Fraud Identification and Reporting Requirements

**Policy Type:** Administrative  
**Responsible Office:** Audit and Compliance Services  
**Initial Policy Approved:** 12/03/2015  
**Current Revision Approved:** New

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**Policy Statement and Purpose**

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. 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 Audit and Compliance Services, in conjunction with VCU Police.

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 rules, 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. Fraud and financial misconduct create negative impacts beyond the initial monetary loss; damaging morale, halting or slowing operations, reducing departmental budgets by any reimbursement to outside parties or specialty investigatory costs. By establishing sound internal controls department management can greatly reduce the potential occurrence of fraud, waste, or abuse.

In accordance with the VCU’s *Duty to Report* policy, all members of the university community will timely report actual or suspected violations of laws, regulations, and policies to include instances of fraud, waste, or abuse involving funds or property under the control of the university. The “Procedures Section” provides guidance for reporting suspected or known fraud and financial misconduct activities. All good faith reports will be investigated and results reported to the appropriate levels of management. The reporter may not be privileged to the results of the report submitted.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.
Who Should Know This Policy

All departments of the university and all members of the university community.

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 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 including Financial Misconduct
Fraud is the intentional deception perpetrated by an individual or individuals, or an organization, either internal or external to the university, which could result in a tangible or intangible benefit to themselves, others, the university, or the Commonwealth or could cause detriment to others, the university, or the Commonwealth. Fraud and financial misconduct includes a false representation of a matter of fact, whether by word or conduct, by false or misleading statements, or by concealment of that which should have been disclosed, which deceives and is intended to deceive.

Fraud and financial misconduct may include, but is not limited to, the following actions:

- Embezzlement or financial irregularity
- Misappropriation, misapplication, removal, or concealment of university property
- Falsification of work or employment records related to salary and benefits with the intent to obtain an unauthorized financial benefit
- Engaging in bribery, kickbacks, or seeking unauthorized rebates
- Violation of university purchasing procedures and requirements with the intent to obtain an unauthorized financial benefit
• Misuse of university facilities such as vehicles, telephones, mail systems, or computer-related equipment in violation of university policy with the intent to obtain an unauthorized financial benefit
• Forgery, falsification, or alteration of documents
• Theft, destruction, or misappropriation of university resources
• Authorizing or receiving payments for goods or services not performed
• Misuse of university resources (e.g., purchase cards, eVA, etc.)
• Personal use of university property in commercial business activities
• Assignment of tasks to an employee unrelated to university employment
• Unauthorized disclosure of confidential or proprietary information to outside or inappropriate parties
• Accepting or seeking anything of value from contractors, vendors, or persons providing goods or services to the university
• Personal use or inappropriate/unauthorized collection of payment card (debit or credit) information
• Inappropriate deposit or transmission of university funds (e.g., revenue, grant income, or refunds) into non-official accounts
• Personal use or collection of personal or sensitive information
• Updating systems to change grades, modify degrees, or reduce charges owed by individuals for non-business reasons or without appropriate documentation and approvals

Good Faith Reporting
A Good Faith Report is a report that is made with reasonable belief or suspicion and without ill-will.

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

Internal controls are used to monitor and control the use of university assets and, thereby, reduce the potential for fraud and financial misconduct.

Internal controls include such characteristics as:
• Creating a culture of honesty, integrity and ethics
• Ongoing process evaluation and improvement
• Establishment of review and approval practices for financial and operational processes
• Segregation of duties between authorizing, custody, record keeping, and reconciliation processes
• Physically securing items of value or sensitive information
• Adhering to university IT policies for security of electronic information with an emphasis on appropriate user authorization, information access restrictions, and maintaining workstation security through routine patching and the use of updated virus/mal-ware software
• Encouragement of staff to report any behavior that appears to violate university policy

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.

Contacts
Audit and Compliance Services and VCU Police officially interpret this policy and are responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the appropriate governance structures.

Procedures
By establishing sound internal controls, administrators and managers can greatly reduce the potential occurrence of fraud, waste, or abuse.

1. Members of the university community should report any suspected or known fraud, waste, abuse or financial misconduct to one of the following entities:
   • Supervisor
   • Department Head
   • Financial or human resource representative within organizational unit
   • University Human Resources
   • Vice President of Finance and Administration
   • Audit and Compliance Services
   • VCU Police Department (non-emergency number: 804-828-1196)
   • VCU Helpline (1-888-242-6022 or www.vcuhelpline.com)
   • Office of State Inspector General Fraud, Waste and Abuse Hotline

2. Any department or individual in receipt of a report or with reason to believe that fraudulent transactions may have occurred should promptly contact one or more of the university resources listed below:
   • Vice President of Finance and Administration
   • Audit and Compliance Services
   • VCU Police Department (non-emergency number: 804-828-1196)

NOTE: Fraud cases are usually complex, requiring special expertise to investigate the underlying issues. Therefore, it is important to notify one of these university offices immediately to minimize loss to the university. These offices will consult with one another to determine if further investigation is needed. Departmental personnel should not attempt to independently investigate instances of suspected fraud.
3. Once the appropriate parties have been notified, Audit and Compliance Services in conjunction with the VCU Police Department shall notify the Auditor of Public Accounts, Office of the State Inspector General and Virginia State Police as required by the Code of Virginia.

4. Audit and Compliance Services shall communicate all substantiated cases of fraud or financial misconduct to University Counsel.

Forms

There are no forms associated with this policy and procedures.

Related Documents


Revision History

None – New Policy

FAQs

1. I noticed a co-worker using their P-card to purchase items that did not get shipped to the office. What should I do?

   The concern should be reported following the procedures described above.

2. I supervise an excellently performing staff member who took a check payable to the university and did not deposit it appropriately. Do I have to report that conduct?

   Yes, this action should be reported following the procedures described above.
3. My supervisor turns in personal receipts from a home improvement store, but none of the materials seem to be used at work. What should I do?

You may report any suspected fraud, waste, or abuse to any entity listed above. If your supervisor is involved, you may prefer to report your suspicion to a higher level of management.

4. Employees in my department are taking leave but not reporting it. What should I do?

You should report it to your supervisor, Audit and Compliance Services or Human Resources.