

10.02.01 Fraud, Waste and Abuse

Revised [November 14, 2016](#)

Next Scheduled Review: November 14, 2021

Click to view [Revision History](#).



Regulation Statement

The Texas A&M University System (system) shall implement a comprehensive fraud prevention program to prevent, detect and eliminate fraud, waste and abuse and will conduct comprehensive and coordinated reviews of allegations of suspected fraud, waste and abuse.

Reason for Regulation

This regulation provides specific guidance on the responsibilities of members, employees and the chief auditor related to the prevention, detection and elimination of fraud, waste and abuse and on the review processes to be employed by the system.

Definitions

Click to view [Definitions](#).

Procedures and Responsibilities

1. RESPONSIBILITIES OF MEMBERS

- 1.1 Each member chief executive officer (CEO) has the primary responsibility for identifying potential areas of risk for fraud, waste and abuse through a formal risk assessment process and for taking the appropriate actions to minimize the risks to an acceptable level.
- 1.2 Irrespective of how incidences of suspected fraud, waste and abuse are initially reported, the CEO is responsible for ensuring the issue is reported in a timely manner to the chief auditor. Management shall not conduct a review or preliminary review prior to reporting the suspected fraud, waste and abuse to the chief auditor.
- 1.3 Management at all levels within the system is responsible for ensuring that employees can report these activities without fear of retaliation. Any retaliatory action taken against an employee for reporting suspected fraud, waste and abuse or otherwise

participating in the procedures established by this regulation is prohibited. Reported incidences of retaliation shall be reviewed in accordance with System Policy 32.01, *Employee Complaint and Appeal Procedures*, and the applicable regulations.

2. RESPONSIBILITIES OF ALL EMPLOYEES

- 2.1 When suspected fraud, waste or abuse is observed by or made known to an employee, the employee is responsible for reporting that information. Although these reports can be made anonymously, employees are encouraged to provide identifying information to ensure a more thorough review. The identity of the reporting employee will remain confidential to the extent allowed by law.
- 2.2 Reports of suspected fraud, waste and abuse may be made to any of the following:
 - The employee's immediate supervisor
 - Anyone in the employee's chain of command
 - The CEO of the respective member
 - The chief auditor of the system
 - The System Ethics and Compliance Office
 - A law enforcement official of the system
 - The System Risk, Fraud & Misconduct Hotline
 - The State Auditor's Office Fraud, Waste & Abuse Hotline
- 2.3 The reporting employee shall not confront the individual(s) under suspicion or initiate a review on his/her own, as such actions could compromise any ensuing review.
- 2.4 All employees are to cooperate fully with those performing a review pursuant to this regulation.
- 2.5 Reports of suspected fraud, waste and abuse shall be based on reasonable, factual information rather than speculative information or rumor, and shall contain as much specific information as possible to allow for proper assessment of the nature, extent and urgency of the matter. Employees found to be making intentional misleading allegations of suspected fraud, waste or abuse under this regulation will be disciplined, up to and including termination of employment.

3. RESPONSIBILITIES OF THE CHIEF AUDITOR

- 3.1 At least annually, the chief auditor shall prepare a summary of the reviews conducted during the fiscal year for the Committee on Audit of the Board of Regents and the Office of the Chancellor.
- 3.2 If the review provides evidence that criminal acts may have occurred, the chief auditor will report the findings to the appropriate law enforcement agency and will cooperate with the agency during any further investigation.

- 3.3 The chief auditor shall notify the State Auditor's Office of fraudulent or unlawful conduct that has occurred within the system as required by Texas Government Code Section 321.022.
- 3.4 If the chief auditor receives an allegation of suspected fraud, waste or abuse involving the chancellor, general counsel, vice chancellors or the CEO of any member, the chief auditor will notify the Committee on Audit through the committee chairman.

4. REVIEW PROCESS

The system shall conduct comprehensive and coordinated reviews of suspected fraud, waste and abuse. The chief auditor has the primary responsibility for determining how allegations of suspected fraud, waste and abuse are to be reviewed. The chief auditor has the option to conduct the review using the resources of the System Internal Audit Department or to request that the CEO conduct the review and report the findings to the chief auditor. Additionally, employees suspected of fraud, waste and abuse may be placed on administrative leave with pay during the review.

4.1. Reviews Conducted by Internal Audit

- 4.1.1 The review shall be conducted in accordance with guidance from the Institute of Internal Auditors, the Association of Certified Fraud Examiners and other applicable industry standards.
- 4.1.2 The chief auditor shall be allowed to engage experts in any field or area as needed to complete the review.
- 4.1.3 The chief auditor shall notify the appropriate CEO and chancellor of the allegations being reviewed.
- 4.1.4 Once the review is complete, the chief auditor shall prepare a report of the findings for the applicable member CEO and the chancellor.

4.2 Reviews Conducted by the Member

- 4.2.1 The CEO shall appoint a qualified individual(s) to perform the review. The individual(s) appointed should be independent of the area under review to ensure independence and objectivity.
- 4.2.2 The results of the review will be reported to the chief auditor in writing. In only exceptional circumstances should the written report be made more than 90 days from the date the incident was forwarded to the CEO.
- 4.2.3 If evidence of possible criminal violations is discovered, the chief auditor should be notified immediately of such discovery. At that time, the responsibility for further review will be assumed by the chief auditor or law enforcement officials.

5. ACTIONS

- 5.1 Disciplinary Actions – Employees found to have participated in fraudulent, wasteful or abusive acts as defined by System Policy 10.02, *Fraud, Waste and Abuse*, will be subject to disciplinary actions, up to and including termination of employment. If the review provides evidence that employees may have participated in criminal acts, the chief auditor will report the findings to the appropriate law enforcement agency and will cooperate with the law enforcement agency during any further investigation.
- 5.2 Recovery Actions – The system and its members will take appropriate steps, including legal action if necessary, to recover losses arising from fraud, waste and abuse.

Related Statutes, Policies, or Requirements

[Tex. Gov't Code § 321.022](#)

[System Policy 07.01, Ethics](#)

[System Policy 10.01, Internal Auditing](#)

[System Policy 10.02, Fraud, Waste and Abuse](#)

[System Policy 32.01, Employee Complaint and Appeal Procedures](#)

[System Policy 32.02, Discipline and Dismissal of Employees](#)

Prior to the February 2013 version, this regulation was numbered 21.04.01.

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

System Internal Audit Department
(979) 458-7100