

January 23, 2003

Memorandum To: Managers and Department Heads

From: Stephen W. Lenhardt, Vice President for Management and Fiscal Affairs and Treasurer

Subject: President's Office Fraud Policy Guidelines

Under the direction of the President, I am issuing the attached President's Office guidelines pursuant to the Board of Trustees' Policy Statement on Fraudulent Financial Activities (Doc. T00-051, adopted August 2, 2000). The policy represents a concise statement of Board direction on fraud – that fraud will not be tolerated at UMass, that overall awareness should be increased throughout the organization, and that a coordinated approach toward resolution of financial fraud be sought. Specifically, the policy and attached guidelines provide the following benefits:

- defines financial fraud and non-fraud irregularities
- raises awareness to the possibility of fraud
- sets clear rules, actions and protocol as to what to do when fraud is suspected
- establishes responsibilities for certain actions
- reduces risks of situation mishandling
- reduces the risk of discrimination and inconsistency

The President's Office in conjunction with the University Audit Office has prepared guidelines for the policy on Fraudulent Financial Activities. These guidelines and policies are available on the web at:

- Board of Trustee Policy Statement on Fraudulent Financial Activities at www.umassp.edu/policy/fiscal/fraudu_policy.html
- President's Office - University Controller's Office Guidelines at www.umassp.edu/controller/
- Please distribute copies of this memo to your staff. Feel free to contact Christine Wilda, University Controller at (413)587-2045 if you have any questions.

Attachment

January 23, 2003
University of Massachusetts/President's Office
Guidelines for the Policy on Fraudulent Financial Activities

The Board of Trustees has issued a 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.

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 include 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

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, controller, vice-president and/or directly to the University Auditor's Office or the local Police Department.

Immediate supervisors, department heads, controller, and vice-presidents for the President's Office must report all apparent cases of fraud brought to their attention to the University Auditor's Office, and if appropriate, to the police department.

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.

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 if, appropriate the Police Department. Refer to "General Protocol – Reporting Procedure".
- 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 police department.

- 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 the Human Resources Department 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, 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 public relations group in the President’s Office.

Great care must be taken in the 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 violations.

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, and human resources department, police department, controller’s office and Commonwealth law enforcement agencies, as circumstances may require. *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.*

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.

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 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.