

**Policy Title: Suspected Dishonest or Fraudulent Activities**

**Policy Number: BU-PP 850**

**Date Issued: April 24, 2023**

**Responsible Executive: Chief Audit Officer**

**Date Last Revised: April 24, 2023**

**Responsible Office: Internal Audit**

## **Fraud Policy (BU-PP 850)**

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### **Policy Statement**

Baylor University (the “University”) is committed to the responsible stewardship of its resources and to the highest standards of ethical behavior. Fraud, waste, abuse, or dishonest behavior of any kind, including for the benefit of the University, is expressly prohibited. This policy outlines the University’s commitment to creating an anti-fraud culture and maintaining high ethical standards.

All members of the University community and University affiliates are expected to comply with all federal, state, and local laws as well as University policies. Any member of the University community found to be involved in fraud, waste, or abuse as defined in this policy is subject to disciplinary action, up to and including termination of employment or expulsion from the University and may be referred to law enforcement authorities. It is the policy of the University to prevent and detect dishonest and fraudulent activities and consistently investigate suspected cases brought to the attention of University officials.

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### **Reason for the Policy**

This policy has been developed to raise awareness and promote an anti-fraud culture within the University by:

- Outlining expectations of ethical behavior;
- Outlining responsibilities for preventing fraud;
- Detailing the procedures for reporting suspected fraud; and
- Providing administrative steps to promptly respond to and investigate suspected cases of dishonest or fraudulent activities

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### **Individuals/Entities Affected by this Policy**

All faculty, staff, students, and affiliates

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## Exclusions

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NONE

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## Related Documents and Forms

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### University Policies and Documents

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[Standards of Personal Conduct \(BU-PP 023\)](#)

[Code of Ethics \(BU-PP 024\)](#)

[Baylor Civil Rights Policy \(BU-PP 028\)](#)

[Whistleblower Policy \(BU-PP 037\)](#)

[Policy on Misconduct in Research](#)

[Conflict of Interest Policy \(BU-PP 800\)](#)

[Policy for Conflicts of Interest in Research and Technology Transfer \(OVPR-02\)](#)

[Staff Disciplinary Actions Policy \(BU-PP 807\)](#)

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### Other Documents

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Title VI and Title VII of the Civil Rights Act

Age Discrimination in Employment Act

Americans with Disabilities Act

Title IX of the Education Amendments of 1972

Equal Pay Act of 1963

Veterans Readjustment Act of 1974

Section 503 and 504 of the Rehabilitation Act of 1973

Occupational Safety & Health Act

Affordable Care Act, Section 1558

Texas Labor Code

Texas Penal Code

Texas Family Code

Texas Health & Safety Code

False Claims Act

Public Health Service Policies on Research Misconduct

Other similar state and federal laws

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### Forms and Tools

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[EthicsPoint Reporting Portal](#)

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## Definitions

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These definitions apply to terms as they are used in this policy.

<b>Affiliates</b>	Individuals who have a business relationship with the University outside of traditional employment. The relationships can be paid or unpaid, and include but are not limited to, affiliations associated with research, visiting scholars, contractors, employees of contractors, and volunteers.
<b>Covered Individual</b>	All members of the University community, i.e., faculty, staff, and students (and applicants to be faculty/staff/students), and affiliates.

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<b>Fraud</b>	<p>The intentional, false representation, or concealment of a material fact that results in the person or entity to whom the fact was represented or concealed being injured financially or otherwise. Fraud and wrongful acts may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Forgery or alteration of a check, bank draft, or other financial document or account belonging to the University.</li> <li>• Misrepresentation of information on documents.</li> <li>• Theft or misappropriation of funds, securities, supplies, property or other resources.</li> <li>• Bribery or attempted bribery.</li> <li>• Unauthorized use of records.</li> <li>• Unauthorized alteration or manipulation of computer files.</li> <li>• Intentional unauthorized use of logos, trademarks, copyrights, etc.</li> <li>• Falsification of reports to management or external agencies.</li> <li>• Improper handling or reporting of financial transactions.</li> <li>• Authorizing or receiving compensation for goods not received or services not performed.</li> <li>• Authorizing or receiving reimbursement for expenses not incurred</li> <li>• Profiting as a result of insider knowledge of University activities.</li> <li>• Disclosing confidential or proprietary information to outside parties.</li> <li>• Pursuit of a benefit or advantage in violation of the University's Conflict of Interest Policies (BU-PP 800 and the Policy for Conflicts of Interest in Research and Technology Transfer) or other policies.</li> <li>• Destruction, removal, or inappropriate use of records, furniture, fixtures, equipment, and/or any similar or related irregularity.</li> <li>• Willful violation of federal, state, or local laws or regulations or contractual obligations when conducting University business.</li> </ul>
<b>Waste</b>	<p>The act of using or expending resources carelessly, extravagantly or to no purpose. Waste does not necessarily indicate fraud or illegal acts.</p>
<b>Abuse</b>	<p>Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice given the facts and circumstances. This includes the misuse of authority or position for personal gain or for the benefit of another. Abuse does not necessarily indicate fraud or illegal acts.</p>
<b>Protected Disclosure</b>	<p>Protected whistleblower disclosures as identified in the <a href="#">Whistleblower Policy (BU-PP 037)</a> are:</p> <ol style="list-style-type: none"> <li>1. In good faith;</li> <li>2. Made to the University official or office identified in this Policy or another Baylor Policy as the proper recipient for reporting, or the individual or office legally designated as the property state or federal agency for reporting; and       <ol style="list-style-type: none"> <li>a) About actual or reasonably suspected misconduct engaged in by a Covered Individual (who is not also the disclosing individual); or</li> <li>b) Opposing in a reasonable manner and consistent with University policy, an action reasonably believed to constitute a violation of University policy; or</li> <li>c) Participating in a manner as allowed or required by University policy or relevant law in proceedings involving Complaints under this policy or under the relevant laws.</li> </ol> </li> </ol>

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	Or any other activity protected by federal or state laws. As the University is exempt from the prohibition of discrimination based on religion, such communications are not protected disclosures.
<b>Retaliation</b>	Material acts or words taken against an individual or group of individuals who have made a Protected Disclosure. Retaliation can take many forms, including, but not limited to, adverse action or violence, threats, and intimidation that would discourage a reasonable person (under similar circumstances) from making a Protected Disclosure.

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## Contacts

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<b>Subject</b>	<b>Contact</b>	<b>Telephone</b>	<b>Office email/web site</b>
<b>Internal Audit</b>	Chief Audit Officer	254-710-3867	<a href="https://www.baylor.edu/ia/">https://www.baylor.edu/ia/</a>
<b>Compliance and Risk Services</b>	Senior Director of Compliance	254-710-3945	<a href="https://www.baylor.edu/risk/">https://www.baylor.edu/risk/</a>
<b>General Counsel</b>	Office of General Counsel	254-710-3821	<a href="https://www.baylor.edu/ogc/index.php">https://www.baylor.edu/ogc/index.php</a>
<b>Human Resources</b>	Baylor Human Resources	254-710-2000	<a href="https://www.baylor.edu/hr/">https://www.baylor.edu/hr/</a>

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## Responsibilities

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<b>Internal Audit</b>	Ensures the policy remains current; for EthicsPoint complaints or other complaints as appropriate, investigates, or delegates investigation of, any actual or perceived dishonest or fraudulent acts.
<b>University Compliance and Risk Services</b>	Ensures institutional compliance with the policy and annual disclosure process.
<b>Office of General Counsel</b>	Reviews and approves significant revisions to the policy; advises on investigations of fraud, waste, and abuse.
<b>Human Resources</b>	Coordinates with Internal Audit on complaints of fraud, waste, or abuse against employees, to include faculty, staff, and student employees.
<b>Office of the Provost</b>	Coordinates with Internal Audit on complaints of fraud, waste, or abuse against faculty members.
<b>Student Conduct Administration Office</b>	Coordinates with Internal Audit on complaints of fraud, waste, or abuse against students.
<b>Baylor University Police Department</b>	As a subcategory of the Baylor University Department of Public Safety (BUDPS), coordinates with Internal Audit on all suspected criminal cases of fraud, waste, or abuse involving financial and administrative services of Baylor.

<b>Information Technology Services</b>	Coordinates with Internal Audit on complaints of fraud, waste, or abuse. Upon request, and in accordance with applicable policies, collects, secures, and preserves relevant University digital data such as transactions, access, authentication, and system logs, emails, and electronic files.
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## Principles

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Baylor University encourages all members of the University community (including faculty, staff, students, and affiliates), acting in good faith, to report suspected or actual dishonest or fraudulent acts to University officials. The University is committed to protecting employees, students, and affiliates from interference or retaliation in accordance with the [Whistleblower Policy \(BU-PP 037\)](#).

It is the intention of the University to take whatever action may be needed to prevent and correct acts of fraud or suspected fraud.

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## Procedures

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### I. Intent of Policy

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This policy is intended to educate University employees on fraud and to provide guidance on reporting fraud or suspected fraud. A culture of ethics is fundamental to combating fraud, as is raising the level of awareness and understanding of policies and their role in preventing and detecting fraud. Toward its commitment to maintaining high standards, Baylor University at all times requires all employees to act with honesty and integrity and to safeguard the resources for which they are responsible.

University management officials and employees with managerial or supervisory duties are responsible for creating an environment that encourages integrity and deters dishonest behavior. Additionally, it is the responsibility of management to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste, and abuse. Management at all levels should be aware of the risks and exposures inherent in their areas of responsibility and shall establish and maintain proper internal controls to provide for the security and accountability of all resources entrusted to them.

University employees are responsible for ensuring that resources entrusted to them by the University are used ethically, prudently, and for their designated purpose.

University management and employees should:

1. Set an appropriate tone at the top – All levels of management are responsible for setting the appropriate tone of intolerance for fraudulent acts by displaying the proper attitude toward complying with laws, rules,
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regulations, and policies. Reinforcing personal responsibility and accountability will provide increased protection to the assets and financial interests of the University.

2. Document controls – Management should establish and maintain a system of internal controls which provides reasonable assurance that fraud will be prevented or detected.
3. Be aware of potential fraud – All employees, particularly administrators and managers, shall familiarize themselves with risks of dishonest or fraudulent activities that could occur in their area of responsibility and should be alert to any indications of dishonest or fraudulent activities.
4. Secure property and assets – All employees are responsible for safeguarding University resources and ensuring they are used only for authorized purposes in accordance with University policies and applicable law.
5. Review and reconcile accounts – All employees with financial responsibilities should monitor activities and account balances in accordance with Monthly Validation Procedures issued by Financial Services.
6. Separate duties – Management should ensure that there is more than one person involved in key duties, especially those relating to the acquisition of assets (purchasing), their custody (inventory, receiving), and related recordkeeping (accounts receivable, payroll, accounts payable).
7. Educate and coach employees – Management should ensure that all new and current employees are regularly made aware of their responsibilities regarding the prevention and reporting of suspected fraud.

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## **II. Reporting Obligations**

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Employees, students, and affiliates of Baylor University who have a reasonable basis for believing that fraud, waste, or abuse has occurred shall promptly report the suspected activity to the Office of Internal Audit (IA), University Compliance and Risk Services (UCRS), Baylor University Police Department (BUPD), Human Resources (HR) or the Office of General Counsel (OGC). An alternative method to report any concern anonymously is to submit a report through EthicsPoint at: <https://bayloruniversity.ethicspoint.com/> or by calling toll free 866-384-4277. EthicsPoint is an anonymous, confidential hotline/website to report issues for investigation.

Individuals may also report fraud or related misconduct to the appropriate governmental unit, law enforcement office, or ethics commission.

Departmental management and other management officials must report suspected fraud, waste, or abuse and all allegations of such activity made to them immediately to IA.

Employees or management personnel who suspect or detect such activity must not initiate investigations on their own or alert the suspected individual(s) of an impending investigation.

Great care must be taken in dealing with suspected fraudulent activities so as to avoid erroneous accusations or alerting suspected individuals that an investigation is underway.

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### **III. Prohibition of Retaliation**

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In accordance with the [Whistleblower Policy](#), the University prohibits and does not tolerate retaliation against any individual who in good faith files a complaint of suspected illegal, dishonest, or fraudulent conduct or is a witness or participant in the complaint or investigation of such suspected conduct. Engaging in prohibited retaliation may result in disciplinary action, up to and including termination of employment.

An individual who files a complaint that the individual knows or believes to be false is not protected by this provision prohibiting retaliation and may be subject to disciplinary action, up to and including termination of employment.

Baylor University encourages any person who believes he or she has been subject to prohibited retaliation, or observes or is otherwise aware of an incident of prohibited retaliation in violation of this policy, to report the incident promptly to IA, HR, or to submit an anonymous report through [EthicsPoint](#).

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### **IV. Cooperation During Investigation**

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The University is committed to creating an environment of responsible and ethical behavior and relies on faculty, staff, and student employees to cooperate with investigations into alleged fraud, waste, or abuse.

Investigations into such matters may be conducted by the University, including IA, HR, BUPD, OGC, or by federal, state, or local law enforcement agencies.

Employees are expected to maintain the confidentiality of information regarding suspected cases of dishonest or fraudulent activity under investigation to the extent permitted by law and to maintain paper and electronic records in accordance with the University's record retention schedule and instructions from OGC. Failure to cooperate and maintain confidentiality as requested by investigators may result in disciplinary action, up to and including termination of employment.

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## **V. Investigation Responsibilities**

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IA must be made aware of all suspected cases of dishonest or fraudulent activity, and has responsibility for investigating suspected fraud, waste, and abuse by employees. IA also coordinates as needed with Information Technology Services (ITS), HR, OGC, and BUPD.

When an investigation reveals suspected criminal activity or is initiated because of an allegation of criminal activity, BUPD must be notified immediately. BUPD conducts investigations of all suspected criminal cases involving financial and administrative services and coordinates with federal, state, and local law enforcement agencies as required. At BUPD's request, IA will assist in investigations of suspected criminal activity that require accounting or auditing knowledge.

All requests for information and assistance related to investigations conducted by auditors or investigators of federal, state, or local agencies that are concerned with potential dishonest or fraudulent activities shall also be forwarded immediately to BUPD, IA, and OGC. IA will report any known instances of fraud to the external financial statement auditors, engaged annually by the Board of Regents Audit, Compliance, and Risk Management Committee.

Confidentiality of those reporting dishonest or fraudulent activities will be maintained to the extent permitted by law. Subject to the provisions of state and federal law, the results of audits or investigations may not be disclosed or discussed with anyone other than authorized representatives of law enforcement or regulatory agencies and those persons associated with the University who have a legitimate need to know such results in order to perform their duties and responsibilities.