



FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
Board of Trustees Policy

Board of Trustees Policy Number: 2020-01 Fraud Prevention and Detection	Date of Adoption: 12/3/2020 Date of Revision: 2/17/2022
Subject	Fraud Prevention and Detection
Authority	Florida Board of Governors Regulation 4.001 <i>University System Processes for Complaints of Waste Fraud, or Financial Mismanagement</i> ; Florida Board of Governors Regulation 4.002 <i>State University System Chief Audit Executives</i> ; University Regulation 1.019 <i>University Code of Conduct</i> ; University Policy 2019-01 <i>Internal Controls and Enterprise Risk Management</i> ; Florida Statutes 1010.01 <i>Uniform Records and Accounts</i> ; Florida Statutes 11.45(1) <i>Definitions, Duties, Authorities, Reports, Rules</i> ; Florida Statutes Chapter 112, Part 3 <i>The Code of Ethics for Public Officers and Employees</i> .
Applicability	This Policy is applicable to all members of the University community, including all board of trustees' members, University employees, students, volunteers, and all contractors and guests attending, doing business with or affiliating with the University or any of its employees, organizations, components, campuses, facilities, or events.
<p>I. Policy Statement and Purpose</p> <p>A. Florida Agricultural and Mechanical University (FAMU or University), under the governance of its Board of Trustees, is committed to accountability and integrity, as well as the highest standards of moral, professional and ethical behavior. The FAMU Fraud Prevention and Detection Policy (Policy) is established to facilitate the development of controls that will aid in the detection and prevention of fraud against FAMU. Acts involving fraudulent behavior negatively impact the University's reputation by eroding public trust and confidence in the University. Additionally, these acts may result in financial losses to the University that impairs the University's ability to operate efficiently and achieve its goals and objectives.</p> <p>B. FAMU has a "zero tolerance" for fraudulent, unethical and other dishonest activities. FAMU will promote consistent organizational behavior and institute preventive measures and controls designed to deter, prevent and/or detect these fraudulent activities by:</p> <ol style="list-style-type: none"> 1. Proactively exercising due diligence in the prevention and detection of fraud; 2. Independently investigating any misuse of University resources and any suspected acts of fraud, theft, corruption, waste, or abuse; 3. Providing for reporting of such activities, including protecting persons who report such violations, to the extent permitted by law; 4. Taking appropriate disciplinary or legal action, including the pursuit of criminal prosecution, as a result of fraudulent actions committed; and 5. Requiring each employee to attend annual fraud awareness training. 	

II. Definitions

- A. Fraud** means obtaining something of value through willful misrepresentation, including, but not limited to, intentional misstatements or intentional omissions of amounts or disclosures in financial statements to deceive users of financial statements, theft of an entity's assets, bribery, or the use of one's position for personal enrichment through the deliberate misuse or misapplication of an organization's resources. Fraud generally means an act of deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, or intentional concealment or the omission of material facts.
- B. Waste** means the act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose. An example of waste is not taking advantage of available purchasing discounts or approving payment for items that are not needed.
- C. Abuse** means behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances. The term includes the misuse of authority or position for personal gain. An example of abuse is using FAMU's equipment or supplies to conduct personal business.
- D. Theft** is defined as the physical removal of an object that is capable of being stolen without the consent of the owner and with the intention of depriving the owner of it permanently. An example of theft is taking home a printer belonging to FAMU and keeping it for personal use.
- E. Falsification** is defined as the action of falsifying information.
- F. Fiscal irregularity** is defined as an occurrence in which there is a shortage or overage of funds, illegal disbursement(s) resulting from fraud, forgery, alteration of vouchers, improper certification, or other improper practices, or improper accounting for receipts.
- G. Misappropriation** is defined as the intentional, illegal use of the property or funds of the University or another person for one's own use or other unauthorized purpose.
- H. Employee** is defined as a person who performs services for, and under the control and direction of FAMU.
- I. Management** is defined as vice presidents, directors, managers, and supervisors.

III. Fraud Overview

- A. Acts Constituting Fraud:** The terms fraud, impropriety, misappropriation, and fiscal wrongdoings refer to, but are not limited to:
1. Any dishonest or fraudulent act in the course of performing University functions;
 2. Forgery or alteration of any document or account belonging to FAMU;
 3. Destruction, alteration, mutilation, concealment, covering up, falsification or making of a false entry in any record, document or tangible object with the intent to impede, obstruct or influence any investigation by the University or by any state, federal or administrative agency.
 4. The destruction, alteration or concealment of any records used in the conduct of an audit;

5. Forgery or alteration of a check, bank draft, or any other University or University-related financial document;
6. Misappropriation of funds, securities, supplies, equipment, or other assets of FAMU;
7. Theft of a check or other diversion of payment;
8. Profiteering as a result of insider knowledge of organizational activities;
9. Impropriety in the handling or reporting of University or University-related money or financial transactions;
10. Deliberately and inappropriately disclosing University or University-related confidential or proprietary information to outside parties;
11. Accepting or seeking gifts or any other items of value from contractors, vendors, or persons providing goods or services to FAMU where it is understood that such gifts or items are intended to influence the judgment or official action of the University employee.
12. Unauthorized destruction, removal or inappropriate use of records, furniture, fixtures, equipment and other University property;
13. Improperly influencing or attempting to improperly influence the conduct of any audit of University finances, operations or accounts;
14. Taking information, using it or providing information that would lead to identity theft; and
15. Any similar or related inappropriate conduct or irregularity.

IV. Procedures, Approvals/Responsibilities

A. Fraud Prevention

1. Responsibilities

- a. **Vice Presidents:** Vice presidents are responsible for ensuring that a system of internal controls is established and maintained that provides reasonable assurance that fraud and other improprieties are prevented or will be detected. Additionally, vice presidents are responsible for promoting an anti-fraud environment that seeks to prevent inappropriate behavior by displaying the proper attitude toward compliance with rules, regulations and laws and by maintaining proper internal controls that will provide for the accountability and security of resources.
- b. **Management:** All levels of management are responsible for establishing and following controls as applicable for their division or unit. Management is responsible for ensuring their controls are functioning effectively and designed to prevent and/or detect fraud, misappropriation, or other irregularities. Any instance of fraud, misappropriation, or irregularity that is detected or suspected must be reported immediately to the Vice President of Audit.
- c. **Employees:** All employees of FAMU should be familiar with the types of improprieties that might occur within his/her area of responsibility, and be alert for any indications of irregularity. Any University employee who has knowledge of such activity shall immediately notify his/her supervisor and/or the Division of Audit. Annually, each employee is required to attend fraud awareness training and read the fraud policy.
- d. **Division of Audit:** The Vice President of Audit, or his/her designee, shall conduct, supervise, or coordinate activities for the purpose of preventing and detecting fraud, waste, and abuse within University programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units. Additionally, the Vice President of Audit, or his/her

designee, shall address significant and credible allegations relating to waste, fraud, or financial mismanagement as provided in Board of Governors Regulation 4.001. The Division of Audit will be available to assist management in recognizing and establishing internal controls to prevent and mitigate fraudulent activities and providing fraud awareness training. The Division of Audit, with the assistance and active participation of other divisions, will periodically perform a fraud risk assessment and advise management of the actions needed to reduce the risk of fraud.

B. Reporting

1. Responsibilities

- a. **Requirement to Report.** University employees, consultants, vendors, or persons doing business with FAMU who have knowledge of a fraud, misappropriation, or other impropriety shall immediately notify his/her supervisor and/or the Division of Audit. Complaints may be made anonymously.
- b. **Requirement to Act in Good Faith.** Anyone reporting an irregularity that is detected or suspected must be acting in good faith and have reasonable grounds for believing the information provided. Allegations made maliciously or with knowledge of their falsity will not be tolerated. People making such allegations may be subject to appropriate institutional disciplinary action.

2. Procedures

- a. **Complainant Notification.** Reports of fraud should be made to any of the following:
 - i. **Supervisor.** You may notify your supervisor of your concern. Your supervisor is responsible for notifying the Division of Audit to discuss your concern.
 - ii. **Compliance and Ethics Hotline.** University's Compliance and Ethics Hotline, which also allows anonymous reporting: <https://secure.ethicspoint.com/domain/media/en/gui/74408/index.html>
 - iii. **Division of Audit.** email (auditandcompliance@famuedu) or phone (850-412-5479)
- b. **Reporting Individual Notification:** Once a report is made, the reporting individual must comply with the following:
 - i. Do not contact the suspected individual in an effort to determine facts or demand restitution.
 - ii. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Division of Audit or the Office of General Counsel.
 - iii. Allow Division of Audit staff to conduct the investigation. Do not further investigate the allegations.

3. Rights of the Reporting Individual

- a. **Confidentiality.** The University will treat all information received confidentially to the extent permitted under applicable law. To the extent permitted under law, investigation results will not be disclosed or discussed with anyone other than those individuals who have a legitimate need to know.

- b. **Whistleblower Protection.** The Vice President of Audit shall assess each reported complaint to determine if the allegations fall under the Whistle-blower Act (Section 112.3187 through 112.31895, Florida Statutes). If the reported allegations fall under the Whistle-blower Act, that employee who reported the wrongful acts, or suspected acts in good faith, is protected against retaliation for making such report. Whistleblowers who believe that they have been retaliated against may file a written complaint with the Division of Audit and/or Office of Compliance and Ethics. Any complaint of retaliation will be promptly investigated and appropriate remedial measures will be taken if the allegations of retaliation are proven. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action in the usual scope of their duties and based on valid performance-related factors.

4. Retaliation

- a. **Retaliation will not be tolerated.** Regardless of whether or not the provisions of the Whistle-blower Act are satisfied, FAMU does not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. An employee or other person who lawfully, appropriately, and in good faith reports suspected fraud or other improper activity shall not be discharged, demoted, suspended, threatened, harassed, or suffer adverse personnel action of any kind because of such individual's lawful actions in providing information or assistance to an investigation into fraudulent or other activity.

C. Investigations

1. Responsibilities

- a. **Division of Audit.** The Division of Audit has the primary responsibility for the investigation of all suspected fraudulent acts as defined by this Policy.
- i. **Assessment.** Upon receipt of a report of suspected fraud, the Vice President of Audit shall document the contact and conduct a preliminary investigation to determine the credibility of the report. If found credible the Vice President of Audit will assess the allegations to determine if the reporter qualifies for protection under the Whistle-blower Act and coordinate the evaluation of internal control breakdowns for remediation. Additionally, the Vice President of Audit will notify the Board of Governors, Board of Trustees, President, and senior management of credible allegations of fraud, as appropriate. If the report is determined not credible, the Vice President of Audit, will document this determination and include any support for the determination.
 - ii. **Standards.** Investigations will be conducted under the guidelines outlined in the [*Standards for Complaint Handling and Investigations for the State University System of Florida*](#). If applicable, investigations will also be conducted in compliance with the Whistle-blower Act (Section 112.3187-112.31895, Florida Statutes).
 - iii. **Referrals**
 - i. **Internal.** Allegations or matters of conduct deemed outside the scope of this Policy, such as personnel-related issues, policy and procedure violations, code of conduct violations, ethics violations, Title IX reports, or potential scientific research misconduct, may be referred

by the Division of Audit to the respective area of management for review and appropriate action. If a faculty, student, or other employee related matter is reported that has not been initiated and concluded under University processes established to govern that specific type of complaint, the matter will be referred to the appropriate management before any investigative actions will be taken by the Division of Audit.

- ii. **External.** It is the policy of FAMU to comply with all special reporting and investigation requirements of external agencies (i.e. awarding agency of state, federal, or private funds) where suspected fraud or other wrongdoing has been identified.

b. Reporting

- i. **General.** To avoid damaging the reputations of innocent persons and to protect the University from potential civil liability, the results of investigations will not be disclosed or discussed with anyone, unless required by law, regulation, or University policy.
- ii. **Substantiated Fraudulent Activities.** If the investigation substantiates that fraudulent activities have occurred, the Division of Audit will issue reports to appropriate designated personnel and, if appropriate, the Board of Trustees through the Audit and Compliance Committee. 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 legal counsel and senior management for all criminal or suspected criminal activity.

2. Authorization

- a. Members of the Division of Audit will have:
 - i. Free and unrestricted access to all University records and premises, whether owned or rented by the University.
 - ii. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.
- b. University employees, including management, must cooperate with the Division of Audit, University Police, and other law enforcement agencies in the detection, investigation, and reporting of fraudulent or criminal acts. Failure to cooperate with the Division of Audit or providing false and/or misleading information in an investigation could result in disciplinary action up to and including termination.

D. Actions

1. **General:** Employees determined to have participated in fraudulent, unethical or dishonest acts will be subject to disciplinary action (i.e. demotion, suspension, termination, etc.) in accordance with University policies and regulations and any applicable collective bargaining agreements. The decision for disciplinary action is made by the employee's manager. All disciplinary actions will be reviewed by the designated representatives from the Office of the General Counsel, the Provost's Office, or the Department of Human Resources, as appropriate. Should the Division of Audit believe the management decision

is inappropriate for the facts presented, the facts will be presented to executive level management for decision.

2. **Criminal, Civil, or Administrative:** Criminal, civil and/or other administrative actions may also be taken against any person or entity who is found to have participated in unlawful acts or who knowingly withheld information that would have revealed fraudulent or other improper activities. Such decisions will be made in consultation with the Office of the General Counsel and the University Police Department.
3. **Non-employee:** Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with FAMU or in any other relationship with FAMU could result in cancellation of the business or other relationship between the entity and FAMU.

E. Significant and Credible Allegations of Waste, Fraud, Mismanagement, Misconduct, and other Abuses made against the Chief Audit Executive or the Chief Compliance Officer shall be handled as follows:

1. The Chair of the Audit and Compliance Committee of the FAMU Board of Trustees (BOT) and the University President shall review the matter and may ask the Provost and General Counsel to conduct a preliminary inquiry to determine whether the allegations warrant further investigation or other appropriate action. If it is determined that an investigation is warranted, it shall take one (1) of the following forms: 1) The Provost and General Counsel, at the request of the Audit and Compliance Committee and the President, will hire an independent outside firm to conduct the investigation with his or her guidance and monitoring, or 2) The Office of the General Counsel will conduct the investigation.
2. At the conclusion of the investigation, a report shall be submitted to the subject(s) of the investigation, who shall have twenty (20) days from the date of the report to submit a written response to the Chair of the Audit and Compliance Committee and the President. The investigator may also submit a rebuttal to the response no later than five (5) days receipt of the response. The subject's response and the investigator's rebuttal to the response, if any, shall be included in the final report presented to the Chair of the Audit and Compliance Committee of the FAMU BOT and the President. The report will be submitted to the FAMU BOT, and/or Board of Governors (BOG), as appropriate.
3. The President shall determine the appropriate disciplinary action, if any, in consultation with the Associate Vice President of Human Resources, or designee, and in accordance with FAMU regulations.
4. The President, in consultation with the Provost and General Counsel, shall confer with the appropriate law enforcement entity in all instances where there are reasonable grounds to believe a criminal violation has occurred.

F. Significant and Credible Allegations of Waste, Fraud, Mismanagement, Misconduct, and other Abuses Made Against the President or a Board Member shall be handled as follows:

1. The Vice President of Audit shall provide timely notification to the BOG, through the Office of Inspector General and Director of Compliance (OIGC), of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the University President or a Member of the BOT.
2. **Initial Review and Preliminary Inquiry.** The Chair of the Board (or the Chair of the Audit and Compliance Committee if the allegations involve the Board Chair), in consultation with the

Chair of the Board of Governors, shall review the matter and may ask the OIGC to conduct a preliminary inquiry, in accordance with section 10.2.a of the OIGC charter.

3. If, as a result of the review and/or preliminary inquiry, it is determined that an investigation is warranted, it shall take one of the following forms:
 - a. The Board of Trustees will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
 - b. The OIGC will perform the investigation.
4. At the conclusion of such investigation, the investigator’s report shall be submitted to the subject, who shall have twenty (20) days from the date of the report to submit a written response. The subject’s response and the investigator’s rebuttal to the response, if any, shall be included in the final report presented to the Chair of the Board of Trustees (or the Chair of the Audit and Compliance Committee if the allegations involve the Board of Trustees Chair) and the Board of Governor’s Audit and Compliance Committee.

G. Administration

1. The Vice President of Audit, or his/her designee, is responsible for the administration, revision, interpretation, and application of this Policy. The Policy will be reviewed annually and revised as needed.

Attachment(s)

n/a

Hyperlink Addresses

n/a