
Subject: Reporting and Investigating Suspected Fraudulent Activities

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1. Purpose

The university is committed to the highest standards of moral, legal, and ethical behavior by its employees and administrators. The purpose of this policy is to define the university community’s responsibility for reporting fraud and to communicate the university’s expectation that dishonest and/or fraudulent activity not occur. This policy details responsibility for the reporting and investigation of suspected fraudulent activity.

Fraudulent transactions ordinarily involve a willful or deliberate action with the intent to obtain an unauthorized personal benefit for the party to the fraudulent transaction or for a third party. Fraudulent transactions may include but are not limited to: misappropriation of state, university, or university-related funds; theft of state, university or university-related property; or, falsification of records or reports.

2. Policy

The university will not tolerate theft, waste, or abuse of state, university, or university-related funds, property, or other resources through fraudulent means. University employees should report suspected irregularities or possible fraudulent transactions to one of the offices cited in this policy. All reported allegations will be fully reviewed; substantiated fraudulent activities will be reported to the proper authorities for prosecution. The university is committed to assisting law enforcement and/or other agencies in the prosecution of those suspected of committing fraud.

The prevention of fraud is preferable to the detection of fraudulent activities that have already occurred. University management is responsible for the establishment and maintenance of an adequate system of internal control that is designed to prevent and detect errors or irregularities that may lead to fraudulent activities, and designed to safeguard university resources. Administrators at all levels of management are accountable for setting the appropriate tone of intolerance for fraudulent acts by displaying the proper attitude toward complying with laws, rules, regulations, and policies. In addition, administrators should be cognizant of the risks and exposures inherent in their area of responsibility, be familiar with the types of improprieties that might occur within their area of responsibility, and be alert for any indication of irregularity.

Additionally, the university is responsible for reporting certain fraudulent activities to outside agencies, including the Auditor of Public Accounts and the Virginia State Police (Section 30-138 of the *Code of Virginia* [1950, as amended]). Reportable fraudulent transactions are those to which a state employee(s) may be a party.

2.1 Actions Constituting Fraud

The State Employee Fraud, Waste, and Abuse Hotline Policies and Procedures Manual defines fraud as “The intentional deception perpetrated by an individual or individuals, or an organization or organizations, either internal or external to state government, which could result in a tangible or intangible benefit to themselves, others, or the Commonwealth or could cause detriment to others or the Commonwealth. Fraud includes a false representation of a matter of fact, whether by words or by 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 impropriety may include, but are not limited to, the following actions:

- Embezzlement or other financial irregularity.
- Forgery, falsification, or alteration of documents (e.g., checks, deposit tickets, time and leave records, effort reports, travel expense reports, contract agreements, purchase orders, electronic files).
- Theft, destruction, or misappropriation of funds, securities, supplies, inventory, equipment, or any other university asset.
- Authorizing or receiving payment for goods not received or services not performed.
- Misuse of university resources, such as vehicles, telephones, mail systems, or computer-related equipment.
- Personal use of university property in commercial business activities.
- Assignment of tasks unrelated to employment to an employee by supervisory or management personnel.
- Disclosing confidential and proprietary information to outside or inappropriate parties (e.g., trade secrets, intellectual property).
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to the university (e.g., bribery, kickback, rebate).

2.2 Responsibility for Reporting Fraud

All members of the university community have a responsibility for the stewardship of the university’s resources and ensuring that those resources are used for authorized purposes. Upon the discovery of circumstances that suggest a fraudulent transaction or irregularity has occurred, university employees have an obligation to report the incident and should immediately notify one of the following:

- Virginia Tech Internal Audit Department
- Virginia Tech Police Department
- State Employee Hotline

2.3 Protection from Retaliation

Retaliation against employees for making good faith reports is prohibited by the Virginia Fraud and Abuse Whistle Blower Protection Act, as set forth in Section 2.2-3011 of the Code of Virginia. Employees making good faith reports of suspected misconduct should feel safe and protected from retaliation. The university will provide appropriate support to reporting employees to protect against retaliation and respond to concerns of retaliation or unfair treatment linked to the employee's reporting.

2.4 Investigating Responsibilities

1. Employees are expected to be truthful and should cooperate fully with those performing the investigation pursuant to this policy.

2. Employees should not confront the individual being investigated or initiate investigations on their own; such actions can compromise any ensuing investigation. Care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. The investigation may be discussed only with those individuals who have a legitimate need-to-know.
3. Except for instances where guidelines require the immediate assistance of the State Police, the occurrence of suspected fraud shall be initially investigated by the Internal Audit Department and/or the Virginia Tech Police Department so as to determine the possible extent of the fraudulent transaction(s) or criminal activity. This includes those instances reported through the state employee hotline as well as those reported internally.
4. In order to avoid the use of investigatory techniques that might prevent evidence from being used in a criminal prosecution; the Virginia Tech Police Department will coordinate the criminal investigation once probable criminal activity has been detected. The Department of Internal Audit shall assist the police department in investigations of suspected theft, misappropriation, and other fiscal irregularities that require accounting and auditing knowledge of system records.
5. The Department of Internal Audit will be responsible for coordinating audits or reviews in instances where there appears to be a misuse of university resources or when allegations of fraudulent activities exist but it is unclear that a law has been violated.
6. Those individuals assigned to investigate suspected fraud will have:
 - Free and unrestricted access to all university records and premises, whether owned or rented.
 - 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.
7. If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply. It is the policy of Virginia Tech to fully comply with all additional reporting disclosure and other requirements pertaining to suspected acts of fraud as described in award documents.

2.5 Disciplinary Action

An employee suspected of committing or otherwise involved in fraud may be suspended with or without pay during an investigation of the allegations. If the evidence substantiates that the employee participated in fraudulent acts, the employee will be subject to disciplinary action, up to and including termination, pursuant to the policies outlined in the Virginia Department of Human Resource Management Standards of Conduct Policy 1.60, Virginia Tech Classified and University Staff Handbook, or the Virginia Tech Faculty Handbook. Also, criminal or civil actions may be taken against employees who participate in fraudulent acts. The determination of disciplinary action is not dependent on the outcomes of law enforcement's investigations or prosecutorial decisions as to whether or not to file charges.

3. Procedures

4. Definitions

Fraud: The intentional deception perpetrated by an individual or individuals, or an organization or organizations, 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 includes a false representation of a matter of fact, whether by words or by conduct, by false or misleading statements, or by concealment of that which should have been disclosed, which deceives and is intended to deceive.

5. References

Sections 30-138 and 2.2-3011 ~~2.1-155.3~~ of the Code of Virginia (1950, as amended)

State Employee Fraud, Waste, and Abuse Hotline Policies and Procedures Manual

Policy 13010, Individual Conflicts of Interest and Commitment

Virginia Tech Classified and University Staff Handbook

Faculty Handbook

Virginia Department of Human Resource Management Standards of Conduct Policy 1.60

6. Approval and Revisions

Approved June 30, 2000 by the Executive Vice President and Chief Business Officer, Minnis E. Ridenour.

- Revision 1

Section 2.1 - Removed reference to University Fraud Hotline.

Approved January 14, 2002 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.

January 17, 2003: Section 2 – Reference to *Code of Virginia* updated to reference Section 30-138 of the *Code of Virginia* [1950, as amended].

April 3, 2007: Technical corrections to update Internal Audit Department name and references' hyperlinks.

- Revision 2

Sections 1 and 2 revised to clarify the purpose of the policy and the university's expectation.

Section 2.1 added to provide examples of actions constituting fraud.

Section 2.3 added to reference the Virginia Fraud and Abuse Whistle Blower Protection Act as set forth in Section 2.2-3011 of the Code of Virginia.

Section 2.4 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.

Section 2.5 revised to clarify the outcome with regard to disciplinary action when allegations are substantiated.

Approved November 1, 2012 by the university President, Charles W. Steger.