

PROCEDURE LIT.1.04.10 FRAUD

SCOPE: Faculty, Staff, and Students

Lamar Institute of Technology (LIT) commits to holding its employees to the highest standards of ethical conduct and integrity. As public servants, LIT faculty and staff are guardians of the resources entrusted to them and have a responsibility to students, parents, alumni, donors, and the citizens of Texas to ensure that those resources are used efficiently and for their intended purposes. Fraudulent activity of any kind, including actions for the benefit of the college, is expressly forbidden.

1. **Definition.** Fraud is 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 that person's detriment.

1.1. Fraud includes:

- 1.1.1. An intentional or deliberate act;
- 1.1.2. An act that deprives LIT or a person of something of value or gaining an unfair benefit; and/or
- 1.1.3. The use of deception, false suggestions, suppression of truth, or other unfair means which are believed and relied upon.

1.2. A fraudulent act may be an illegal, unethical, improper, or dishonest act including, but not limited to:

- 1.2.1. Embezzlement
- 1.2.2. Misappropriation, misapplication, destruction, removal, or concealment of property;
- 1.2.3. Alteration or falsification of documents;
- 1.2.4. False claims;
- 1.2.5. Theft of any asset including, but not limited to, money, tangible property, trade secrets, or intellectual property;
- 1.2.6. Inappropriate use of computers, including hacking and software piracy;
- 1.2.7. Bribery, rebate, or kickback;
- 1.2.8. Conflict of interest;
- 1.2.9. Misrepresentation of facts

2. **Fraudulent act determination.** While a fraudulent act may have criminal and/or civil law consequences, LIT is not required to use a determination by any external authority as the basis for deciding administratively whether an act is fraudulent.

3. **Reporting Responsibility.**

- 3.1. Any member of the campus community who has a reasonable basis for believing a fraudulent act has occurred has a responsibility to make prompt notification to one of the following:

- 3.1.1. His or her supervisor;
 - 3.1.2. The appropriate administrator;
 - 3.1.3. The Internal Audit Director;
 - 3.1.4. The Texas State University System (TSUS) Chief Audit Executive;
 - 3.1.5. The TSUS Hotline, the System's internet-based fraud reporting system; or
 - 3.1.6. The State Auditor's Office.
- 3.2. If the President has reasonable cause to believe that LIT or System financial or inventoried resources may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of LIT or the System, he or she shall report the same to the Chancellor and to the Chief Audit Executive.
- 3.3. If an employee has reasonable cause to believe that LIT or System financial or inventoried resources may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of LIT or the System, he or she shall timely and promptly report the reason or basis for the belief to the Component Internal Audit Director; to the System Chief Audit Executive; to the TSUS Hotline, the System's internet-based fraud reporting system; or to the State Auditor's Office.
- 3.4. Fraud Reporting Hotline. The System has established an internet-based reporting hotline, TSUS Hotline, to provide individuals with a confidential avenue for reporting concerns about potential waste, fraud, and abuse of resources, the lack of compliance with laws and regulations, or violations of the System's Code of Ethics. Reports filed through the TSUS Hotline are forwarded to and investigated by individuals who are independent of System management. The TSUS Hotline can be accessed through LIT's and the System Office's webpages. Except in rare circumstances, reports received through the TSUS Hotline will not be investigated if established complaint processes at the campus-level have not been utilized. The Texas Public Information Act shall govern rules on disclosure of documents and records.
- 3.5. Employees who, in good faith, report unlawful activity are protected by the Texas Whistleblower Act against any retaliation for making such a report. The reporting member of the campus community shall refrain from confrontation of the suspect, further examination of the incident, or further discussion of the incident with anyone other than the employee's supervisor or others involved in the resulting review or investigation.
- 3.5.1. Persons found to be making frivolous claims under this policy may be disciplined, up to and including termination of employment or expulsion from the college.
4. Investigation. Upon a report of suspected fraudulent activity and with the concurrence of the Office of Internal Audits and Compliance, the supervisor or administrator may treat the incident as an administrative issue and have a qualified individual or individuals perform an objective review.
- 4.1. The Office of Internal Audits and Compliance has the primary obligation for investigating reported incidents to the extent considered necessary for resolution. The Office of Internal Audits and Compliance may contact other college departments, including, but

not limited to, the Office of General Counsel and the police department, to establish the necessary team to proceed with the review or investigation.

4.1.1. The investigative team will attempt to keep source information as confidential as possible.

4.1.2. In those instances where the investigation indicates criminal activity, the investigation shall be turned over to the appropriate law enforcement agency.

4.2. All affected departments and/or individuals shall cooperate fully with those performing a review or investigation, including the Office of Audits and Compliance, law enforcement officials, regulators, and any other parties involved.

4.2.1. During all aspects of the review or investigation, the constitutional rights of all persons will be observed.

4.2.2. Suspects and others involved in the review or investigation shall be treated fairly and consistently without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.

5. Disciplinary Actions.

5.1. Employees found to have participated in fraudulent acts will be subject to disciplinary action, up to and including termination, pursuant to LIT and TSUS Rules and Regulations.

5.1.1. Employees suspected of perpetrating fraudulent acts may be placed on paid administrative leave during the course of the investigation.

5.1.2. In those cases where disciplinary action is determined to be warranted, the Office of Human Resources, Office of General Counsel, or other appropriate office shall be consulted prior to taking such action.

5.1.3. In addition, criminal or civil action may be taken against employees who participate in unlawful acts.

5.2. The employment of any individual involved in the perpetration of a fraud will ordinarily be terminated without eligibility for rehire. Actions to be taken will be determined without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.

5.3. Students found to have participated in fraudulent acts will be subject to disciplinary action pursuant to the Catalog and Student Handbook and other published LIT and Texas State University System policies.

5.3.1. In those cases where disciplinary action is warranted, the Program Director, Department Chair, Dean of Instruction, Provost/Vice President of Instruction, Office of General Counsel, or other appropriate office shall be consulted prior to taking such actions.

5.3.2. Additionally, criminal or civil action may be taken against students who participate in unlawful acts.

5.4. The relationship of other individuals or entities associated with LIT who are found to have participated in fraudulent acts as defined by this policy will be subject to review, with possible consequences including termination of the relationship.

- 5.4.1. In those cases where action is warranted, the Office of General Counsel or other appropriate office shall be consulted prior to taking such action.
- 5.4.2. Additionally, criminal or civil actions may be taken against individuals or entities associated with the college who participate in unlawful acts.

Related Policies: LIT.1.04

Relevant Forms/Documents:

Relevant TSUS Policies/Forms/Documents: TSUS Rules and Regulations, Chapter VIII.
Ethics Policy for Regents and Employees of the Texas State University System

Relevant Statutes:

Relevant SACSOC Standards:

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