

UNIVERSITY OF MASSACHUSETTS
POLICY ON FRAUDULENT FINANCIAL ACTIVITIES

POLICY STATEMENT AND PRINCIPLES

This policy is established to protect the assets and interests of the University, to increase overall fraud awareness, and to ensure a coordinated approach toward resolution of financial fraud.

The University must identify and promptly investigate all instances and allegations of fraudulent activities regarding University funds, documents, and equipment involving staff, faculty, students, vendors, agencies, or other parties. Good business practice dictates that suspected defalcation, misappropriation or other fiscal irregularities be promptly identified, and investigated. We believe that it is everyone's responsibility to report any possible fraudulent activity.

All persons found to have committed fraud relevant to University financial affairs shall be subject to punitive action by the University and investigation by law enforcement agencies when warranted.

Fraud in any form will not be tolerated. This policy applies to all University employees and will be enforced without regard to past performance, position held or length of service.

SCOPE AND DEFINITION OF FRAUD

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts are included under this policy and includes such things as:

- Embezzlement, misappropriation or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files)
- Improprieties in the handling or reporting of money or financial transactions
- Misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures or equipment)
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked

The President shall issue guidelines to implement this Trustee policy and revise them as appropriate.

UNIVERSITY OF MASSACHUSETTS

FRAUDULENT FINANCIAL ACTIVITIES GUIDELINES

(Doc. T00-051)

These Guidelines are issued pursuant to the **Board of Trustees' Policy Statement on Fraudulent Financial Activities (Doc. T00-051, adopted August 2, 2000)**. Described herein are the steps to be taken when fraud, misappropriation, or similar dishonest activities are suspected.

Each campus will be responsible for developing procedures designed to comply with this University Guideline and informing all employees of the Policy on Fraudulent Financial Activities.

GENERAL PROTOCOL – REPORTING PROCEDURE

Anyone who believes fraud has occurred should report such incident. Employees are protected under Massachusetts General Law, Chapter 149, section 185, from retaliatory actions by the employer.

Use the channel of communication with which you are most comfortable. Accordingly, you may report your concerns to your immediate supervisor, department head, campus audit liaison, vice chancellor, chancellor, and/or directly to the University Auditor's Office or their campus police department.

Immediate supervisors, department heads, campus audit liaisons, vice chancellors, and chancellors must report all apparent cases of fraud brought to their attention to the University Auditor's Office, and if appropriate, to their campus police department. Please see the last section of this guideline for situations deemed Non-Fraud Irregularities, and reference the definition of fraud in Doc. T00-051.

RESPONSIBILITIES

University administrators and all levels of management are responsible for establishing and maintaining proper internal controls that provide security and accountability for the resources entrusted to them.

Administrators should be familiar with the risks and exposures inherent in their areas of responsibility and be alert for any indications of improper activities, misappropriation, or dishonest activity.

If the situation warrants immediate action – for example, obvious theft has taken place, security is at risk, or immediate recovery is possible – management and non-managerial staff receiving reports should immediately contact the responsible campus police department. In addition, follow the “General Protocol - Reporting Procedure.”

Responsibilities of management and non-managerial staff for handling fraudulent activities include the following:

- Insure that notification promptly reaches the University Auditor's Office and the campus police department. Refer to the “General Protocol - Reporting Procedure.”
- Do not contact the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to “what you did”, “the crime”, “the fraud”, “the forgery”, “the misappropriation”, etc.
- Managers should consult with campus or University human resources departments and University Counsel to determine if any immediate personnel actions are necessary.

- *Do not discuss the case, facts, suspicions, or allegations with anyone, unless specifically directed to do so by the University Counsel, campus police, human resources, or the University Auditor's Office.*
- Direct all inquiries from any suspected individual, his or her representative, or his or her attorney to the University General Counsel. Direct all inquiries from the media to the campus news office.

The University Auditor's Office may investigate any suspected dishonest or fraudulent activity, which, in its opinion, may represent risk of significant loss of assets or reputation to the University. The University Auditor's Office may work with internal or external departments, such as the University General Counsel's Office, University and campus human resources departments, campus police departments, and Commonwealth law enforcement agencies, as circumstances may require.

Campus management will support the University's responsibilities and will cooperate with the University Auditor's Office and law enforcement agencies in the detection, reporting, and investigation of fraudulent acts, including prosecution of offenders. The University Auditor's Office has full, free and unrestricted access to all records and personnel of the University. Every effort should be made to effect recovery of University losses from responsible parties or through University insurance coverage.

Great care must be taken in dealing with suspected fraudulent activities to avoid any incorrect accusations, alerting suspected individuals that an investigation is under way, violating any person's right to due process, or making statements that could lead to claims of false accusation or other civil rights violation.

INVESTIGATION RESPONSIBILITIES

The University Auditor's Office will evaluate reported situations involving possible impropriety in financial matters pertaining to the University and make inquiries to the extent necessary to determine whether the allegation has substance. The campus audit liaison will be kept apprised of these activities. *The University Auditor's Office is available and receptive to receiving relevant information on a confidential basis and may be contacted directly whenever a fraudulent activity is suspected.*

When warranted, an internal investigation will be conducted. The Auditor's Office will proceed as follows if evidence is uncovered showing possible dishonest or fraudulent activities.

- Notify the campus audit liaison, respective area management and University General Counsel.
- Advise management to meet with the campus human resources director to determine if any immediate disciplinary personnel actions should be taken.
- Coordinate the notification of insurers and filing of claims with the Treasurer's Office Risk Manager. The Treasurer is responsible for notifying the bonding companies and filing bonding claims.
- Advise the campus on requirements to notify the Office of the State Auditor as required by Chapter 647 of the Acts of 1989.
- If federal funds are involved, determine the required federal reporting in cooperation with University General Counsel.

- If illegal activity is indicated, the responsible campus police department will be notified to coordinate the investigation. If illegal activity appears to have occurred, the findings will be reported to the appropriate agency for review, such as the District Attorney and/or Attorney General. This will be coordinated with University General Counsel.
- The University Auditor's Office will review the results of any investigations with responsible management and cognizant administrators as necessary, making recommendations for improvement to the systems of internal control.

NON-FRAUD IRREGULARITIES

Identification or allegations of acts outside the scope of this policy, such as personal improprieties or irregularities, whether moral, ethical, or behavioral, safety or work environment related, or complaints of discrimination or sexual harassment, should be resolved by the respective area management in conjunction with human resources and/or reference to any other existing University guidance or resource. Examples include the scholarly and research misconduct policy, the principles of employee conduct, the policy against intolerance, the sexual harassment policy, and the MGL Chapter 268A conflict of interest law (this list is not all-inclusive). The campus Ombuds Office or Equal Opportunity Office may also be of assistance.

The University Auditor's Office or University General Counsel may be contacted if guidance is needed to determine if an action might constitute fraud as defined in this policy.