

FISCAL MISCONDUCT

I. STATEMENT OF INFORMATION

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; and
- Establishing responsibility for the prevention, detection, investigation, and resolution of fiscal misconduct.

II. TERMS

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, 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; and
- 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.

III. POLICY

GENERAL

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.



Investigation. The University will establish and maintain procedures for investigating reports of known or suspected fiscal misconduct.

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 by 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 subject to disciplinary action.

RESPONSIBILITIES

University Employees. All university employees, including student employees, 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 employees, including student employees, are also responsible for promptly reporting incidents of suspected fiscal misconduct, whether by members of the university community or by outside parties.

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 Division 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 investigative unit shall contact the other units to establish the necessary team to progress with the review or investigation.

Individuals who are not responsible for investigating reports of fiscal misconduct shall not attempt to conduct investigations. All university employees are expected to cooperate fully with those authorized to conduct the investigation.

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 misconduct. Managers and supervisors should be familiar with the types of fiscal misconduct that might occur within their area of responsibility and be alert for indications of their occurrence.

Managers should not discuss the circumstances with persons not involved in the incident unless specifically instructed to do so by the investigative team. Supervisors can and



should be informed if first cleared by the investigative team. Managers should not confront or accuse the individual suspected of fiscal misconduct.

In consultation with the investigative team, 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 reason to believe further losses may occur. Common steps may include changes in staff assignments, obtaining keys, removing systems access, stopping long-distance telephone access, and reassigning signature and approval authority.

Appointing or supervisory authorities, as appropriate, are responsible for taking remedial action with respect to those involved in fiscal misconduct after consulting with the investigative team. Managers also are responsible for implementing cost-effective changes in policy and procedures that are designed to reduce the likelihood of recurrence.

Division of Internal Audit. The Division of Internal Audit has the primary responsibility for coordinating the initial assessment, investigation, and internal reporting of known or suspected fiscal misconduct. The Division of Public Safety, the Office of University Counsel, and other offices will be involved in these activities in a manner consistent with their responsibilities and authority as appropriate for the circumstances. The Division 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 investigative and remedial actions. 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 the district attorney and 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 district attorney and external law enforcement agencies in the jurisdiction.

Division of Human Resources. The Division of Human Resources is responsible for providing guidance to the investigative team 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.

