Frequency (too many, too few)
- Places (too far, too near, and too "Far out")
- Amount (too high, too low, too consistent, too alike, too different)

Common Types of Fraud in Higher Education

- Personal purchases on the procurement card
- Inappropriate charges to a travel or account payable voucher
- Theft of money or inventory items
- Theft of cash from deposits
- Falsifying time card with time not worked
- Misappropriation of Assets
- Conflict of Interest
- Unauthorized System Changes
- Forgery
- Nepotism
- Identity Theft
- Use of University resources for personal benefit
- Misrepresentation/Concealment of material facts
- Using duplicate invoices to pay vendors
- Frequent use of sole-source procurement contracts

Factors contributing to fraud:

- Lax or ineffective internal controls
- Ineffective management
- Management or control overrides
- Collusion among employees over whom there is little to no supervision
- Lack of account review reconciliation
- When significant policies are absent or outdated (e.g. code of ethics, transparency, periodic monitoring of business and academic performance indicators, management systems, internal audit procedures and annual external financial audits)
- The presence of unethical behavior poses significant risk to any organization

COMMON TYPES OF FRAUD IN HIGHER EDUCATION AND EXAMPLES OF RED FLAGS

Behavioral Red Flags

- Employee lifestyle changes: expensive cars, jewelry, homes, clothes
- Behavioral changes: these may be an indication of drugs, alcohol, gambling, or just fear of losing the job
- Living beyond one's means. Bragging about significant new purchases
- Carrying unusually large sums of money
- Financial difficulties.
- An unusually close association with a vendor or customer.
- Control issues or an unwillingness to share duties.
- Irritability, suspiciousness, and defensiveness; easily annoyed at reasonable questions
- Refusal to take vacation or sick leave.
- Refusing promotions
- Complaining about their lack of authority.
- Increased smoking.
- Photocopied or missing documents - Making up excuses for missing documentation or shortages and finding scapegoats.
- Providing unreasonable responses to questions

Department/ Management Red Flags:

- High employee turnover for key employees either by quitting or firing
- Operating on a crisis basis
- Lack of segregation of duties in key areas
- Reluctance to provide information to auditors
- Managers engage in frequent disputes with auditors
- Managers who regularly assume subordinates duties
- Management decisions are dominated by an individual or small group
- Managers display significant disrespect for authority
- There is a weak internal control environment
- Personnel are lax or inexperienced in their duties
- Decentralization without adequate monitoring
- Low employee morale

Fiscal Fraud:

- Excessive number of checking accounts
- Frequent changes in banking accounts
- Unauthorized bank accounts
- Sudden activity in a dormant banking accounts; Bank accounts that are not reconciled on a timely basis
- Discrepancies between bank deposits and posting
- Excessive number of year end transactions
- Unexpected overdrafts or declines in cash balances
- Abnormal number of expense items, supplies, or reimbursement to the employee

COMMON TYPES OF FRAUD IN HIGHER EDUCATION AND EXAMPLES OF RED FLAGS

Payroll

- Inconsistent overtime hours for a cost center
- Consistent overtime
- Overtime charged during a slack period
- Overtime charged for employees who normally would not have overtime wages
- Budget variations for payroll by cost center
- Employees with duplicate Social Security numbers, names, and addresses
- Employees with few or no payroll deductions
- Failure to deactivate or terminate access after employees have separated from a position, unit or the university
- Falsifying timesheets for a higher amount of pay
- Creating fictitious employees and collecting the paychecks

Purchasing

- High volume of purchases from new vendors
- Purchases that bypass the normal procedures
- Vendors without physical addresses
- Vendor addresses and/or phone numbers matching employee data
- Purchasing agents that pick up vendor payments rather than have it mailed
- Using duplicate invoices to pay vendors
- Frequent use of sole-source procurement contracts