3.5.1 Financial Irregularities

Procedures to follow when a suspicion or discovery of financial irregularities arise. Some common types of financial irregularities are corruption (e.g., bribery, kickbacks, bid riggings, etc.), conflicts of interest (e.g., sale and purchase schemes, etc.) and asset misappropriation involving cash, inventory or other University assets. Examples of asset misappropriation can include the following:

- theft of cash
- the use of a University issued credit card or the expense reimbursement system to make personal purchases
- the directing of University resources such as supplies, inventory or labor to outside organizations
- the directing of University revenues (e.g., event ticket proceeds, research funding, etc.) to outside organizations

Departments must immediately notify the Office of the Chief Risk Officer or the Compliance and Ethics Helpline of suspected financial irregularities. Departments should not initiate an investigation. Departments should not discuss, interview or confront individuals about the suspected financial irregularity. Departments should not initiate any disciplinary actions without specific direction from the Office of General Counsel, or the Office of the Chief Risk Officer.

Authority:
Approved by the Vice President for Business Affairs and Chief Financial Officer.

1. Notification

The department where the alleged financial irregularity is suspected or discovered must immediately notify the Office of the Chief Risk Officer or the Compliance and Ethics helpline, at (650)-721-2667 or helpline.stanford.edu [1]. Preliminary research will be conducted to determine if an investigation is warranted. In general, there must be an adequate basis for suspecting a possible illegal or improper act and sufficient information available to conduct an investigation.

2. Investigation Process

When warranted by information obtained during preliminary research, the Office of the Chief Risk Officer will commence a fact-finding investigation into the suspected financial irregularity. Depending on the
circumstances, the Office of the General Counsel may decide to direct the investigation. If an investigation is commenced, the Office of the General Counsel, the Chief Financial Officer, and all appropriate stakeholders will be notified. These may include representatives from the following offices:

- Department where the alleged financial irregularity is suspected or discovered, unless the local senior management is alleged to be involved or there is concern that informing local management could compromise the outcome of the investigation
- Financial Management Services, including the Controller’s Office, Office of the Treasurer, Procurement, Global Services, and Financial Management Consulting and Support
- University Human Resources
- Student Affairs
- Dean’s, Vice Provost’s or Vice President’s Office to which the department reports
- Provost’s Office
- Department of Public Safety (if the report involves allegations of criminal activity)

The Office of the Chief Risk Officer will plan and coordinate the investigation and will consult with the Office of the General Counsel as appropriate. In most cases, a report will be provided to the appropriate University office(s), which summarizes findings on the alleged financial irregularity and makes recommendations for improvement of related internal controls.


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