

TEXAS STATE TECHNICAL COLLEGE
STATEWIDE OPERATING STANDARD

No. GA 1.15	Page 1 of 6	Effective Date: 10/11/2018
DIVISION:	General Administration	
SUBJECT:	Fraudulent Use of Assets and Resources	
AUTHORITY:	Minute Order #53-06	
PROPOSED BY:	Jason Mallory	
TITLE:	Director of Audits	Date: 10/11/2018
RECOMMENDED BY:	Jason Mallory	
TITLE:	Director of Audits	Date: 10/11/2018
APPROVED BY:	Mike Reeser	
TITLE:	Chancellor	Date: 10/11/2018

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Proposed 02/2006

I. STATEWIDE STANDARD

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

II. PERTINENT INFORMATION

This Statewide Operating Standard (SOS) shall facilitate the development of controls

that aid in the detection and prevention of fraud against TSTC. TSTC shall promote consistent organizational behavior by providing guidelines and assigning responsibility for developing controls and conducting investigations.

This SOS shall 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 shall be conducted without regard to the suspected offender's length of service, position/title, or relationship to TSTC.

III. GENERAL GUIDELINES

All employees shall be responsible for acting in an ethical manner, and for adhering to controls implemented by management. Administration and individual managers shall be responsible for establishing controls that reasonably prevent and detect improprieties.

Suspected wrongdoing based on a reasonable belief must be reported to the Internal Audit Department as described in Section VIII. An investigation of reports shall be made, with care taken to ensure confidentiality. The investigation is led by the Internal Audit Department, with assistance from an Investigation Team, as necessary. Findings shall be reviewed for criminal activity, with results disseminated to the appropriate parties within the College and at the State Auditor's Office.

IV. DEFINITIONS

Fraud: 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.

Examples of 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, timesheets, 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.

Investigation Team: Comprised of individuals from the TSTC Internal Audit and General Counsel Departments. It may also include the College's Police Department and/or other appropriate individuals.

V. DELEGATION OF AUTHORITY

The Chancellor and Vice Chancellors have the authority and responsibility to ensure compliance with and uniform implementation of this SOS. The Director of Audits is responsible for the administration, revision, interpretation, and application of this policy.

VI. PERFORMANCE STANDARDS

1. All incidents are reported to the Internal Audit Department.
2. This Statewide Standard is reviewed on an annual basis and revised as needed.
3. Incidents of alleged fraud or other such unlawful conduct that satisfy the criteria of the Texas State Auditor's Office, as described in this SOS, are reported by the TSTC Internal Audit Department to the State Auditor's Office.

APPENDIX

VII. RELATED STATEWIDE STANDARDS, LEGAL CITATIONS, OR SUPPORTING DOCUMENTS

[Texas Government Code, Title 10, Subtitle C, Chapter 2102](#)
[Texas Government Code, Title 3, Subtitle C, Chapter 321](#)
[SOS GA 1.16 Reporting of Wrongdoing or Retaliation](#)
[SOS GA 1.17 Fraud Hotline](#)

VIII. OPERATING REQUIREMENTS

Fraud Prevention

Administrative personnel shall be responsible for overseeing the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Accordingly, each manager shall 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, the appropriate administrator shall determine whether an error or misunderstanding has occurred or whether fraud is present.

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 <http://TSTCEthics.ethicaladvocate.com> or 1-877-448-5650. This is answered 24 hours a day (see SOS GA 1.17, Fraud Hotline). The Internal Audit Department shall administer fraud hotline reports and coordinate all investigations, in conjunction with an Investigation Team.

Suspected fraud may 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 the TSTC Internal Audit Department.

Other Inappropriate Actions

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

Investigation

The Internal Audit Department shall have primary responsibility for the investigation of all suspected fraudulent acts, as defined in this SOS. Depending on the nature of the report, assistance may be provided by members on an Investigation Team. If the investigation substantiates that a fraud activity has or has likely occurred, the results will be referred to the TSTC General Counsel to determine further steps that are necessary, to include referring to the appropriate law enforcement and/or regulatory

agencies. A report of each investigation will be made to appropriate administrative personnel and to the Board of Regents through the Audit Committee.

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

Confidentiality

The Internal Audit Department shall treat all information received *confidentially*. Any employee who suspects dishonest or fraudulent activity shall notify the Internal Audit Department immediately and *shall not personally attempt to conduct investigations or interviews/interrogations* related to any suspected fraudulent act. (See Reporting Procedure section below.)

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

Authorization for Investigating Suspected Fraud

Members of the Investigation Team shall 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.

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 underway.

An employee or other complainant who discovers or suspects fraudulent activity shall *contact the Internal Audit Department immediately* through the secure, confidential hotline at <http://TSTCEthics.ethicaladvocate.com> or 1-877-448-5650, 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 shall be informed of the following stipulations:

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

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

No information concerning the status of an investigation shall be given to the general

public. The proper response to any inquiry shall be to say, "I am not at liberty to discuss this matter" and to refer the inquiry to the appropriate College Public Information Officer.

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

The reporting individual shall not have an expectation that he/she will be kept apprised of outcomes of reports he/she made.

Administrative or Criminal Action

During the course of or upon completion of an investigation, as appropriate, the findings shall be reviewed with the appropriate administrator(s), representative(s) from the Human Resources Office, and the General Counsel. The Internal Audit and College Police Departments 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 that may be considered criminal must be reviewed and approved by the appropriate administrators, the Human Resources Office, and the General Counsel.

Report to State Auditor's Office

If the Internal Audit Department 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 Auditor shall report the reason and the basis of the belief to the State Auditor's Office.

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