

## **FIU-117 Fraud Prevention and Detection**

### **Objective and Purpose**

Florida International University, under the governance of its Board of Trustees, is committed to the highest standards of moral, professional and ethical behavior. The Code of Ethics for Public Officers and Employees, Part III, Chapter 112, Florida Statutes, and University regulations and policies, articulate standards of behavior and requirements for the disclosure of fraudulent and other improper activities. Breaches of these standards, especially acts involving fraudulent behavior, are costly financially and erode the public trust and confidence in the University. Such breaches also impair the University's reputation for operating with efficiency as a good custodian of public and private funds. This Regulation establishes University criteria related to appropriate institutional controls and risk management framework to provide reasonable assurance that fraudulent activities within the University's areas of responsibility are prevented, detected, reported, and investigated.

### **Scope of Regulation**

This Regulation applies to any fraud, suspected fraud, or related wrongful acts involving any member of the University community, including Board of Trustees members, University employees, vendors, volunteers, consultants, students, and entities or individuals contracting, affiliating or doing business with the University. This Regulation is in alignment with Board of Governors Regulation 3.003 Fraud Prevention and Detection and Board of Governors Regulation 4.001 University System Processes for Complaints of Fraud, Waste, Abuse, or Financial Mismanagement. Allegations or matters of conduct deemed outside the scope of this Regulation (e.g., within the purview of FIU-2501 Student Conduct and Honor Code; Research Misconduct Policy #2370.070), such as academic or research misconduct, must be referred to the appropriate management area for review and action.

### **Statement of Regulation**

The University has zero tolerance for fraudulent activity. For purposes of this Regulation, fraud is defined as an intentional misrepresentation or concealment of a material fact for the purpose of obtaining a benefit that would not otherwise be received, or the inducement of another to act upon the intentional misrepresentation or concealment to their detriment. Examples of wrongful acts that may constitute fraud include, but are not limited to, the following:

1. Dishonest or fraudulent acts in the course of performing University functions;
2. Forgery or alteration of any document, check, bank draft or account of the University or any other University-related document;
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. Willful and/or intentional destruction, alteration, or concealment of any records to be used and/or used in the conduct of an audit, bid/vendor selection, contract execution, or pursuit of debt financing;
5. Misappropriation or theft of funds, securities, supplies, equipment, or other assets of the University;

6. Impropriety in the handling or reporting of University or University-related money or financial transactions;
7. Improperly influencing or attempting to influence the conduct of any audit of University finances, operations or accounts;
8. Improperly taking information, using it or providing information that would lead to identity theft and/or participation in any activity that is intended to initiate an identity theft scheme; and
9. Authorizing or receiving payment for goods not received or services not performed.

### **Fraud Control Framework**

The University will develop and maintain an anti-fraud framework which shall be based on:

1. Commitment to creating an organizational culture and structure conducive to fraud risk management through awareness, training, and top-down leadership;
2. Thorough, on-going assessment of risks relevant to the University's operating environment;
3. Development and implementation of processes and systems to effectively prevent, detect, and investigate fraud;
4. Application of appropriate criminal, civil, administrative, or disciplinary action to remedy the harm from fraud;
5. Training of staff in fraud awareness; and
6. Assessing and evaluating the success of the adopted framework based on actual fraud losses and changes in known fraud scenarios using a risk-based/cost-benefit approach and adapting current activities to improve future fraud risk management.

### **Key Roles and Responsibilities**

1. **University President** is responsible, by and through the University's Vice Presidents and Deans, for adopting an Anti-Fraud Framework ("Framework") for the prevention, detection, reporting, investigation, and remediation of fraud and for combating fraud by creating an organizational culture conducive to fraud risk management through awareness, training, and top-down leadership.
2. **Vice Presidents and Deans** are responsible for fostering a culture and environment to prevent improper behavior and make fraud control the responsibility of all employees under their direction. As fraud risk owners within their respective units, Vice Presidents and Deans are responsible for developing and maintaining effective institutional controls and mitigating measures as part of the University's Enterprise Risk Management and Anti-Fraud Framework to provide reasonable assurance that fraudulent activities within their areas of responsibility are prevented, detected, reported, and investigated. In those instances where internal controls may need strengthening, the Office of Internal Audit should be consulted for assistance on how to enhance those controls.
3. **Supervisors and Managers** are responsible for fostering a culture and environment to prevent improper behavior and make fraud control the responsibility of all staff under their supervision. This occurs when Supervisors and Managers consistently display, through words and actions, an unwavering commitment toward complying with applicable laws, University regulations and policies and when Supervisors and Managers develop and maintain proper internal controls that provide for accountability and safeguarding of resources. Supervisors and Managers should be cognizant of the risks

and exposures inherent in their area of responsibility and signs of fraudulent or other wrongful conduct. They must ensure that staff participate in fraud awareness education and training and that audit recommendations are implemented promptly.

4. **University Employees** are responsible for acting responsibly and ethically, adhering to all applicable laws, University regulations and policies and actively participating in the implementation of fraud control strategies. Employees should be familiar with the types of fraudulent activities that might occur within their areas of responsibility, be alert for any indications of irregularity, and report any suspicions of, or information relating to any instance of fraudulent conduct.
5. **Office of Internal Audit** is responsible for the investigation of all suspected acts of fraud as defined by this Regulation and consistent with Board of Governors Regulation 4.001. As necessary, the Office of Internal Audit will work with the Office of General Counsel to obtain external parties with subject matter expertise and/or professional independence to perform or assist with fraud investigations and inform the Board of Trustees when contracting for such assistance.

### **Reporting**

1. **Responsibility to Report.** All members of the University community including Board of Trustees members, University employees, vendors, volunteers, consultants, students, and entities or individuals contracting, affiliating or doing business with the University who become aware of or suspect fraudulent or related wrongful activity are responsible for reporting the suspected activity to the Office of Internal Audit. An employee's failure to report suspected fraudulent or wrongful activity may be subject to appropriate institutional disciplinary action in accordance with University policies and regulations and any applicable collective bargaining agreement(s).
2. **Requirement to Act with a Reasonable Good Faith Belief.** Any individual reporting detected or suspected fraudulent activity must be acting in good faith and have reasonable grounds for believing the information provided.
3. **Complainant Notification Procedure.** Detected or suspected fraudulent activity or related conduct should be reported to one of the following:
  - a. **Office of Internal Audit.** The Office of Internal Audit may be emailed at [Auditors@fiu.edu](mailto:Auditors@fiu.edu) and/or contacted at Phone: 305-348-2107. Reporters seeking whistle-blower protection should file reports of fraud directly with the Office of Internal Audit.
  - b. **Ethical Panther Reporting Hotline.** Reporters may access the Ethical Panther Hotline at <https://fiu.i-sight.com/portal> or by calling 1-888-520-0570 (reporters can choose to remain anonymous)

### **Rights and Protections of the Reporting Individual**

1. **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.
2. **Whistle-blower Protection.** The Chief Audit Executive shall assess each reported allegation to determine if it meets the criteria delineated under the Florida Whistle-blower's Act (Sections 112.3187 – 112.31895, Florida Statutes). If the complaint is

determined to fall under the Whistle-Blower's Act, the reporter shall be notified of their protections under said Act, including confidentiality and non-retaliation for filing such a report.

3. **Retaliation.** The University prohibits any form of retaliation against individuals who make a reasonable good faith report of potential misconduct including fraud or suspected fraud or for their participation in an investigation into misconduct. An employee or other person who acts in good faith and has reasonable grounds for reporting suspected fraud or other improper activity may not be discharged, demoted, suspended, threatened, harassed, or suffer adverse personnel action of any kind because of such individual's reporting or assistance to an investigation into fraudulent or other inappropriate activity.

### **Actions to Be Taken When Fraud or Related Misconduct Is Identified and Substantiated**

1. **General.** Employees determined to have participated in fraudulent 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 agreement(s).
2. **Criminal, Civil, or Administrative.** Without limiting any other right or remedy of the University, whether civil or otherwise, the University may refer and coordinate with any appropriate law enforcement agency about any criminal and/or administrative actions that may also be taken against any person or entity who is found to have participated in unlawful acts.
3. **Non-employee.** Without limiting any other right or remedy of the University, whether civil or otherwise, if a vendor, volunteer, consultant, student, entity or individual contracting, affiliating or doing business with the University is determined to have participated in fraudulent acts this will result in termination of the business or other relationship with the University and other actions as appropriate.
4. **Remediation.** Designated University personnel will promptly review and remediate internal control deficiencies identified in the final investigative report, including, but not limited to, recovery of University resources or losses.

### **Alert/Reporting Process**

1. **General.** The results/status of ongoing investigations will not be disclosed or discussed with anyone without a need to know consistent with a thorough investigation, unless required by law, regulation, or University policy.
2. **Reporting to University Personnel and Board of Trustees.** If the investigation substantiates that any fraudulent activities have occurred, the Chief Audit Executive will issue reports to appropriate designated University personnel and the Board of Trustees as required to provide details and support for this conclusion.
3. **Reporting to OIGC.** Significant and credible allegations are those that, in the judgment of the chief audit executive, require the attention of those charged with governance and have indicia of reliability. For significant and credible allegations of fraud, waste, abuse, or financial mismanagement within the University and the Board of Trustees' operational authority, the Chief Audit Executive shall timely provide the Board of Governors Office of Inspector General and Director of Compliance (OIGC) sufficient information to demonstrate that the Board of Trustees is both willing and able to address the allegation(s). Following disposition of the investigation, the Chief Audit Executive shall

provide the OIGC with University action and final case disposition information sufficient to demonstrate that the Board of Trustees was both willing and able to address such allegations.

4. **Notification to Board of Governors.** The Board of Trustees, through its Chair (or through the Chair of the Audit and Compliance Committee in the circumstances set forth in sub-paragraph (a) below), shall timely notify the OIGC of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, or other abuse made against a member of the Board of Trustees or the President. Such allegations will be handled as follows:
  - a. The Chair of the Board of Trustees (or the Chair of the Audit and Compliance Committee of the Board of Trustees if the allegations involve the Chair of the Board of Trustees), 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. If it is determined by the Chair of the Board of Trustees (or the Chair of the Audit and Compliance Committee of the Board of Trustees if the allegations involve the Chair of the Board of Trustees) and the Chair of the Board of Governors or through an OIGC preliminary inquiry that an investigation is warranted, it shall take one of the following forms:
    - i. The Board of Trustees will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
    - ii. The OIGC will perform the investigation.
  - b. At the conclusion of such investigation, the report shall be submitted to the subject, who shall have twenty (20) working 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 provided to the Board of Trustees and the Board of Governors.
5. **Significant and Credible Allegations Against Chief Audit Executive or Chief Compliance Officer.** If the University receives a significant and credible allegation of fraud, waste, abuse, or financial mismanagement, misconduct, or other abuse against the Chief Audit Executive or the Chief Compliance Officer, the President and the Chair of the Audit and Compliance Committee of the Board of Trustees will consult with the Office of the General Counsel to review the matter and timely provide the OIGC with sufficient information to demonstrate that the Board of Trustees is both willing and able to address the allegations. If, after review, an investigation is warranted, the Chair of the Audit and Compliance Committee may either hire an independent outside firm to conduct the investigation with the Chair and General Counsel's guidance and monitoring, or refer the matter to the OIGC to conduct the investigation if appropriate.

#### **Periodic Review and Notification**

This Regulation shall be reviewed at least every five years for currency and consistency with applicable Board of Governors and University regulations. The Board of Trustees shall be notified, at least annually, of the efficacy of the University's antifraud framework and any necessary revisions to improve the framework.

Authority: Article IX, Section 7, Florida Constitution, Board of Governors Regulations 1.001, 3.003, and 4.001. History – New, 3-4-22, Amended 6-21-22.