



## Eastern Kentucky University Policy and Regulation Library

1.6.3  
Volume 1, Governance  
Chapter 6, Compliance  
Section 3, Fiscal Misconduct  
Approval Authority: Board of Regents  
Responsible Executive: Director of Internal Audit  
Responsible Office: Director of Internal Audit  
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# Fiscal Misconduct

## Policy Statement

The purpose of this policy is to maintain the public trust in and to preserve and to protect the assets and financial interests of the University by:

- Promoting adherence to federal and state law, administrative rules, and University policies and procedures;
- Promoting increased employee awareness of the possibility that various forms of Fiscal Misconduct may occur;
- Establishing responsibility for the prevention, detection, investigation, and resolution of Fiscal Misconduct.

This policy is to be read in conjunction with University Policy 1.6.1P, Reporting Policy, which provides a mechanism to report possible non-compliance with laws, regulations, and policies, and with University Policy 1.6.2P, Non-Retaliation, to prevent retaliation against any University Community Member for making an inquiry, participating in an investigation, or reporting possible non-compliance with laws, regulations, and policies.

## Entities Affected

All University Community Members including all faculty, staff, students, and Board of Regents members as well as anyone doing business for or with the University.

## Procedures

### Prevention

The University will maintain an internal control environment to protect the University from loss or other damage resulting from Fiscal Misconduct.

## **Obligation to Report**

All instances of suspected Fiscal Misconduct involving the University must be promptly reported in accordance with established University procedures (see also Policy 1.6.1P, Reporting).

## **Investigation**

The University will establish and maintain procedures for investigating reports of known or suspected Fiscal Misconduct.

The Office of Internal Audit has the primary responsibility for coordinating the initial assessment, investigation, and internal reporting of known or suspected Fiscal Misconduct.

Individuals who are not responsible for investigating reports of Fiscal Misconduct shall not attempt to conduct investigations.

## **Remedies**

Appropriate and timely actions will be taken to remedy Fiscal Misconduct. Such remedial actions may include, but are not limited to:

- (1) Taking disciplinary action (up to and including termination of employment) against University officers and employees who engage in Fiscal Misconduct;
- (2) Seeking restitution for all losses, including investigative and legal expenses;
- (3) Forwarding information to the appropriate authorities for criminal prosecution of persons who engage in Fiscal Misconduct; and
- (4) Instituting civil action to recover losses. Administrative actions will be taken as needed to mitigate the risk of future Fiscal Misconduct.

When restitution is required, payment will be made certified check or money order to the order of "Eastern Kentucky University."

## **False Allegations**

Employees who knowingly make false allegations of suspected Fiscal Misconduct with the intent to disrupt the University's business or to cause harm to another will be subjected to disciplinary action (see also Policy 1.6.1P, Reporting, and Policy 1.6.2P, Non-Retaliation).

## Definitions

- **Fiscal Misconduct:** In the context of this policy, Fiscal Misconduct means a deliberate act or failure to act regarding fiscal matters, contrary to established law, rule, or policy, or procedure with the intent to obtain an unauthorized benefit, which results in loss or other damage to the University. Fiscal Misconduct includes, but is not limited to:
  - Embezzlement or misappropriation of University funds, goods, property, services, or other resources;
  - Reimbursement from University funds for expenses or fees reimbursed, or to be reimbursed, by other sources;
  - Improper handling or reporting of financial transactions;
  - Authorizing or receiving compensation for goods not received or services not performed;
  - Authorizing or receiving compensation for hours not worked;
  - Forgery or unauthorized alteration of financial documents or records.

Suspected Fiscal Misconduct is a reasonable belief or actual knowledge that Fiscal Misconduct has occurred or is occurring.

- **University:** Eastern Kentucky University.
- **University Community Member:** All students, faculty, staff, and Board of Regents, as well as anyone doing business for or with the University.

## Responsibilities

- University Community Member
  - All University Community Members are responsible for preserving the University resources entrusted to them and for using those resources in a prudent manner and for their designated purposes, as prescribed by law, regulation, or policy.
  - All University Community Members are also responsible for promptly reporting incidents of suspected Fiscal Misconduct to the Office of Internal Audit or, if anonymity in reporting is desired, to the Ethics and Compliance Hotline in accordance with Policy 1.6.1P, Reporting.
  - Individuals who are not responsible for investigating reports of Fiscal Misconduct shall not attempt to conduct investigations.
  - Because of the often unique and complex nature of Fiscal Misconduct, determining which investigative unit to contact first may be a function of the situation. The Office of Internal Audit is the preferred primary contact because this unit has more flexibility in the manner in which it conducts a review or investigation where there is some

doubt about what actually occurred. In any case, the notified unit shall contact the Office of Internal Audit to conduct the review or investigation

- All University Community Members are expected to cooperate fully with those authorized to conduct the investigation. No University Community Member is permitted to engage in retaliation directed against any University Community Member who makes an inquiry, participates in an investigation, or reports possible non-compliance with laws, regulations, and policies (see also Policy 1.6.2P, Non-Retaliation).
- Managers and Supervisors
  - Employees with managerial or supervisory duties are responsible for creating an environment that contributes to the deterrence of Fiscal Misconduct and for maintaining a system of internal controls that assists in the prevention and detection of incidents of Fiscal Misconduct. Managers and supervisors must be familiar with the types of Fiscal Misconduct that might occur within their area of responsibility and be alert for indication of their occurrence.
  - Managers and supervisors must not discuss the circumstances with persons not involved in the incident unless specifically instructed to do so by the Office of Internal Audit. Managers and supervisors must not confront or accuse the individual suspected of Fiscal Misconduct.
  - In consultation with the Office of Internal Audit, managers and supervisors are responsible for fully securing and strictly limiting access to any relevant computer and manual records as soon as the Fiscal Misconduct is suspected, or when there is a reason to believe further losses may occur. Common steps may include changes in staff assignments, obtaining keys, removing systems access, stopping telephone access, and reassigning signature and approval authority.
  - Managers and supervisors are responsible for implementing cost-effective changes in policies and procedures that are designed to reduce the likelihood of recurrence.
  - Appointing or supervisory authorities, as appropriate, are responsible for taking remedial action with respect to those involved in Fiscal Misconduct in coordination with the Office of Human Resources and the Office of University Counsel.
- Office of Internal Audit
  - The Office of Internal Audit has the primary responsibility for coordinating the initial assessment, investigation, and internal reporting of known or suspected Fiscal Misconduct. The Office of Internal Audit will involve the Division of Public Safety, the Office of University Counsel, and other offices in these activities in a manner consistent with their responsibilities and authority as appropriate for the circumstances.
  - The Office of Internal Audit is responsible for gathering available evidence to support the loss findings as well as evaluating the systems of internal control and making recommendations for improvements. All examinations, documentation, and reports

concerning the investigation shall be considered confidential to the extent permitted by law.

- Office of University Counsel
  - The Office of University Counsel is responsible for providing guidance to University departments and officials regarding remedial actions with respect to those involved in Fiscal Misconduct.
  - The Office of University Counsel will serve as the liaison with external legal entities and, along with the Division of Public Safety, will coordinate the reporting of criminal actions to external law enforcement agencies in the jurisdiction.
- Division of Public Safety
  - The Division of Public Safety is responsible for criminal investigations and for coordinating the reporting of criminal actions with the Office of University Counsel to the external law enforcement agencies in the jurisdiction.
- Office of Human Resources
  - The Office of Human Resources is responsible for providing guidance to the Office of Internal Audit regarding personnel issues and to managers and supervisors regarding any remedial personnel actions.
- Other
  - Certain activities that require investigation may not clearly constitute "Fiscal Misconduct" as defined in this policy. If other University policies or procedures do not exist, University management may follow the framework established here to ensure adequate coordination of such investigations.

## Violations

Violations of this policy will be handled through normal University processes.

## Interpreting Authority

Office of Internal Audit

## Relevant Links

University Policy 1.6.1P, Reporting  
University Policy 1.6.2, Non-Retaliation

# Policy Adoption Review and Approval

Policy Revised

<u>Date</u>	<u>Entity</u>	<u>Action</u>
02/14/2018	Dir, Policy & Legal Operations	Editorial Revisions

Policy Issued

<u>Date</u>	<u>Entity</u>	<u>Action</u>
11/08/2002	Board of Regents	Adopted