

10.02.01 Fraud Prevention

Revised [November 19, 2021](#)

Next Scheduled Review: November 19, 2026

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Regulation Summary

The Texas A&M University System (system) places a strong emphasis on establishing and maintaining strong internal control systems to assist in the prevention, deterrence, and detection of fraud.

Definitions

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Regulation

1. RESPONSIBILITIES OF MEMBERS

- 1.1 Each member chief executive officer (CEO) has the primary responsibility for identifying potential areas of risk for fraud 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 are initially reported, the CEO is responsible for ensuring the issue is reported in a timely manner to the chief auditor. Management must not conduct a review or preliminary review prior to reporting the suspected fraud 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. Retaliatory action of any kind against an employee for reporting suspected fraud or otherwise participating in the procedures established by this regulation is prohibited. Reported incidences of retaliation are 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 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 remains confidential to the extent allowed by law.

2.2 Reports of suspected fraud 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
- The Compliance Office of the respective member
- 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 must not confront the individual(s) under suspicion or initiate a review on the reporting employee's 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 must be based on reasonable, factual information rather than speculative information or rumor, and 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 under this regulation will be disciplined, up to and including termination of employment.

3. RESPONSIBILITIES OF THE CHIEF AUDITOR

3.1 The chief auditor of the system has the primary responsibility for the review, documentation, and reporting of all allegations of suspected fraud.

3.2 If a review provides evidence that criminal acts may have occurred, the chief auditor reports the findings to the appropriate law enforcement agency and cooperates with the agency during any further investigation.

3.3 The chief auditor notifies 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 involving the chancellor, general counsel, vice chancellors or the CEO of any member, the chief auditor notifies the Committee on Audit through the committee chairman.

- 3.5 At least annually, the chief auditor prepares 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.

4. REVIEW PROCESS

The system conducts comprehensive and coordinated reviews of suspected fraud through the participation of appropriate parties, including the chancellor, the applicable member CEO, the System Internal Audit Department, the System Office of General Counsel, the System Ethics and Compliance Office, and law enforcement officials.

The chief auditor has the option to conduct the review using the resources of the System Internal Audit Department or request that the CEO conduct the review and report the findings to the chief auditor. Employees suspected of fraud may be placed on administrative leave with pay during the review.

4.1. Reviews Conducted by Internal Audit

- 4.1.1 The review is 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 is allowed to engage experts in any field or area as needed to complete the review.
- 4.1.3 The chief auditor notifies the appropriate CEO and chancellor of the allegations being reviewed.
- 4.1.4 Once the review is complete, the chief auditor prepares 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 must appoint a qualified individual(s) to perform the review. The individual(s) appointed must be independent of the area under review to ensure independence and objectivity.
- 4.2.2 The results of the review are reported to the chief auditor in writing. In only exceptional circumstances is the written report 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 must be notified immediately of such discovery. At that time, the responsibility for further review is assumed by the chief auditor or law enforcement officials.

5. ACTIONS

- 5.1 Disciplinary Actions – Employees found to have participated in fraud as defined by System Policy 10.02, *Fraud Prevention*, are 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 reports the findings to the appropriate law enforcement agency and cooperates with the law enforcement agency during any further investigation.

- 5.2 Recovery Actions – The system and its members must take appropriate steps, including legal action if necessary, to recover losses arising from fraud.

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 Prevention](#)

[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

Internal Audit
(979) 458-7100