

# **FRAUD POLICY**

## **Office of Internal Audit**

### **University of the Virgin Islands**

#### **Background**

This fraud policy is established to facilitate the development of controls to aid in the detection and prevention of fraud against the University of the Virgin Islands (University). It is the intent of the University to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and the conduct of investigations.

#### **Scope**

This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, and/or any other parties engaged in a business relationship with the University.

Any required investigative activity as the result of an employee or any other individual bringing forward a good-faith concern or allegation of wrongdoing will be conducted without regard to length of service, position/title, or relationship to the University held by the subject of the investigation.

#### **Policy**

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her detriment or injury. Each member of a University management team or function will 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.

Any irregularity that is detected or suspected must be immediately reported to the Office of Internal Audit, who coordinates all investigations with the Chairperson of the Audit Committee of the Board of Trustees and the University President.

#### **Actions Constituting Fraud**

The terms fiscal irregularity, defalcation, and misappropriation refer to, but are not limited to:

- Any dishonest or fraudulent act;
- Misappropriation of funds, supplies, or other assets, including funds collected at all auxiliary units of the University;
- Impropriety in the handling or reporting of money or financial transactions, including Federal and local funds the University receives for allotments and grant awards;

- Profiteering as a result of insider knowledge of University activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from a contractor, vendor, or person providing services/materials to the University; and
- Destruction, removal, or inappropriate use of University records, furniture, fixtures, and equipment.

### **Other Irregularities**

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental and/or component head management and the Employee Relations unit of Human Resources rather than the Office of Internal Audit.

If there is any question as to whether an action constitutes fraud, contact the Office of Internal Audit for guidance.

### **Protocol**

An employee or any other individual can report, without fear of retaliation, suspected fraudulent or other irregular activities to the Office of Internal Audit. Prior to commencing a review of suspected wrongdoing, the Internal Auditor will bring forward all concerns to the Chairperson of the Audit Committee of the Board of Trustees and the President.

Allegations of suspected wrongdoing made against the President will be brought forward to the Chairperson of the Board of Trustees.

Allegations of suspected wrongdoing made against the Internal Auditor will be brought forward to the President.

### **Investigation Responsibilities**

The Office of Internal Audit has primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. The Office of Internal Audit shall issue reports to the Audit Committee of the Board of Trustees, President, component and department heads, as applicable, that either substantiate or refute allegations of fraudulent activity.

Investigations pertaining to the President will be handled by the Chairperson of the Board of Trustees, and investigations pertaining to the Internal Auditor will be handled by the President.

Decisions to prosecute or refer the examination to appropriate law enforcement and/or regulatory agency for independent investigation will be collaboratively determined by the Internal Auditor, Audit Committee of the Board of Trustees, President, and Legal Counsel. Similarly, final decisions on employee discipline as the result of a substantiated investigation by

the Internal Auditor, will be collaboratively determined by the President and human resources personnel, and legal counsel and component and division heads, as applicable.

## **Confidentiality**

The Office of Internal Audit treats all information received as proprietary and confidential. As such, investigation results will only be shared with those with a legitimate need to know. This is important in order to avoid damaging the reputation of a person suspected of irregular or fraudulent activity, but subsequently cleared of wrongdoing based on non-substantiation of the allegation and to protect the University from potential civil liability.

An employee or any other individual who suspects dishonest, irregular, or fraudulent activity has a responsibility to immediately notify the Office of Internal Audit. The employee or any other individual should not attempt to personally conduct any facet of the investigation related to any suspected fraudulent act.

## **Authorization for Investigating Suspected Fraud**

The Office of Internal Audit will have:

- Free and unrestricted access to all University records, premises, and personnel; and
- The authority to examine, copy, and/or remove all or any portion of the contents of files, computers, 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 an investigation.

## **Reporting Procedures**

Care must be taken in the investigation of suspected fraudulent or irregular activities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee or any other individual who discovers or suspects fraudulent or irregular activity will immediately contact the Office of Internal Audit and make a good-faith report. An employee or any other individual making such a good-faith report will remain confidential to the extent permitted by law. All inquiries concerning the activity under investigation from the suspected individual, his/her legal counsel or representative, or any other inquirer should be directed to the President.

An employee or any other individual who brings forward a good-faith allegation must 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 the President, Legal Counsel or the Internal Auditor.

An employee who brings forward a good-faith concern will be afforded “whistleblower” protection by the University. In this regard, the University will uphold a zero retaliation measure for an employee who brings forward a good-faith concern. However, an employee

who uses this reporting procedure to intentionally harm or impugn the integrity of an employee, vendor, contractor or any other individual or company conducting business with the University will be subject to disciplinary action up to and including termination of employment.

### **Discipline**

If the results of an investigation substantiate fraudulent or irregular activity, the factual information will be forwarded to the President, component and division head, human resources personnel, and legal counsel, as applicable, for appropriate disciplinary action, up to and including termination of employment of the suspected employee(s). The Office of Internal Audit does not have the authority to discipline employees.

### **Administration**

The Internal Auditor is responsible for the administration, revision, interpretation and application of this policy. The policy will be reviewed and revised, as necessary.

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
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Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_  
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Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
Edward E. Thomas, Chairperson, Audit Committee

Approved March 12, 2011 Board of Trustees