

**Iowa State University**  
**Business Ethics Awareness and Compliance Program**  
**FAR 52.203-13**

**Introduction**

As a recipient of federal contract funds, Iowa State University (“ISU”) is subject to certain federal laws and regulations encouraging ethics, integrity, and honesty and discouraging fraud and other criminal or improper conduct. In light of these requirements and as a way to express its values, ISU has adopted a code of business ethics and conduct applicable to all ISU activities. ISU also applies a particular business ethics awareness and compliance program along with an internal control system to federal contracts subject to Federal Acquisition Regulation (“FAR”) 52.203-13.

**CODE OF BUSINESS ETHICS AND CONDUCT**

ISU’s code of business ethics and conduct (“Code”) is comprised of the Code of Business and Fiduciary Conduct originating from the highest level in the State of Iowa university system, the State Board of Regents (“BOR”), along with supporting policies. The supporting policies address conflicts of interest, undue influence, discriminatory bias, use of funds, use of assets and resources, use of information, fairness and integrity in the conduct of business, and reporting suspected violations.

The Code is always available to all ISU employees, as part of ISU’s Policy Library on the ISU website, located [here](#). ISU’s President annually issues a letter to all ISU employees encouraging them to review the Code and apply its principles. Information about the Code is also separately sent to ISU employees engaged in federal contract work subject to FAR 52.203-13 via targeted e-mails and to the broader ISU community through ISU’s *E-News for Researchers* and *Inside Iowa State* publications. ISU’s Office of Sponsored Programs Administration (“OSPA”) notifies employees of the federal Pilot Program for Enhancement of Contractor Employee Whistleblower Protection via its [website](#) and through ISU’s *E-News for Researchers* and *Inside Iowa State* publications.

**BUSINESS ETHICS AWARENESS AND COMPLIANCE PROGRAM**

Federal contracts received by ISU and expected to exceed \$5,000,000 with a performance period of 120 days or more will contain FAR 52.203-13. A copy of FAR 52.203-13 is attached to this document as Appendix 2. When ISU receives a federal contract containing FAR 52.203-13, ISU is required to not only have a written code of business ethics and conduct, but to also institute a business ethics awareness and compliance program and an accompanying internal control system. ISU’s business ethics and awareness program (“Program”) is designed to implement the Code. Assigning key party roles and responsibilities, training, disseminating information, providing a hotline and displaying posters are key components of the Program.

## **Key Party Roles & Responsibilities**

In addition to the obligations of individual ISU employees to embrace and implement the Code, certain ISU units and departments have specific roles and responsibilities under the Program. The assignment of those key party roles and responsibilities is detailed in Appendix 1.

## **Training**

Principal Investigators (“PIs”) and employees and students working on a federal contract containing FAR 52.203-13, and the PI’s associated department/center/institute head, fiscal officers and grant coordinators (“GCs”) will all be required to complete a training program designed to:

- Increase understanding of the Code, the Program, and ISU’s related internal control system;
- Explain the key parties’ roles and responsibilities (see Appendix 1);
- Explain reporting requirements under the Code and Program; and
- Explain potential consequences for not complying with the Code or Program.

Staff within ISU’s Purchasing department, Sponsored Programs Accounting (“SPA”), OSPA, Office of Intellectual Property & Technology Transfer (“OIPTT”), VPR, Office of University Counsel (“OUC”), Office of Senior Vice President of Business and Finance (“SVPBF”), and Office of Research Integrity’s (“ORI”) Conflicts of Interest and Commitment (“COIC”) program, who in the reasonable opinion of those units’/departments’ leadership are involved with federal contracts containing FAR 52.203-13 are also required to complete the training program.

The training program currently exists in the format of distributing this Program document to individuals, and an ongoing engagement between ISU’s Purchasing department, SPA, OSPA, OIPTT, GCs, VPR, OUC, SVPBF, ORI’s COIC program and the PI’s department and associated center/institute when that department/center/institute is working on a contract containing FAR 52.203-13. ISU is currently exploring options for additional training opportunities.

## **Disseminating Information**

ISU must disseminate information about the Code specifically to each ISU employee engaged in the performance of the contract containing FAR 52.203-13. Therefore, when a federal contract contains FAR 52.203-13, OSPA or OIPTT will, as part of its roles and responsibilities (see Appendix 1), distribute a copy of the Code to the PI for dissemination to each employee and student engaged in the performance of the contract.

## **Hotline**

ISU provides a hotline (“Hotline”) for employees, students, and constituents to report, on an anonymous or confidential basis, suspected issues regarding compliance with laws, regulations, and policies. Information and instructions about the Hotline, including a printable Hotline poster, are always available to all ISU employees, as part of ISU’s Policy Library on the ISU website, located [here](#). OUC also highlights the Hotline during ISU’s new employee orientation sessions.

### **Displaying Posters**

A related regulation, FAR 52.203-14 (see Appendix 2), will similarly be in most federal contracts exceeding \$5,000,000.00. That regulation requires ISU to display certain fraud, compliance and ethics hotline posters. When a federal contract contains FAR 52.203-14, OSPA or OIPTT will identify which posters must be displayed and notify the PI of that requirement, in accordance with Appendix 1.

### **INTERNAL CONTROL SYSTEM**

ISU's FAR 52.203-13 internal control system ("System") is built upon existing ISU policies and is supported by efforts from various ISU units and departments, including the affected PI's department, Purchasing, SPA, OSPA, OIPTT, VPR, OUC, SVPBF, ORI's COIC program, and the Office of Internal Audit ("OIA"). These units and departments monitor compliance with the Code and Program in the ways described in Appendix 1. These efforts aim to detect and reduce the risk of criminal conduct. Verifying employment suitability, reporting internally via the Hotline, disclosing suspected violations and cooperating with federal agencies, imposing disciplinary action, and subcontracting properly are specific features of the System which enable ISU to timely discover improper conduct in connection with federal contract work done at ISU, and to responsively implement any necessary corrective measures.

### **Verifying Employment Suitability**

ISU has a process for verifying that a prospective employee is suitable for employment at ISU. That process, which permits background checks, is included as part of ISU's Policy Library on the ISU website, located [here](#). When a federal contract contains, or if at the time of proposal is expected to contain, FAR 52.203-13, ISU's Human Resources ("HR") will conduct a criminal history investigation on the current or prospective employees named as PI or Co-Investigator on that federal contract, unless such an investigation has been completed for such an employee within the past six (6) months. Compliance with the criminal history investigation will be a condition of being a PI or Co-Investigator on that federal contract. Unless otherwise approved by the VPR, a proposal naming the PI or Co-Investigator on a federal contract expected to contain FAR 52.203-13 may not be submitted until the criminal history investigation is complete, and the VPR, after considering the criminal history investigation results and the PI or Co-Investigator's compliance history at ISU, has approved such submission. A PI or Co-Investigator on a federal contract containing FAR 52.203-13 may not commence work on that contract until the criminal history investigation is complete, and the VPR, after considering the criminal history investigation results and the PI or Co-Investigator's compliance history at ISU, has approved such work. More about this process is described within the PI, VPR and OSPA/OIPTT entries of Appendix 1.

### **Reporting and Disclosing Suspected Violations**

41 U.S.C. 3509 and FAR 3.1003 (see Appendix 2) require all federal contractors to timely disclose to the Government a significant overpayment received from the Government or a violation of federal criminal law involving false claims, fraud, conflict of interest, bribery, or gratuity when credible evidence exists that such conduct occurred in connection with a federal contract performed by ISU or its subcontractors.

ISU is committed to timely disclosing in writing to the applicable agency Office of Inspector General (“OIG”) and Contracting Officer any violations of federal criminal law involving false claims, fraud, conflict of interest, bribery, or gratuity when credible evidence exists that such conduct occurred in connection with a federal contract performed by ISU or its subcontractors either during the performance period or for 3 years following final payment on a contract subject to FAR 52.203-13. ISU will fully cooperate with Government agents involved with such matters. This ISU commitment to disclosure stems from an ISU policy establishing a responsibility for students, employees, and visitors to report via the Hotline or otherwise potential or suspected violations of policies, regulations, and laws. A copy of that policy is included as part of ISU’s Policy Library on the ISU website, located [here](#).

### **Disciplinary Actions**

When ISU discovers employee conduct contrary to the Code or an employee’s failure to reasonably uphold the Code, ISU may impose disciplinary action. Discipline may include acts such as reassignment of duties, or suspension or dismissal from ISU employment, and will be in accordance with ISU’s Faculty Handbook, ISU’s P&S Summary Dismissal Policy, and any applicable collective bargaining agreement and BOR administrative rules. Other possible consequences of not following the Code and the Program include criminal and civil charges, termination of the federal contract and loss of sponsored funding, and the federal government suspending or debarring ISU’s federal contracting privileges.

### **Subcontracting**

ISU will further help ensure compliance with FAR 52.203-13 and 52.203-14 by including those clauses in any subcontracts from ISU when ISU’s prime contract contains those FAR clauses and the subcontract has a value in excess of \$5,000,000 and a performance period of more than 120 days.

### **Summary and Conclusion**

ISU’s creation of and adherence to its Code of Business Ethics and Conduct, its Business Ethics Awareness and Compliance Program, and its accompanying internal control system help foster an organizational culture that encourages ethical conduct and a commitment to compliance with the law at ISU. That culture, in turn, helps ISU successfully perform contracts and satisfy the requirements of FAR 52.203-13 when a contract contains that regulation.

## Appendix 1

### Key Party Roles & Responsibilities

#### Principal Investigator (PI)

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code, including periodically reviewing appropriateness of project accounts, personnel and charges.
- Email a copy of the Code to each employee or student (paid or unpaid) working on the contract, copying the OSPA/OIPTT contract negotiator on that email.
- Complete required training programs and require employees working on the contract to complete training programs. Document employees' completion of training programs.
- Display necessary posters in departmental common work areas.
- During the hiring process, work with ISU's HR to verify an applicant's employment suitability as outlined both in ISU's Employment Verification and Background Check policy, and in the Verifying Employment Suitability part of this Program document.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.

**PI's associated Department/Center/Institute**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code, including periodically reviewing appropriateness of project accounts and personnel.
- Determine and document allowability, appropriateness and reasonableness of obligations and expenses.
- Complete required training programs and require employees working on the contract to complete training programs. Document employees' completion of training programs.
- Assist PI with displaying necessary posters in departmental common work areas.
- During the hiring process, work with ISU's HR to verify an applicant's employment suitability as outlined both in ISU's Employment Verification and Background Check policy, and in the Verifying Employment Suitability part of this Program document.
- Fund any criminal history investigations required because of work to be done on a federal contract containing FAR 52.203-14.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.

**Office of Sponsored Programs Administration (OSPA) and Office of Intellectual Property and Technology Transfer (OIPTT)**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Add a reference document term in Quali Coeus award module when a contract includes FAR 52.203-13 or 52.203-14.
- When a finalized contract includes FAR 52.203-13 or 52.203-14 the contract negotiator in OSPA/OIPTT, within 10 days of signing the contract, notify the PI and GC of the following requirements, as applicable:
  1. To review the Code, email a copy of the Code to each employee working on the contract, and copy the contract negotiator on the email;
  2. To complete ISU-provided training and require employees and students working on the contract to complete the training; and
  3. To display required posters in departmental common work areas.
- Save a copy of the PI/GC notification and PI email to employees in OSPA/OIPTT records (FileBound – Compliance Folder).
- When appropriate, insert FAR 52.203-13 and 52.203-14 in subcontracts.
- Complete required training programs. Document employees' completion of training programs.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- When a federal contract contains, or if at the time of proposal is expected to contain, FAR 52.203-14, the contract negotiator in OSPA/OIPTT will notify ISU's HR, SVPBF and VPR of current or prospective employees named as PI or Co-Investigator on that proposal or federal contract, to enable the criminal history and internal compliance investigations described in the Verifying Employment Suitability part of this Program document. The contract negotiator will receive notice from ISU's HR and VPR when each of those investigations is complete and will if permitted by the VPR either proceed with proposal submission or if at contract award stage will via email notify such PI or Co-Investigator that they may commence work on that federal contract.
- Assist the VPR with disseminating information about the Code to ISU employees engaged in federal contract work subject to the FAR 52.203-13, via targeted e-mail lists and in ISU's *E-News for Researchers* and *Inside Iowa State* publications.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.

## **Office of Senior Vice President of Business and Finance (SVPBF)**

### **Office of Vice President of Research (VPR)**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Coordinate with OUC to ensure timely disclosure, when necessary, to the Government of conduct contrary to the Code.
- Complete required training programs. Document employees' completion of training programs.
- Coordinate with ISU's President to annually distribute a letter to all ISU employees encouraging them to review the Code and apply its principles.
- Disseminate information about the Code to ISU employees engaged in affected federal contract work, via targeted e-mail lists and in ISU's *E-News for Researchers* and *Inside Iowa State* publications. Maintain a record of the disseminations.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- As described in the Verifying Employment Suitability part of this Program document, consider the PI or Co-Investigator's compliance history at ISU, in conjunction with that person's criminal history investigation, when determining whether to permit such person(s) to serve in such a role on a contract containing FAR 52.203-14. Communicate the determination to OSPA/OIPTT.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assess the Program and System for effectiveness and recommend modifications.



### **Sponsored Programs Accounting (SPA)**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Complete required training programs. Document employees' completion of training programs.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.
- Review the following obligation and expense transaction types: web requisitions for equipment purchases; subaward invoice payments; cost transfers (EPAs and GECs) and transfers. At close-out of an award, perform cursory review of expense transactions.

### **Office of University Counsel (OUC)**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Assist ISU departments seeking to impose disciplinary actions arising out of conduct contrary to the Code.
- Coordinate with ISU departments to ensure timely disclosure, when necessary, to the Government of conduct contrary to the Code.
- Complete required training programs. Document employees' completion of training programs.
- Highlight ISU's Reporting Responsibility – Violations Policy and Hotline during ISU's new employee orientation program.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.

### **Office of Research Integrity's (ORI) Conflicts of Interest and Commitment (COIC) program**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code, including efforts to address conflicts of interest and commitment.
- Complete required training programs. Document employees' completion of training programs.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.

### **Office of Internal Audit (OIA)**

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Add this Program to the scope of consideration for its annual audit plan, and if selected as part of an annual audit plan, then assess the Program and System.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.
- When conducting audit projects, OIA commonly assesses completion rates of required Conflicts of Interest and Commitment disclosures, the security and tracking of capitalized equipment which may have been purchased with federal funds, and the use of funds for sponsored programs. Recent audit projects such as the Sponsored Programs Fiscal Compliance – OMB Circular A-21 and the Procure-to-Pay Process also assessed ISU internal controls on a larger scale.

## Purchasing

- Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Use due diligence in preventing, detecting and timely reporting any conduct contrary to the Code.
- Complete required training programs. Document employees' completion of training programs.
- During the hiring process, work with ISU's HR to verify employment suitability, as outlined in ISU's Employment Verification and Background Check policy.
- Cooperate with any Government agencies responsible for audits, investigations, or corrective actions.
- Periodically assist with the assessment of the Program and System for effectiveness and recommend modifications.

## MONITORING & AUDITING FOR PROCUREMENT FRAUD

### Overview

Procurement Fraud or contract fraud is believed to be one of the most common and costly of all white-collar crimes. With procurement fraud, the misrepresentation of the truth, in most cases, occurs somewhere in the acquisition process (from identification of the requirements; to requesting bids; to receipt of services/material; to making final payment.<sup>1</sup>

Internal Controls are put in place to deter/prevent procurement fraud. However, internal controls are only a part of identifying fraud and monitoring for fraud indicators is necessary. A fraud indicator is a set of circumstances that are unusual in nature and vary from the normal procurement process. We use two approaches: Analytical Data Analysis (targeted data-mining, computer software monitoring of the procurement process, and contract management); and Direct Observation (compliance reviews, outreach, and attest statements.

### Types of Procurement Fraud Schemes

Fraud schemes can be committed by suppliers alone, by university personnel alone or suppliers and university personnel collude and conspire to defraud. In order to commit procurement fraud, the fraudster need only corrupt one of four aspects of procurement: the Requirement, the Selection, the Cost, or the Services Being Delivered.

1. Bribe – refers to an employee receiving a “thing of value” to influence a pending decision.
2. Gratuity – refers to an employee receiving a “thing of value” as a form of appreciation for a decision.
3. Kickbacks – refers to “something of value” going back to the employee.
4. Split Purchases – splitting a single purchase into 2 or more purchases for the sole purpose of falling below review or competitive bidding thresholds.

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<sup>1</sup> Caulfield, Tom, Assistant IG for Investigations. *The Anatomy & Illusiveness of Procurement Fraud*. Journal of the Association of Inspectors General.

5. Leaking of Acquisition Data – an employee leaks bid/proposal information from competitors or confidential pre-bid procurement information to a favored bidder giving them an unfair advantage in the bidding process.
6. Change Order Abuse – knowingly allowing a contractor to submit a “low” bid without any margin of project, because of an agreement to process change orders.
7. Bid Manipulation – employee arbitrarily accepting late bids, changing or allowing changes in bids, or re-bidding, etc. to benefit a favored supplier.
8. Rigged Specifications – unduly narrowing specifications to favor a supplier, or unduly broadening specs to qualify an unqualified bidder.
9. Unjustified Sole Source – deliberately writing a non-supportable sole source justification to avoid a competitive selection.
10. Unnecessary Purchases – deliberately purchases equipment or services not required to allow a supplier to profit by the purchases.
11. Purchases for Personal/Resale – purchases items intended for his/her own use or for resale.
12. Conflict of Interest – making a decision that affects him/her financially.
13. Phantom Vendor – submitting invoices from a non-existent vendor.
14. False Claims – no services or goods were provided.
15. Multiple Claims – single incurred cost submitted on different payment mechanisms or multiple times.
16. Defective Quality – supplier substitutes products with material or lesser quality than specified.

#### Internal Controls

- The p-card and cyBUY (e-procurement) systems incorporate segregation of duties by preventing a cardholder or shopper from approving their own transactions.
- The p-card system interfaces with the university’s human resource system, which sends notifications to the system administrators when a p-card system user resigns or transfers.
- Any p-card transactions posted against a card which has been inactivated are routed to administrative users for review before department users have access for reconciliation.
- Employees who have shopper-only access to the e-procurement system (cyBUY) do not have rights to change the ship-to address on an order (which defaults to their university address).
- Requestors may not change a requisition after the purchasing agent has issued a purchase order.
- All change orders must be approved by the purchasing agent.
- Master Vendor File is managed by Vendor Database Manager and cannot be altered by purchasing agents or requestors.
- All Vendor Registrations are reviewed and EIN’s are validated through the IRS and checked against the Excluded Parties List System (EPLS).
- The Master Vendor File has clear vendor file naming conventions.
- Master Vendor File Manager has no ability to approve invoices, process requisitions, or order on behalf of the university.
- Require W-9 in vendor registration process.
- Sole source justifications must be verified by the purchasing agent and approved by Director of Purchasing or Asst. Vice President for Business Services.
- Only authorized employees have access to the requisitioning system and e-procurement system.
- All p-card holders are required to sign an agreement, participate in training prior to receiving a card, and complete an online test for card renewal.

- All faculty and professional staff are required to submit an online Conflict of Interest Disclosure Form each year and any time their situation changes.
- All bids are sent to [quotedsk@iastate.edu](mailto:quotedsk@iastate.edu) and are not released to purchasing agents or other university personnel until the bid has closed.
- All bids are posted on the purchasing website with email notifications going to all suppliers indicating they can provide. Bids not posted must be approved by the Director of Purchasing or Asst. Vice President for Business Services.

#### Monitoring for Fraud

- Director of Purchasing reviews all Conflict of Interest Disclosure Form to identify any financial interests in companies doing business or seeking to do business with the university.
- Requestors must complete an attest statement on requisitions to state they have no conflict of interest in the supplier and that no other equipment exists on campus that could reasonably be used. (Notice to campus, included below)
- Review p-card transactions through the USBank system to detect external fraud as well as to monitor for unusual transactions authorized by the cardholder.
- Use programmed audit parameters to identify questionable p-card transactions. (see below)
- Conduct departmental P-Card Compliance Reviews to detect fraud to include:
  - ✓ Vague description of goods/services purchased
  - ✓ Lack of a clearly defined business purpose
  - ✓ Description of goods/services purchased does not match type of items sold by merchant
  - ✓ Transactions are split to bypass authorized expenditure limits of cardholder
  - ✓ Items purchased are restricted on p-card including employee travel expenses that may be reimbursed
  - ✓ Unusual vendor source for an item
  - ✓ Consistently sourcing from outside vendors rather than university stores/contracts
  - ✓ Missing documentation
  - ✓ Items shown on receipt do not match description of good/service purchased or number of participants does not match number of meals on receipt.
  - ✓ Unusual patterns (e.g., purchases of same item from multiple vendors)
  - ✓ Use of reward programs
  - ✓ Ship-to address on receipt is other than university (home address)
  - ✓ Purchase of items that are unusual for department/cardholder's typical work
- Review P-card transactions which have not been reconciled within 30 days.
- All invoices without a purchase order number are researched by purchasing to determine if it a valid expenditure or has been paid on P-Card to avoid double payments or inappropriate payments.
- Invoice discrepancies are reviewed, researched, verified or corrected by appropriate purchasing agents.
- Selection committees are led and monitored by purchasing agents.
- Late bids must be authorized by Director of Purchasing or Asst. Vice President for Business Services and must include proof that the carrier was at fault and the bid was sent with enough time to arrive.
- Conduct background checks on new vendors to determine if they are qualified to do business.
- Reconcile invoices to contract terms.

### Training

High volume p-card users are required to attend "Procurement Process Certification Training" which is an 8 hour course on the procurement process. It includes a session on Business Ethics. The training is open to any university employee.

### Notice to campus:

To: requisitioning system verifiers

To meet various federal, state and university requirements, the university needs to document and collect affirmation of specific statements that are directly associated with the requestor (principal investigator, graduate assistant or staff member), and are related to (1) certain potential conflicts of interest and (2) the current on-campus availability of requested equipment. In order to meet these requirements, a new process for requisitions will be implemented on 5/4/2012.

This process will include a set of statements related to the suggested supplier(s) provided with the requisition and, when using federal funding, the availability of equipment similar to what is being requested (statement shown below).

### **Statements**

#### **The department attests to the following related to this acquisition:**

- The requestor has no financial, management, or ownership interest in the supplier from which this purchase is requested.
- That no immediate family member of the requestor has a financial, management, or ownership interest in this supplier.
- That the requestor is not member of a partnership or limited liability company that has a financial, management, or ownership interest in this supplier.
- If requesting equipment be purchased with federal funds, that no other equipment exists on campus that could reasonably be used by the requestor for its intended purpose.

A .pdf of the *Route: For Approval* screen including these statements is attached.

***It is very important that the correct requestor is identified on all requisitions to ensure accurate documentation and messaging related to purchase orders. The requestor should be the person that is making the request for the goods and services and not the person completing the requisition, unless they are the same person.***



## **AUTOMATED AUDIT PARAMETERS FOR AUDITABLE TRANSACTIONS BROWSE**

New purchasing card transactions are received in a transmission from the bank each business night. Transaction records are created in AccessPlus from the bank transmission and from the p-card system database. As the new transaction records are created, the information provided in the bank transmission is checked against the automated audit parameters shown below. Transactions that fall within the automated audit parameters are displayed in the *Auditable Transactions Browse* in the administrative version of the p-card reconciliation system of AccessPlus, to be reviewed by an individual in the Purchasing Department.

### **LEVEL 1 AND LEVEL 2 DESIGNATIONS**

When transactions are identified by the automated parameters as auditable, they are assigned an audit indicator of level 1 or level 2, based on which audit parameters they meet. Those transactions identified as audit level 1 are immediately displayed in the *Auditable Transactions Browse* for review. Transactions with a level 1 designation are generally unallowable on the purchasing card. Transactions identified as audit level 2 are displayed in the *Auditable Transactions Browse* after the cardholder's department has entered the transaction description, business purpose and fund/account information (have been validated and reallocated). These transactions may or may not be allowable. By reviewing the business purpose and funding source, the reviewer may be able to determine whether or not the transactions are allowable purchasing card expenses.

Individuals with administrative rights in the purchasing card system have the ability to manually assign the level 2 designation to transactions that did not meet the automated audit parameters, and were not automatically displayed in the *Auditable Transactions Browse*, yet appear questionable or seem to require further investigation.

### **AUDIT PARAMETERS**

- **Split transactions.** Two transactions made on the same day, to the same vendor, by the same cardholder, and the transaction total is greater than the cardholder's transaction limit. Split transactions are designated audit level 1.
- **Transactions where the vendor name includes "Paypal", "Rental", "Staples", "Toshiba", or "APL\*APPLE".** These transactions are designated audit level 2.
- **Transactions from vendors identified by certain questionable Merchant Commodity Codes (MCC).** These transactions are designated level 1 and level 2, based on their MCC.
- **Restaurant (MCC 5811-5814) charges totaling less than \$20.** Low dollar restaurant transactions are designated audit level 2. The transaction description and business purpose are reviewed to determine whether the charges may be employee travel expenses which are not allowed on p-card to prevent double paying.

## REVIEW CODES

Transactions displayed in the *Auditable Transactions Browse* are reviewed by one or more individuals in the purchasing department. Transactions are evaluated to identify purchases that are not in compliance with the guidelines of the purchasing card program, as well as those that are potentially fraudulent charges. If additional information is needed to make an evaluation, the reviewer may contact the cardholder, or their department's p-card coordinator, to request clarification or obtain documentation. After transactions have been reviewed they are assigned a "review code" to reflect the outcome of the evaluation, and a review date is recorded on the transaction screen. The reviewer may also record pertinent information about the transaction in the "Administrative Comments" field on the transaction screen.

Review codes include:

"W" = Warning	Assigned to transactions identified by the reviewer as not in compliance with purchasing card guidelines. The "W" indicates the reviewer sent an e-mail warning to the cardholder explaining the applicable guideline/restriction governing the purchase, reminding them of the proper procedure to follow for future purchases, and if necessary, recommending corrective action. A copy of the warning is sent to the department's p-card coordinator.
"R" = Reviewed	Used to identify transactions that have been evaluated and/or investigated, and determined compliant with purchasing card guidelines.
"C" = Compliance Review	Identifies transactions meeting the audit parameters for the auditable transactions browse, which have already been reviewed as part of a departmental compliance review.
"D" = Dispute	Used to identify transactions where a discrepancy could not be resolved with a vendor.
"F" = Fraud	Used to identify fraudulent transactions (i.e., transactions that were not made by the cardholder).

## Financial System Controls:

The University uses the Kuali Financial System (KFS) which incorporates electronic workflow and transaction and system parameters to provide controls over the system and ensure established standards and procedures are followed. In addition, the system provides automated notification to facilitate the timely discovery of improper conduct in conjunction with transaction processing.

The Controller's Department monitors KFS to ensure all procurements requiring Purchasing Department oversight in accordance with University policy follow established standards and procedures. Any transactions falling outside of the University's procurement standards are re-directed back to the Purchasing Department for corrective action. Non-Kuali transaction systems, such as employee

reimbursement, payroll, and purchasing card, also utilize electronic workflow and transaction and system parameters to provide appropriate internal controls. In addition, each transaction type has established standards for central audit with appropriate notifications, corrective measures and follow-up.

The Controller's Department periodically evaluates the effectiveness of its compliance procedures, policies and procedures, and system internal controls and makes adjustments as needed.

Unit Approvers/Delegates and Responsibilities:

Transaction approvers and delegates are provided with training on using the University's financial transaction systems for processing and outlining their roles and responsibilities. In addition, unit chairs and college fiscal officers have been provided with reporting to assist them in identifying personnel in KFS workflow approval/delegate roles so proper segregation of duties for the purposes of reconciling account statements and transaction reviews are maintained. The Controller's Department and Purchasing Department maintain websites and training documents dedicated to assisting units with maintaining appropriate internal controls.

## Appendix 2

### Subpart 3.10—Contractor Code of Business Ethics and Conduct

#### 3.1000 Scope of subpart.

This subpart prescribes policies and procedures for the establishment of contractor codes of business ethics and conduct, and display of agency Office of Inspector General (OIG) fraud hotline posters.

#### 3.1001 Definitions.

As used in this subpart—

“Subcontract” means any contract entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract.

“Subcontractor” means any supplier, distributor, vendor, or firm that furnished supplies or services to or for a prime contractor or another subcontractor.

“United States” means the 50 States, the District of Columbia, and outlying areas.

#### 3.1002 Policy.

(a) Government contractors must conduct themselves with the highest degree of integrity and honesty.

(b) Contractors should have a written code of business ethics and conduct. To promote compliance with such code of business ethics and conduct, contractors should have an employee business ethics and compliance training program and an internal control system that—

(1) Are suitable to the size of the company and extent of its involvement in Government contracting;

(2) Facilitate timely discovery and disclosure of improper conduct in connection with Government contracts; and

(3) Ensure corrective measures are promptly instituted and carried out.

#### 3.1003 Requirements.

(a) *Contractor requirements.*

(1) Although the policy at [3.1002](#) applies as guidance to all Government contractors, the contractual requirements set forth in the clauses at [52.203-13](#), Contractor Code of Business Ethics and Conduct, and [52.203-14](#), Display of Hotline Poster(s), are mandatory if the contracts meet the conditions specified in the clause prescriptions at [3.1004](#).

(2) Whether or not the clause at [52.203-13](#) is applicable, a contractor may be suspended and/or debarred for knowing failure by a principal to timely disclose to the Government, in connection with the award, performance, or closeout of a Government contract performed by the contractor or a subcontract awarded thereunder, credible evidence of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act. Knowing failure to timely disclose credible evidence of any of the above violations remains a cause for suspension and/or debarment until 3 years after final payment on a contract (see [9.406-2\(b\)\(1\)\(vi\)](#) and [9.407-2\(a\)\(8\)](#)).

(3) The Payment clauses at FAR [52.212-4\(i\)\(5\)](#), [52.232-25\(d\)](#), [52.232-26\(c\)](#), and [52.232-27\(l\)](#) require that, if the contractor becomes aware that the Government has overpaid on a contract financing or invoice payment, the contractor shall remit the overpayment amount to the Government. A contractor may be suspended and/or debarred for knowing failure by a principal to timely disclose credible evidence of a significant overpayment, other than overpayments resulting from contract financing payments as defined in [32.001](#) (see [9.406-2\(b\)\(1\)\(vi\)](#) and [9.407-2\(a\)\(8\)](#)).

(b) *Notification of possible contractor violation.* If the contracting officer is notified of possible contractor violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 U.S.C.; or a violation of the civil False Claims Act, the contracting officer shall—

- (1) Coordinate the matter with the agency Office of the Inspector General; or
- (2) Take action in accordance with agency procedures.

(c) *Fraud Hotline Poster.*

(1) Agency OIGs are responsible for determining the need for, and content of, their respective agency OIG fraud hotline poster(s).

(2) When requested by the Department of Homeland Security, agencies shall ensure that contracts funded with disaster assistance funds require display of any fraud hotline poster applicable to the specific contract. As established by the agency OIG, such posters may be displayed in lieu of, or in addition to, the agency's standard poster.

### 3.1004 Contract clauses.

(a) Insert the clause at FAR [52.203-13](#), Contractor Code of Business Ethics and Conduct, in solicitations and contracts if the value of the contract is expected to exceed \$5,000,000 and the performance period is 120 days or more.

(b)(1) Unless the contract is for the acquisition of a commercial item or will be performed entirely outside the United States, insert the clause at FAR [52.203-14](#), Display of Hotline Poster(s), if—

(i) The contract exceeds \$5,000,000 or a lesser amount established by the agency; and

(ii)(A) The agency has a fraud hotline poster; or

(B) The contract is funded with disaster assistance funds.

(2) In paragraph (b)(3) of the clause, the contracting officer shall—

(i) Identify the applicable posters; and

(ii) Insert the website link(s) or other contact information for obtaining the agency and/or Department of Homeland Security poster.

(3) In paragraph (d) of the clause, if the agency has established policies and procedures for display of the OIG fraud hotline poster at a lesser amount, the contracting officer shall replace "\$5,000,000" with the lesser amount that the agency has established.

## **52.203-13 Contractor Code of Business Ethics and Conduct.**

As prescribed in [3.1004](#)(a), insert the following clause:

### CONTRACTOR CODE OF BUSINESS ETHICS AND CONDUCT (DEC 2008)

(a) *Definitions.* As used in this clause—

"Agent" means any individual, including a director, an officer, an employee, or an independent Contractor, authorized to act on behalf of the organization.

"Full cooperation" —

(1) Means disclosure to the Government of the information sufficient for law enforcement to identify the nature and extent of the offense and the individuals responsible for the conduct. It includes providing timely and complete response to Government auditors' and investigators' request for documents and access to employees with information;

(2) Does not foreclose any Contractor rights arising in law, the FAR, or the terms of the contract. It does not require—

(i) A Contractor to waive its attorney-client privilege or the protections afforded by the attorney work product doctrine; or

(ii) Any officer, director, owner, or employee of the Contractor, including a sole proprietor, to waive his or her attorney client privilege or Fifth Amendment rights; and

(3) Does not restrict a Contractor from—

(i) Conducting an internal investigation; or

(ii) Defending a proceeding or dispute arising under the contract or related to a potential or disclosed violation.

“Principal” means an officer, director, owner, partner, or a person having primary management or supervisory responsibilities within a business entity (e.g., general manager; plant manager; head of a subsidiary, division, or business segment; and similar positions).

“Subcontract” means any contract entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract.

“Subcontractor” means any supplier, distributor, vendor, or firm that furnished supplies or services to or for a prime contractor or another subcontractor.

“United States,” means the 50 States, the District of Columbia, and outlying areas.

(b) *Code of business ethics and conduct.*

(1) Within 30 days after contract award, unless the Contracting Officer establishes a longer time period, the Contractor shall—

(i) Have a written code of business ethics and conduct; and

(ii) Make a copy of the code available to each employee engaged in performance of the contract.

(2) The Contractor shall—

(i) Exercise due diligence to prevent and detect criminal conduct; and

(ii) Otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

(3)(i) The Contractor shall timely disclose, in writing, to the agency Office of the Inspector General (OIG), with a copy to the Contracting Officer, whenever, in connection with the award, performance, or closeout of this contract or any subcontract thereunder, the Contractor has credible evidence that a principal, employee, agent, or subcontractor of the Contractor has committed—

(A) A violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code; or

(B) A violation of the civil False Claims Act ([31 U.S.C. 3729-3733](#)).

(ii) The Government, to the extent permitted by law and regulation, will safeguard and treat information obtained pursuant to the Contractor’s disclosure as confidential where the information has been marked “confidential” or “proprietary” by the company. To the extent permitted by law and regulation, such information will not be released by the Government to the public pursuant to a Freedom of Information Act request, [5 U.S.C. Section 552](#), without prior notification to the Contractor. The Government may transfer documents provided by the Contractor to any department or agency within the Executive Branch if the information relates to matters within the organization’s jurisdiction.

(iii) If the violation relates to an order against a Government wide acquisition contract, a multi-agency contract, a multiple-award schedule contract such as the Federal Supply Schedule, or any other procurement instrument intended for use by multiple agencies, the Contractor shall notify the OIG of the ordering agency and the IG of the agency responsible for the basic contract.

(c) Business ethics awareness and compliance program and internal control system. This paragraph (c) does not apply if the Contractor has represented itself as a small business concern pursuant to the award of this contract or if this contract is for the acquisition of a commercial item as defined at

FAR [2.101](#). The Contractor shall establish the following within 90 days after contract award, unless the Contracting Officer establishes a longer time period:

(1) An ongoing business ethics awareness and compliance program.

(i) This program shall include reasonable steps to communicate periodically and in a practical manner the Contractor's standards and procedures and other aspects of the Contractor's business ethics awareness and compliance program and internal control system, by conducting effective training programs and otherwise disseminating information appropriate to an individual's respective roles and responsibilities.

(ii) The training conducted under this program shall be provided to the Contractor's principals and employees, and as appropriate, the Contractor's agents and subcontractors.

(2) An internal control system.

(i) The Contractor's internal control system shall—

(A) Establish standards and procedures to facilitate timely discovery of improper conduct in connection with Government contracts; and

(B) Ensure corrective measures are promptly instituted and carried out.

(ii) At a minimum, the Contractor's internal control system shall provide for the following:

(A) Assignment of responsibility at a sufficiently high level and adequate resources to ensure effectiveness of the business ethics awareness and compliance program and internal control system.

(B) Reasonable efforts not to include an individual as a principal, whom due diligence would have exposed as having engaged in conduct that is in conflict with the Contractor's code of business ethics and conduct.

(C) Periodic reviews of company business practices, procedures, policies, and internal controls for compliance with the Contractor's code of business ethics and conduct and the special requirements of Government contracting, including—

(1) Monitoring and auditing to detect criminal conduct;

(2) Periodic evaluation of the effectiveness of the business ethics awareness and compliance program and internal control system, especially if criminal conduct has been detected; and

(3) Periodic assessment of the risk of criminal conduct, with appropriate steps to design, implement, or modify the business ethics awareness and compliance program and the internal control system as necessary to reduce the risk of criminal conduct identified through this process.

(D) An internal reporting mechanism, such as a hotline, which allows for anonymity or confidentiality, by which employees may report suspected instances of improper conduct, and instructions that encourage employees to make such reports.

(E) Disciplinary action for improper conduct or for failing to take reasonable steps to prevent or detect improper conduct.

(F) Timely disclosure, in writing, to the agency OIG, with a copy to the Contracting Officer, whenever, in connection with the award, performance, or closeout of any Government contract performed by the Contractor or a subcontract thereunder, the Contractor has credible evidence that a principal, employee, agent, or subcontractor of the Contractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title [18 U.S.C.](#) or a violation of the civil False Claims Act ([31 U.S.C. 3729-3733](#)).

(1) If a violation relates to more than one Government contract, the Contractor may make the disclosure to the agency OIG and Contracting Officer responsible for the largest dollar value contract impacted by the violation.

(2) If the violation relates to an order against a Government wide acquisition contract, a multi-agency contract, a multiple-award schedule contract such as the Federal Supply Schedule, or any other procurement instrument intended for use by multiple agencies, the contractor shall notify the OIG

of the ordering agency and the IG of the agency responsible for the basic contract, and the respective agencies' contracting officers.

(3) The disclosure requirement for an individual contract continues until at least 3 years after final payment on the contract.

(4) The Government will safeguard such disclosures in accordance with paragraph (b)(3)(ii) of this clause.

(G) Full cooperation with any Government agencies responsible for audits, investigations, or corrective actions.

(d) *Subcontracts.*

(1) The Contractor shall include the substance of this clause, including this paragraph (d), in subcontracts that have a value in excess of \$5,000,000 and a performance period of more than 120 days.

(2) In altering this clause to identify the appropriate parties, all disclosures of violation of the civil False Claims Act or of Federal criminal law shall be directed to the agency Office of the Inspector General, with a copy to the Contracting Officer.

(End of clause)

#### **52.203-14 Display of Hotline Poster(s).**

As prescribed in [3.1004\(b\)](#), insert the following clause:

##### DISPLAY OF HOTLINE POSTER(S) (DEC 2007)

(a) *Definition.*

"United States," as used in this clause, means the 50 States, the District of Columbia, and outlying areas.

(b) *Display of fraud hotline poster(s).* Except as provided in paragraph (c)—

(1) During contract performance in the United States, the Contractor shall prominently display in common work areas within business segments performing work under this contract and at contract work sites—

(i) Any agency fraud hotline poster or Department of Homeland Security (DHS) fraud hotline poster identified in paragraph (b)(3) of this clause; and

(ii) Any DHS fraud hotline poster subsequently identified by the Contracting Officer.

(2) Additionally, if the Contractor maintains a company website as a method of providing information to employees, the Contractor shall display an electronic version of the poster(s) at the website.

(3) Any required posters may be obtained as follows:

<b>Poster(s)</b>	<b>Obtain from</b>
_____	_____
_____	_____

(Contracting Officer shall insert—

(i) Appropriate agency name(s) and/or title of applicable Department of Homeland Security fraud hotline poster); and

(ii) The website(s) or other contact information for obtaining the poster(s).)

(c) If the Contractor has implemented a business ethics and conduct awareness program, including a reporting mechanism, such as a hotline poster, then the Contractor need not display any agency fraud hotline posters as required in paragraph (b) of this clause, other than any required DHS posters.



(d) *Subcontracts*. The Contractor shall include the substance of this clause, including this paragraph (d), in all subcontracts that exceed \$5,000,000, except when the subcontract—

- (1) Is for the acquisition of a commercial item; or
- (2) Is performed entirely outside the United States.