

**University of Houston System  
Annual Fraud Prevention and Awareness Report  
Fiscal Year 2024**



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**FY 2024**

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**

In October 2024, UH and UHSA departments completed their 19th annual online Department Fraud Risk Survey to identify internal controls within their department that need to be strengthened in order to prevent and detect fraud. In addition, processing units and other offices that have a far reaching, effect on campus operations (Accounts Payable, Accounting Services, Financial Computing, Human Resources, Purchasing, Payroll, Information Technology, etc.) completed an Institutional Fraud Risk Survey to identify procedures within their units that may need improvement. The fraud risk surveys are completed annually to remind administrators and the unit heads of their responsibilities, so that they remain vigilant in fraud prevention and detection.

During October, 2024 – November, 2024, all UHS employees are required to complete online Ethics, Compliance, and Fraud training. This is the 18th year that training has been required for fraud and ethics. The purpose of this training is to raise awareness of appropriate and inappropriate behavior for UHS employees, encourage compliance, fraud prevention and detection, and encourage the reporting of suspected non-compliance and fraudulent activity.

In addition, Ethics and Conflicts of Interest and Procurement training was provided to educate employees on the relevant Board and University policies, recent policy changes, state procurement requirements and how employees should avoid possible conflicts of interest. This annual training must be completed by full-time faculty, full-time exempt staff, and non-exempt staff with procurement responsibilities at all UHS components.

Procurement cards (P-Cards) reduce the time and effort required to make small-dollar purchases and decrease the number of employee reimbursements. Also, Travel Cards are a convenient tool to pay for airfare, hotels, rental cars and other UH travel expenses. However, P-Card and Travel Card transactions must be carefully reviewed to ensure all transactions are appropriate and documented. Appropriate Merchant Category Code restrictions are applied to each card to prevent purchases in unauthorized categories. In addition to reviews within each department, Accounts Payable reviews selected P-Card transactions for appropriateness and documentation. If Accounts Payable discovers any irregular activity, it is reported to Internal Audit for further investigation. All P-Card and Travel Card cardholders are required to complete online training prior to receiving a credit card and annually thereafter. Also, P-Card and Travel Card applicants are required to pass a criminal history investigation prior to receiving a credit card.

In November 2015, all UH departments began using the Concur Travel Management System to document pre-trip approval and post-trip expense reports. Concur Travel Management System provides extra control over travel expenses, which makes it more difficult to commit fraud. For instance, Concur Travel Management System requires receipts for certain types of travel expenses (airfare, hotels, rental cars, etc.) and for all Travel Card transactions regardless of amount or type. Also, 100% of Travel Card transactions are reviewed and approved by Accounts Payable in Concur Travel Management System. The user, date, and time are stored automatically for all travel requests and expense reports created, documents uploaded, approvals made, and comments entered in Concur Travel Management System. Therefore, Concur Travel Management System provides more transparency to the travel process.

In FY 2021, the University of Houston implemented external Vendor Management System called PaymentWorks which is used for all new vendor set up and vendor information changes for the System. This system requires all vendors to make their own information updates via an encrypted environment. PaymentWorks also provides the System with additional vendor data confirmations including matching tax identification number to vendor legal name, address verification, and matching bank account and name information. These validations help the System to eliminate fraudulent requests for changes, reduce the risks of manual processes, to have assurances that vendor information is current and correct, and to know that the vendor is who they say they are.

In September 2021, University of Houston worked with other UH campuses and implemented logic safeguards to ensure duplicate invoices cannot be entered and controls not circumvented to allow replica information into the PeopleSoft Finance System and allow any potential losses. Additionally, training materials were developed addressing the importance of date and invoice number accuracy.

To prevent Payroll fraud, required documentation (ePAR) must be submitted for all approvals of payroll changes, including new hires, pay rate changes, and terminations. In FY 2024 Payroll- Tax department implemented a review of UHS payroll by comparing pay periods and checking for anomalies on every monthly and biweekly pay cycle. The Payroll-Tax department is in the process of utilizing a Payroll Master file for both bi-weekly and monthly employees to confirm no duplication of monthly wages and/or payment to ghost employees.

University of Houston is currently in the process of implementing an e-procurement system that streamlines the university's procurement process and prevents errors and fraudulent activities associated with various procurement functions, including sourcing, ordering, deliveries, and invoicing.

The University of Houston System is in the final phase of changing financial institutions for its primary banking services. This change will provide improved fraud protection through the bank's state of art treasury services and improved reporting for all campuses and departments.

UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page ([www.uh.edu/office-of-finance](http://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**

In compliance with the University of Houston System Board of Regents directives and Texas Executive Order RP36, the University of Houston Clear Lake (UHCL) has evaluated fraud risk campus-wide, retrospectively for FY24.

This evaluation involved surveying the control measures in place across 155 departments regarding the risks to 13 university areas including (a) information, (b) general accounting, (c) general resources, (d) assets, (e) cash handling and receipts, (f) inventory, (g) business vehicle use, (h) accounts payable, (i) travel, (j) purchasing, (k) human resources, (l) payroll, and (m) computing. The evaluation was scalar, with a magnitude ranging from (1) representing the presence of a control measure in place with no apparent opportunity for fraudulent activity excluding the existence of collusion and requiring no action, to (5) representing a very high risk where there is ample opportunity for fraudulent activity and a requirement for design and implementation of an immediate mitigation plan. There was an additional category of “N/A” as not every area is a functional part of every department.

Overall results indicated that 67% of the questions were rated as the lowest risk (1), 21% were rated as N/A, and 12% fell between (2) and (5). The Business Operations team will reach out to departments with responses scoring in higher 2-5 risk range for remedial efforts.

This exercise is effective since it occurs at multiple levels within the university. Leadership has analyzed university-wide risks, and administrators and department management have been made aware of their responsibilities for mitigating risks unique to their areas.

## **University of Houston-Downtown**

The UHD Accounts Payable (AP) department processed over 8,980 vouchers during FY 2024, with every voucher being audited in AP 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 these audits receive training on detecting possible fraudulent transactions, as well as any incorrect or inappropriate transactions, and report them to AP department management.

UHD’s purchases via P-Cards 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 1.5 positions in its Purchasing Department that are responsible for oversight of the P-Card program. Questionable charges are subject to multiple levels of review. Based upon the severity or repetition of the violation, disciplinary action may include an email or verbal warning, retraining/suspension of the card, cancellation of the card, reimbursement to the University and/or termination of employment with the University. During FY24 the program did not experience any major infractions.

The administrative personnel for all UHD departments participated in the annual Fraud Prevention Survey during October 2024. The survey is intended to identify internal controls within each department that may need to be strengthened in order to prevent and detect fraud, and to remind administrators and department heads of their responsibility to remain vigilant in fraud prevention and detection throughout the upcoming year. No significant problems or trends were noted in the results of the UHD Annual Fraud Prevention Survey.

The University Property Manager is included as a signer on the Employee Separation Clearance Form to ensure that University property assigned to employees is returned prior to the employees' departure.

### **University of Houston-Victoria**

The University of Houston-Victoria (UHV) continues the use of a variety of strategies within the framework of the campus Institutional Compliance Program in its efforts to prevent fraud and raise fraud awareness.

New employee orientation classes in Fiscal Year 2024 remained focused on the importance of their involvement in fraud prevention and the significant negative repercussions that fraud may have on both the institution and the person. The goal is for new employees to have a greater understanding of fraud in the educational setting and to acknowledge the need of reporting fraud when they become aware of or suspect it.

The Mandatory and Role Based Training program continues to be an important part of the campus program. The training modules focusing on fraud prevention and awareness included Fraud Awareness, Code of Ethics, Secure Our Systems, and Credit Card Data Security (a role-based module). The Department of Talent Development managed the training program and achieved a participation/completion rate of 99%.

The campus has implemented the use of posters posted throughout campus buildings and residence halls as a method of ensuring employees and students are aware of fraud and ethics violations as well as the Fraud & Non-Compliance Hotline and other reporting options.

### **UHV Review of Select Operations**

- Departmental Fraud Risk Survey - The most recent Departmental Fraud Risk Survey was completed in July 2024. All University departments completed the survey, and compliance issues are being addressed currently. The survey increases departmental awareness of university policies and procedures and is intended to help unit heads become aware of weaknesses in their operations and internal controls that can lead to fraud.
- Financial Aid Program - A significant managed activity at UHV and most universities is the proper administration of federal, state, and campus student financial aid grants, loans, and scholarships in the Financial Aid Department. In Fiscal Year 2024, approximately \$35 million of financial aid was disbursed involving over 3,494 students. Risk is managed through operational and internal controls reinforced with frequent audit oversight. Annually, each Financial Aid employee is required to sign a Standards of Conduct and Conflict of Interest Certification acknowledging awareness of prohibited activities and the responsibility to report any conflict of interest, violations of law, fraud, or other irregularities promptly.
- Expenditures of State and Local Funds (including grant funds) – The University budget for Fiscal Year 2024 included state-appropriated and local funds (all ledgers) of

\$75.4 million. As confirmed by the Comptroller and the Human Resources Director, there were no confirmed incidents of fraud in the expenditure of state and local funds for vendor voucher payments, employee reimbursements, or payroll during this reporting period.

- Procurement Card Program – There were no known or reported allegations of employee fraud involving P-Card expenditures. In Fiscal Year 2024, 107 active cardholders processed \$1.783 million of expenditures representing over 6,810 transactions. Annual Credit Card Data Security and P-Card refresher training continues to be required, and each cardholder must acknowledge by signature their responsibilities as a departmental purchaser. New P-Card applicants are required to pass a criminal history investigation prior to issuance of a card.