UNIVERSITY OF SOUTH FLORIDA

REGULATION

Number: USF5.001
Title: Fraud Prevention and Detection
Responsible Office: Office of Internal Audit

Date of Origin: 3-9-17 **Date Last Amended:** 2-4-22 **Date Last Reviewed:** 1-30-2023

I. PURPOSE AND INTENT

The University of South Florida (University or USF) is committed to creating an organizational culture where risk management structures are established to prevent and detect waste, fraud, and financial mismanagement within the University. This Regulation establishes criteria related to appropriate institutional controls and risk management framework that provide reasonable assurance that waste, fraud, or financial mismanagement within the University's areas of responsibility are prevented, detected, reported, and investigated.

II. STATEMENT OF REGULATION

USF is committed to the highest standards of ethical conduct, as defined by Chapter 112, Part III, Florida Statutes: Code of Ethics for Public Officers and Employees, and has a zero tolerance for unethical and fraudulent activity. USF strives to identify and promptly investigate any possibility of wasteful, fraudulent, or related dishonest activities including financial mismanagement against USF or its students and employees and to take appropriate disciplinary or legal action.

III. APPLICABILITY AND/OR AUTHORITY

Pursuant to Board of Governors Regulations 3.003 Fraud Prevention and Detection and 4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement, each board of trustees shall adopt a regulation which establishes an antifraud framework including timely notification to the Board of Governors, through the Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or board of trustee member. The regulation shall also articulate how the university will address any significant and credible allegation(s) of fraud, waste,

mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

This Regulation applies to any real or suspected fraud or related wrongful acts involving any member of the University community, including Board of Trustees members, USF and related-entity employees, vendors, volunteers, students, and any other entities contracting or conducting business with USF.

IV. PROCESS STEPS/SPECIFIC PROVISIONS

Waste, fraud, or financial mismanagement can be generally 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 inducement of another to act upon the intentional misrepresentation or concealment to their detriment. These activities include, but are not limited to:

- Forgery or alteration of documents (e.g. checks, time sheets, contracts, purchase orders, budgets, etc.).
- Misrepresentation of information on documents.
- Misappropriation of funds, supplies, or any other asset.
- Theft, disappearance, or unauthorized destruction of any asset.
- Improprieties in the handling or reporting of money transactions.
- Authorizing or receiving payment for goods not received or services not performed.
- Authorizing or receiving payment for hours not worked.

Framework

The University's antifraud framework includes, but is not limited to:

- Commitment to creating an organizational culture and structure conductive to fraud risk management through awareness, training, and "tone at the top",
- Thorough, on-going assessment of risks relevant to the University's operating environment,
- Development and implementation of process and systems to effectively prevent, detect, report, and investigate fraud,
- Evaluation of the adopted framework for continuous improvement of future fraud risk management.

The Chief Financial Officer is responsible for the design, development, implementation, and oversight of the University's antifraud framework. Consistent with USF Policy 0-023 Internal Control, University Leadership, is responsible for the design, development, implementation, and maintenance of an effective system of internal controls to prevent or detect fraud within their respective areas of responsibility. This includes creating a culture of compliance with antifraud

controls within their areas of responsibility and taking prompt action to remediate identified internal control deficiencies.

Prevention

All levels of USF management must be familiar with the types of improprieties that may occur in their areas of responsibility and must be alert for any indication of wasteful, fraudulent or dishonest acts including financial mismanagement. "Risk ownership" for such activities resides with each USF vice president/chancellor and each is, therefore, responsible for ensuring that a system of internal controls is established and maintained that provides reasonable assurance that improprieties are prevented. All levels of USF management must establish and follow internal controls necessary for their operations. The Office of Internal Audit is available to assist management in establishing effective internal controls and recognizing improper conduct.

Detection

USF Management is responsible for being aware of exposures and symptoms of waste, fraud, or financial mismanagement in their operational areas and for detecting such potential activity.

All members of the University community, including Board members, USF and related-entity employees, vendors, volunteers, students, and any other entities contracting or conducting business with USF are required to immediately report wasteful, fraudulent or dishonest acts, including financial mismanagement which they suspect, observe, or have made known to them using one of the following two reporting mechanisms:

1. Anonymously report wasteful, fraudulent, or dishonest activity or any other violation of USF policy or regulation through the USF *EthicsPoint* hotline at 1-866-974-8411 or www.ethicspoint.com; or

2. Report the incident or practice to their supervisor for subsequent reporting to the appropriate management official. If the USF employee believes their supervisor may be involved, then the employee must report the incident or practice to the next higher level of management or to the Office of Internal Audit. If the USF employee believes the Office of Internal Audit or the Office of Compliance and Ethics, including the chief audit executive or chief compliance officer, may be involved, then the employee must report the incident or practice to the Office of the General Counsel.

Consistent with USF Policy 0-020 Retaliation, Retribution or Reprisal Prohibited, 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. Additionally, the chief audit executive shall assess each reported

allegation, when the reporter is known, to determine if it meets the criteria delineated under the Florida Whistleblower's Act (Sections 112.3187 – 112.31895, Florida Statutes). The reporter shall be notified whether their complaint is provided additional protection under this act.

Investigation

The Office of Internal Audit is the official contact point for all persons reporting suspected wasteful or fraudulent activities, including financial mismanagement either directly or through the supervisory chain of command. The Office of Internal Audit will oversee all investigations into allegations of falsification, misappropriation, and other financial irregularities. The Office of Internal Audit has free and unrestricted access to all USF and related entity records and documents and premises, whether owned or rented, and the authority to examine, copy, and/or remove such records and documents.

Reporting

If an investigation reveals suspected criminal activity, The Office of Internal Audit will notify University Police. The Office Internal Audit will also inform and consult with the General Counsel, the Office of Research & Innovation, Human Resources, and the Office of the Provost or USF Health Faculty Affairs, as appropriate.

If an investigation reveals significant and credible allegation(s) of fraud, waste, mismanagement, misconduct and other abuses made against the USF President or a member of the Board of Trustees, the Office of Internal Audit shall timely notify the Office of Inspector General and Director of Compliance (OIGC) for the State University System of the Florida Board of Governors and such matters will be handled in accordance with BOG Regulation 4.001.

Allegations or matters of conduct deemed outside the scope of this policy, such as academic or research misconduct, must be referred to the appropriate management area for review and action. To avoid damaging the reputations of innocent persons and to protect USF from potential liability, investigative information will not be disclosed or discussed with anyone other than those persons who have a legitimate need to know, and within the limits of applicable law. Managers or other persons who become aware of potential wrongdoing should not attempt to interview or contact persons involved or discuss the circumstances of the situation with anyone other than the appropriate USF official. All members of the USF community are expected to support USF's fiduciary responsibilities and to cooperate with USF and law enforcement agencies in the detection, investigation, and reporting of fraudulent or criminal acts, including the prosecution of offenders.

Remediation

When fraud is identified or substantiated, University Leadership will make every effort to recover assets and/or losses and will review and remediate any internal control deficiencies. Anyone found to have engaged in wasteful or fraudulent conduct, including financial mismanagement, is subject to disciplinary action up to and including dismissal or expulsion and civil or criminal prosecution. Employees who deliberately, willfully, and knowingly make false accusations are subject to disciplinary action up to and including dismissal. USF will make every effort to recover losses that result from fraudulent or criminal acts.

V. PERIODIC REVIEW

This regulation shall be reviewed every five (5) years for currency and consistency with applicable Board of Governors and University regulations. The status of the University's antifraud framework and any necessary revisions to improve the framework shall be evaluated and reported to the Board of Trustees at least annually.

Related Documents: §§ 112.311-112.326 Fla. Stat. - Code of Ethics for Public Employees; §§ 112.3187-112.31895 Fla. Stat. - Whistle-blower's Act; the Office of Internal Audit Charter

Regulation 5.001 formerly known as USF Policy 0-024: Fraud Prevention and Detection

Authority: Art. IX, Sec. 7, Fla. Const.; FL Board of Governors Regulation 3.003 and 4.001.

Certification: USF certifies that it has followed the Florida Board of Governors Regulation Development Procedure and has a record of written notices, comments, summaries, and responses as required.

Date Approved: Mar. 9, 2017

Substantively Amended: (none)

Technically Amended: Feb. 4, 2022, Jun. 24, 2020, May 2, 2017

Biennial Review: Jan. 30, 2023

Other: Jul. 1, 2020 (Consolidation)