

Fraud and Fraudulent Activities

Title/Subject: FRAUD AND FRAUDULENT ACTIVITY

Applies to: ☒ Faculty ☒ Staff ☐ Students ☒ Student Employees ☐ Visitors ☐ Contractors

Effective Date of This Revision: July 14, 2004

Policy Owner: Internal Audit; Controller

Purpose

This policy is designed to increase awareness by all employees of Central Michigan University of their responsibility for reporting suspected fraud. The creation and implementation of, and adherence to, this fraud policy will help assure that the highest standards of professional ethics are maintained by all.

Definitions

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. These include, but are not limited to, theft, embezzlement, bribery, misappropriations, falsifying records, forgery or alteration of documents, kickbacks, destruction or removal of property, and conflicts of interest. Reference is hereby made to CMU's policy and guidelines regarding Conflict of Interest, which are applicable to the issues of this Fraud Policy.

Policy

At Central Michigan University, the Board of Trustees has charged the President and the Vice Presidents with the primary responsibility for identifying potential areas of risk, for being aware of the possibility that fraudulent acts could occur in those areas, and for implementing measures to eliminate or minimize fraud. All employees are expected to refrain from acts of fraud or fraudulent behavior, and are encouraged to report suspected fraud. The Internal Audit Director is responsible for a periodic notification to all CMU employees that they are encouraged to report suspected fraud in accordance with procedures outlined in this fraud policy. The Internal Audit Director shall also coordinate with the Board of Trustees Finance and Facilities Committee insofar as these procedures are concerned.

Procedure

When suspected fraudulent incidents or practices are observed by or made known to an employee, the following procedures must be followed:

1. The incident or practice shall be reported to the offices of either Internal Audit, Employee Relations/Human Resources, Faculty Personnel Services, or the CMU Police Department.
2. The reporting employee shall refrain from further investigation of the incident, confrontation of the alleged violator, or further discussion of the incident with anyone other than an appropriate member of the office of Internal Audit, Employee Relations/Human Resources, Faculty Personnel Services, or the CMU Police Department, but shall cooperate with any investigative process conducted by members of these offices. CMU officials will not allow any retaliation or punishment against individuals who in good faith provide information concerning suspected fraud.
3. The departments listed in paragraph 1 of these procedures shall work together and, based upon the type of incident, determine who will have the primary responsibility for the investigation, documentation and reporting of the incident. If the alleged incident or practice involves a Vice President, the President, or a member of the Board of Trustees, the investigation shall be coordinated and led by the Internal Audit Director, who shall report to the Chair of the Finance and Facilities Committee of the Board of Trustees. Should the Chair of the Finance and Facilities Committee be the subject of an investigation, the Internal Audit Director shall report to the Chair of the Board of Trustees. All such investigations, documents, and reports shall be considered confidential and highly security-sensitive to the extent allowed by law. The

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investigator shall consult with the Office of General Counsel as necessary so the appropriate legal measures are taken during the investigation to protect the rights, privileges and responsibilities of all parties involved.

4. The investigators shall prepare a case report for each investigation. Where there is creditable evidence to show that fraud has been committed as defined by this policy, the case report shall include, but not be limited to, the following: subject of the investigation; statement of non-compliance with policy, plan, procedure, law or regulation; description of acts or practices discovered; statements of witnesses; amount and type of loss, the means used to perpetrate the fraud; appropriate documentation; and other data considered necessary. Where the investigation does not yield creditable evidence to support the claim of fraud, the case report shall include at least the following: subject of the investigation, statement outlining the allegation of fraud, statement that no creditable evidence was obtained to support the allegation, list of witnesses contacted.

The appropriate Vice President shall review the case report and discuss the matter with the Vice President for Finance and Administrative Services. They may consult with members of the officers of Internal Audit, Employee Relations/Human Resources, Faculty Personnel Services, and the CMU Chief of Police, as appropriate. They shall jointly decide whether the matter should be handled as a disciplinary matter, as criminal activity, both or neither. In the event the two Vice Presidents cannot reach a joint determination, the President shall be consulted and a determination thereby rendered. Where a Vice President, the President, or a member of the Board of Trustees is involved in the activity, the Chair of the Finance and Facilities Committee or Chair of the Board of Trustees shall substitute as appropriate to the circumstances.

5. The Internal Audit Director shall prepare a report recommending actions to be taken to reduce additional losses and to prevent a recurrence of the fraud. The report shall be distributed to the President and Vice Presidents, as deemed appropriate by the President. A summary report shall be presented to the Finance and Facilities Committee of the Board of Trustees by the Internal Audit Director.
6. The President, Executive Vice President for Academic Affairs/Provost, Vice President for Finance and Administrative Services, or the Finance and Facilities Committee of the Board of Trustees, as appropriate, will direct the actions to be taken to reduce additional losses and prevent a recurrence.
7. All files and other material related to an investigation shall be retained for an appropriate period of time by the office of the General Counsel.

Central Michigan University reserves the right to make exceptions to modify or eliminate this policy and or its content. This document supersedes all previous policies, procedures or guidelines related to this subject.

Related Policies and Laws (Add Number & Name of Significantly Related Policy(ies))	
Appendices (Optional)	
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