



### Board Policy 1C.2 Fraudulent or Other Dishonest Acts

#### Part 1. Purpose

Minnesota State is committed to creating an environment where fraudulent or other dishonest acts are not tolerated. This policy establishes responsibilities for investigating potential incidents of fraud or other dishonest acts, taking remedial actions, and reporting evidence to the Office of Internal Auditing and other appropriate authorities.

#### Part 2. Applicability

This policy applies to all Minnesota State trustees and employees, including faculty (full-time, adjunct, and part-time faculty), administrative staff, student employees, and contractors. It also requires employees to report the actions of other parties that may constitute fraudulent or other dishonest acts or possible criminal conduct affecting Minnesota State resources or information. These other parties include (1) students; (2) contractors and vendors; (3) organizations affiliated with Minnesota State, including foundations governed by Board Policy 8.3; and (4) any other person or organization that uses Minnesota State resources or information, with or without authorization.

This policy does not apply to destruction or misappropriation of personal or private property. Those matters must be reported to appropriate college, university, or system office officials and/or to law enforcement officials when appropriate.

This policy does not apply to allegations of academic misconduct. Those matters must be referred to appropriate college or university officials.

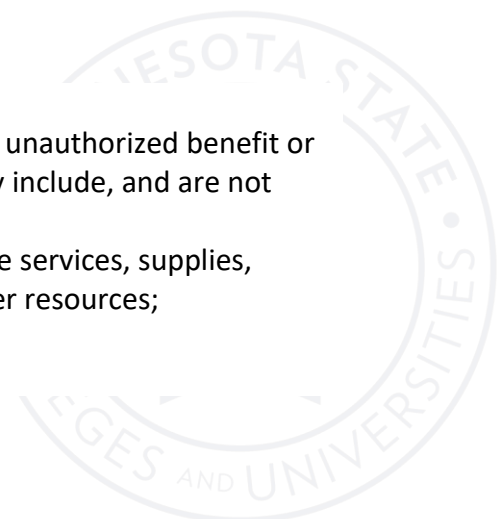
This policy also does not apply to allegations of discrimination or harassment. Those matters are governed by Board Policy 1B.1.

#### Part 3. Definitions

##### Fraudulent or other dishonest acts

A deliberate act or failure to act with the intention of obtaining an unauthorized benefit or other fraudulent behavior. Fraudulent or other dishonest acts may include, and are not limited to:

- Theft or misappropriation of funds, long distance telephone services, supplies, property, computer software, intellectual property, or other resources;
- Forgery or alteration of documents;
- Bribery or attempted bribery;



- Unauthorized use of records or access to information systems, including unauthorized sharing of computer security clearances;
- Unauthorized alteration, manipulation, or destruction of computer files and data;
- Falsification of reports to management or external agencies;
- Conflicts of interest that pursue a personal benefit or advantage while compromising the public interest;
- 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;
- Incurring obligations in excess of appropriation authority; and
- Willful violation of laws, regulations or policies, or contractual obligations when conducting Minnesota State business.

#### **Fraud inquiry**

The initial process for examining complaints, allegations, and other possible evidence of fraudulent or other dishonest acts to determine whether sufficient evidence exists to warrant a fraud investigation.

#### **Fraud Investigation**

The process of collecting and examining evidence to determine whether a fraudulent or other dishonest act has occurred.

### **Part 4. Ethical Conduct**

All Minnesota State employees are responsible for complying with the State Code of Ethics (Minn. Stat. 43A.38) and other state statutes and board policies that govern their conduct and ensure that all resources entrusted to them are used ethically, prudently, and for their designated purpose. In addition, to ensure that Minnesota State resources are used appropriately, managers and supervisors are responsible for educating employees about proper conduct, creating an environment that deters dishonesty, maintaining internal controls that provide reasonable assurance of achieving management objectives, and detecting fraudulent or other dishonest acts. Managers and supervisors must be cognizant of the risks and exposures inherent in their area of responsibility and be aware of symptoms of fraudulent or other dishonest acts, should they appear.

### **Part 5. Responsibilities**

#### **Subpart A. Compliance**

Fraudulent or other dishonest acts are prohibited pursuant to this policy and applicable law. Employees found to have committed a fraudulent or other dishonest act as defined by this policy may be subject to discipline, sanctions, restitution, and other remedies as deemed appropriate by Minnesota State officials.

**Subpart B. Employee reporting of suspected fraudulent or other dishonest acts**

An employee with a reasonable basis for believing fraudulent or other dishonest acts have occurred has a responsibility to report the suspected act in a timely manner.

Employees are encouraged to report matters through their designated college, university, or system office channels, but may report any matters directly to the Minnesota State Office of Internal Auditing instead. If reporting through college or university channels, reports should be made to the employee's immediate supervisor or manager, unless the employee suspects that the supervisor or manager has participated in or condoned the act. In that case, the employee should report the matter to the next highest level of supervision or management or directly to the college, university, or system office director of human resources. This policy does not prohibit prompt notification to appropriate authorities when an immediate threat to personal safety exists or other circumstances justify such notice. Upon discovering evidence of possible fraudulent or dishonest acts, employees should not confront individuals suspected of wrongdoing or initiate fraud investigations on their own because such actions may compromise any ensuing investigation. Employees must not make statements or disclosures knowing they are false or in reckless disregard of the truth.

**Subpart C. Conducting a fraud inquiry**

Upon receipt of an allegation of a fraudulent or other dishonest act as defined in this policy, the appropriate campus or Minnesota State officials shall conduct a timely fraud inquiry to determine whether evidence of fraudulent or other dishonest acts is substantiated and merits a fraud investigation or some other action. The appropriate campus or Minnesota State officials shall seek the assistance of the Office of Internal Auditing prior to conducting fraud inquiries.

If a fraud inquiry reveals evidence of possible criminal action or significant financial loss, then a fraud investigation must be conducted pursuant to Part 5, Subp. D of this policy. If a fraud inquiry does not reveal evidence of possible criminal actions or significant financial loss related to a fraudulent or other dishonest act, but substantiates another fraudulent or other dishonest act or a violation of state or federal law or Minnesota State or college or university policies, the matter must be referred to the appropriate campus or system office official for further action. Any incident that reveals possible employee misconduct may be subject to a personnel investigation by the college, university, or system office, as appropriate, and the individual(s) implicated may be subject to personnel action in accordance with the provisions of the applicable collective bargaining agreement or other personnel plan. The results of all fraud inquiries must be reported to the Office of Internal Auditing, regardless of the outcome. The Office of Internal Auditing will review all reports and determine if any other action should be taken.

**Subpart D. Conducting a fraud investigation**

If a fraud inquiry merits a fraud investigation, the president or chancellor shall report the matter to the Office of Internal Auditing. The appropriate campus or Minnesota State official shall consult with the chief audit officer to determine responsibilities for conducting the fraud investigation. The Office of General Counsel, the legislative auditor, or other

appropriate officials must also be consulted, as appropriate and when required by this policy.

## **Part 6. Remedial Actions**

### **Subpart A. Recovery of losses**

Appropriate action will be taken to recover significant assets lost as a result of a fraudulent or other dishonest act. Full recovery will constitute the value of benefits gained by an employee or beneficiary other than Minnesota State or the documented loss, whichever is larger, and, if appropriate, the cost of investigation, recovery, or other costs. For misuse of long-distance telephone services, recoveries must include the fair market value of the service, taxes, and interest. All reasonable means, consistent with state law, will be sought to recover losses, including voluntary repayments, insurance proceeds when applicable, and legal action when necessary. The Minnesota State Office of General Counsel can advise on whether the evidence available and the cost of recovery justify legal action to recover losses.

### **Subpart B. Reporting and Referral**

Significant financial losses must be reported to the vice chancellor for finance and facilities. Significant loss or damage to electronic information or information systems must be reported to the Minnesota State vice chancellor for information technology. College, university, or system office administrators may consult with the Minnesota State General Counsel prior to disclosing private or confidential data on employees to law enforcement authorities pursuant to Minn. Stat. 13.43, subd. 15.

### **Subpart C. Internal control deficiencies**

The Office of Internal Auditing shall consider whether evidence of possible fraudulent or other dishonest acts reveals areas or practices in college, university, or system internal controls needing modification. The Office of Internal Auditing shall recommend corrective actions to the president or chancellor, as appropriate, and the vice chancellor for finance and facilities. Internal Auditing shall follow-up on its recommendations and report progress to the Board of Trustees consistent with procedures for audit follow-up.

### **Subpart D. Employee disciplinary actions**

Employees found to have participated in fraudulent or other dishonest acts, or any employee who hinders a fraud inquiry or investigation by making a false or misleading statement, or any employee who has knowledge of a fraudulent or other dishonest act, but fails to report it according to this policy may be subject to disciplinary action. The appropriate campus official or vice chancellor for human resources shall determine whether employee disciplinary action is warranted.

## **Part 7. Data Practices**

Fraud inquiry or investigation data must be handled in accordance with the Minnesota Government Data Practices Act and other applicable law.

### **Part 8. Whistleblower Protection**

Employees who report suspected fraudulent or other dishonest acts pursuant to Minn. Stat. 181.932 must be protected from retaliation. The identity of information sources must be protected when required by Minn. Stat. 181.932 or 13.392.

### **Part 9. Other Policies**

This policy must not be construed to limit the ability to enforce any other applicable policy or law not incorporated under this policy or to limit the remedies available for violations that occur.

### **Part 10. Reporting to the Board of Trustees and the Legislative Auditor**

The chief audit officer shall notify the board of any significant violations of law or board policies, as required by Board Policy 1D.1, or any material departures from this policy. The chief audit officer is responsible for reporting evidence to the Office of the Legislative Auditor as required by Minn. Stat. 10.47, 43A.39, and 609.456, Subd. 2 and, if federal funds are involved, to the responsible federal authority. Employees who have reported evidence according to the provisions of this policy will have fulfilled their statutory reporting obligations for reporting to the Office of the Legislative Auditor.

### **Part 11. Training**

All Minnesota State employees are required to complete employee code of conduct training annually.

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Date of Adoption: 06/19/02  
Date of Implementation: 06/19/02  
Date of Last Review: 03/20/24

#### **Date and Subject of Amendments:**

03/20/24 – Full review. The proposed amendment consists of (1) deleting and replacing outdated information such as replacing “Legislative Auditor” with the “Office of Internal Auditing”, (2) reorganizing the information in a more logical sequence, (3) clarifying the language regarding fraud inquiries and fraud investigations, (4) making the Part 6. Remedial Actions language more concise, (5) adding Part 4. Ethical Conduct and Part 11. Training, and (6) applying the Minnesota State formatting and writing styles to the entire policy.

01/25/23 – technical change replaced MnSCU with Minnesota State and the title executive director of internal auditing with chief audit officer.

11/16/11 – Effective 1/1/12, the Board of Trustees amends all board policies to change the term “Office of the Chancellor” to “system office,” and to make necessary related grammatical changes.

6/19/02 – repeals Board Policy 7.2, Part 3.

No Additional HISTORY.