

**University of Houston System
Annual Fraud Prevention and Awareness Report
Fiscal Year 2025**



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The Audit Committee Planner, Item 5.05, requires the Committee to evaluate management's identification of fraud risks, the implementation of fraud prevention and detection measures, and the creation of the appropriate "tone at the top" by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies. Listed below are the reports from each university.

University of Houston and UH System Administration

The 20th annual online Department Fraud Risk Assessment Survey was completed by UH and UHSA departments in October 2025 to identify internal controls needing enhancement for fraud prevention and detection. In addition, an Institutional Fraud Risk Survey was completed by processing units and key offices that significantly affect campus operations to identify procedures within their units that may need improvement. Key offices included: Treasury, Accounts Payable, Accounting Services, Financial Computing, Human Resources, Procurement, Payroll-Tax, and Information Technology. To ensure ongoing vigilance in fraud prevention and detection, annual fraud risk surveys are deployed to confirm and reaffirm the responsibilities of administrators and unit heads.

All UHS employees are required to complete the online Ethics, Compliance, and Fraud training during October-November 2025. This mandatory training, now in its 19th year, is designed to raise awareness of appropriate and inappropriate behavior, encourage compliance, and facilitate the prevention, detection, and reporting of suspected non-compliance and fraudulent activity.

On September 22, 2025, Jaggaer e-Procurement successfully migrated from its test to its production environment. Since the migration, post-production work has focused on additional tuning for Jaggaer supplier import integration and PR (budget check) validation to ensure continuous interface operation. Once fully implemented, the system will offer several key benefits: real-time monitoring of procurement transactions and spend analysis, comprehensive audit trails with automated workflows, and segregation of duties achieved by defining roles and setting up permissions based on the type of purchases. Existing processes for Concur, P/T Cards, and PaymentWorks remain unchanged.

The university recently updated its travel policies, specifically MAPP 04.02.01A (Travel Paid from State-Appropriated Funds) and MAPP 04.02.01B (Travel Paid from Local Funds). The updates to MAPP 04.02.01A allow for local mileage reimbursements (non-travel) using state funds and clarify airfare quote requirements. Both policies now include an explicit statement reiterating that the university does not pay for or reimburse personal travel costs.

UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page (www.uh.edu/office-of-finance), which includes instructions for reporting suspected fraud and non-compliance through the telephone hotline or web link.

University of Houston-Clear Lake

The University of Houston-Clear Lake continues to strengthen its fraud prevention and awareness initiatives through comprehensive risk assessment, enhanced monitoring controls, and mandatory training programs.

UHCL conducted a comprehensive FY2025 Fraud Risk Survey consisting of fourteen sections and 105 questions to assist colleges and divisions in evaluating internal controls and assessing fraud risk. Each unit head was required to certify completion of the annual survey, reinforcing accountability for fraud prevention and detection. Based on survey results, the Administration and Finance (A&F) division is conducting targeted reviews and providing additional training for units that did not achieve full compliance.

To support ongoing compliance, UHCL implemented monthly checklists and mandatory reporting for division and college leaders. Effective June 2025, the Administration and Finance (A&F) division began issuing monthly operational reports to colleges and divisions. In September 2025, UHCL expanded oversight efforts by distributing detailed credit card transaction reports to college and division administrators, enhancing monitoring of Procurement Card (P-Card) and Travel Card (T-Card) activity. To further mitigate risk, a comprehensive review of current administrative policies was initiated in September 2025, accompanied by an analysis to identify potential policy gaps.

Processing departments—including Accounts Payable, General Accounting, Procurement and Contracts, Human Resources, and Payroll—identify and mitigate risk through systematic review processes designed to detect and prevent fraud. Accounts Payable audits all payment vouchers and travel expense reports for accuracy, while P-Card and T-Card transactions are reviewed to ensure appropriateness and proper documentation. Questionable transactions receive additional scrutiny, and any cardholder violations are reported to department management in accordance with UHS and UHCL policies. To support compliance, Business Operations has developed quick-reference guides for P-Cards, T-Cards, and voucher processing. In addition, UHCL is conducting a comprehensive review of student hiring processes, including procedures for both hires and terminations.

Mandatory and role-based training remains a critical component of UHCL's fraud mitigation efforts. All employees complete Compliance and Ethical Conduct training during October and November 2025. Faculty and staff who initiate, recommend, or approve purchases or contracts are required to complete Conflict of Interest and Procurement training. P-Card and T-Card applicants must successfully pass a criminal history investigation, complete initial training prior to card issuance, and participate in annual refresher training to maintain compliance.

University of Houston-Downtown

The UHD Accounts Payable (AP) department processed over 8,980 vouchers during FY 2024, with every voucher being audited to ensure that the amounts paid were legitimate and correct. The payments must be made in accordance with appropriate contracts and purchase orders which comply with State, UHD and UH System policies. AP analysts who perform audits receive specialized training to detect potentially fraudulent, incorrect, or inappropriate transactions.

These findings are reported to AP department management for further review. This training has enhanced UHD's operational resilience and reinforced best practices that promote transparency, accuracy, and confidence in travel management. Additionally, the training has empowered UHD employees to recognize "red flags" when using the UHD individual travel card, leading to a noticeable reduction in fraud. UHD staff have increased confidence in their roles and are better equipped to take appropriate actions when issues arise.

During and after the training, several challenges were identified that impact travel and expense processing. These include instances of airfare being purchased prior to an approved Travel Request, difficulty in identifying travel agency fees due to ambiguous e-receipts, and issues with the UHS Concur system auto-feed reverting UHD employee profiles back to UH credentials. Additionally, users experienced confusion during the transition between Concur Request and Expense Report processes.

To ensure continued compliance and improve effectiveness, the Concur system is actively monitored by the Accounts Payable (AP) and Travel office within the Administration and Finance division. Built-in UHD specific internal rules within Concur help enforce policy compliance for travelers, overseen by the purchasing department within Administration and Finance division. Designated UHD Concur Administrators within the AP and Travel office play a critical role in mitigating submission errors and workflow disruptions, providing ongoing support and oversight to maintain system integrity.

UHD's P-Card purchases averaged \$195,000/month in FY2024. Examples of P-Card fraud occurring in both the public and private sectors remain abundant. Recognizing this exposure, UHD has designated 1.5 positions in its Purchasing Department that are responsible for oversight of the P-Card program. Anomalous P-Card charges are subject to review by multiple levels of management. Based upon the severity or repetition of the violation, disciplinary action may include: email or verbal warning to the cardholder and respective supervisor, mandated cardholder retraining and card suspension, card cancellation, reimbursement of P-Card charges from the cardholder, and/or termination of employment from the University. During FY24 the program did not experience any major infractions.

A major update for FY2026 involves transitioning from Citibank to U.S. Bank for both Accounts Payable (AP) and Procurement Card (P-Card) services. This change aligns UHD with the State of Texas Payment and Travel Card Program contract, ensuring consistency and compliance with statewide financial practices. As part of the transition, both the AP and Procurement departments are actively working to fill vacant positions to support the updated processes. Policy and procedural updates at UHD are underway to reflect the shift to U.S. Bank, with a focus on maintaining operational efficiency and enhancing user experience.

Administrative personnel across all divisions and colleges within UHD departments participated in the annual Fraud Prevention Survey in October 2024 and October 2025. The survey is designed to identify internal controls within each department that may need to be strengthened prevent and detect fraud, and to remind administrators and department heads of their responsibility to remain vigilant in fraud prevention and detection.. No significant concerns or trends were noted in the survey results in October 2024. The October 2025 results are currently under review..

Survey completion responsibilities are distributed across key administrative roles. The Executive Director for Administration and Finance oversee business functions for Administration and Finance, Human Resources, the Office of the President, Student Success and Student Life, and Advancement and University Relations, and therefore completes the surveys for those divisions or passes this along to heads across those divisions. The Executive Director of Provost Business Operations for Academic Affairs is responsible for the administrative components of Academic Affairs, including the Office of the Provost and Continuing Education (excluding colleges), and completes surveys for those areas. Directors of Operations for Enrollment Management and each of the colleges are responsible for completing the surveys for their respective areas.

Upon an employee's separation from the University, the Executive Director of University Services (Purchasing) is notified to initiate the return of the P-Card as part of the clearance process. The Accounting Department, within the division of Administration and Finance, is also notified. The University Property Manager is a designated signer on the Employee Separation Clearance Form, ensuring that all University property assigned to the departing employee, such as equipment loans during their tenure, is returned prior to their departure.