

Complete Policy Title: <b>Fraud Policy</b>	Policy Number (if applicable):
Approved by: <b>President</b>	Date of Most Recent Approval: <b>June 26, 2018</b>
Date of Original Approval(s): <b>May 27, 1997</b>	Supersedes/Amends Policy dated: <b>May 27, 1997, November 15, 2003, October 26, 2006, March 13, 2012, May 1, 2014</b>
Responsible Executive: <b>Chief Internal Auditor</b>	Enquiries: <a href="#">Internal Audit</a>
<i><b>DISCLAIMER:</b> If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails</i>	

## 1. Purpose

McMaster University (“the University”) is committed to the highest standards of honesty, propriety, and integrity. It is University policy to investigate objectively any alleged dishonest or fraudulent activities related to funds or property owned by, or in the care of, the University. This policy aims to raise the awareness of these activities and their prevention and to give guidance to their reporting and the manner in which the investigation of that reporting will proceed. Incidents of theft of non-University owned assets or property are not covered by this policy.

While this policy does not enumerate the steps required to prevent dishonest or fraudulent conduct, it revisits the ongoing responsibilities for controls designed to prevent them. Financial and administrative internal control systems are required for the prevention of dishonest and fraudulent behaviour.

Ultimately, responsibility throughout all Faculties and departments of the University for internal control rests with Senior Administration [i.e. the President and respective Vice-Presidents]. This responsibility is delegated to deans, chairs and line managers who are responsible for daily operations and for the internal control systems within their organizational responsibility.

Great care needs to be taken in conducting investigations within the scope of this policy; to avoid incorrect accusations, making statements which could expose the maker to legal liability and to maintain confidentiality.

## Fraud Policy

### 2. Scope

This policy applies to all faculty, employees, students, independent contractors, and any other individuals granted access to institutional assets or resources (each an “Individual” and collectively, “Individuals”).

### 3. Definition

**3.1 Fraud:** is any intentional act or omission designed to deceive others, resulting in the victim [i.e., the University] suffering a loss and/or the perpetrator achieving a gain. For clarification, this could include any act characterized by certain types of theft involving for example, deceit, concealment, or violation of trust. Frauds are perpetrated by parties to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

### 4. Policy

- 4.1** Administrators at all levels of management are responsible for establishing and maintaining a control framework that reasonably prevents and detects Fraud. Where managers do not have the expertise to evaluate internal control, they are encouraged to call on support from Internal Audit.
- 4.2** All Individuals, are responsible for reporting directly to either the Chief Internal Auditor, Director Security Services or the Director Employee/Labour Relations or their delegates when, in good faith, they have a reasonable basis for believing that Fraud may have occurred, or is occurring (see paragraphs 5.3 and 5.4 for example situations of Fraud).
- 4.3** In order to provide for anonymity in such reporting, an individual may choose to contact EthicsPoint Safe Disclosure at 888-493-1864, or their web site at [https://secure.ethicspoint.com/domain/en/report\\_custom.asp?clientid=15480](https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15480) , who in turn will anonymously refer the matter to Internal Audit for investigation.
- 4.4** An Individual who makes a report in good faith per paragraph 4.2 or 4.3 will not be subject to retribution or reprisal of any kind solely for making such a report. Reprisals or threats of reprisal will be subject to sanctions under the appropriate policy as circumstances dictate. If the Individual making the report is the perpetrator or co-perpetrator of the Fraud, this act of self-reporting will be considered a mitigating factor in any remedial or disciplinary decision.
- 4.5** Reports or allegations of conduct that fall outside the scope of paragraph 3.1 will be addressed in accordance with other existing University policies and guidelines, as applicable. Allegations that are deemed to relate to the misuse of research funding will proceed in accordance with the Research Integrity Policy. This could mean that an investigation under the Fraud Policy could take place at the discretion of the Academic Integrity Officer in co-ordination with the Vice-President (Administration).

## **Fraud Policy**

The Vice President (Administration) and the Assistant Vice-President (Administration) and Chief Financial Officer must be notified of reports of Fraud when received, including all allegations of misuse of research funds, since they are required to attest annually to frauds at the University and are responsible for the effectiveness of internal control. The Academic Integrity Officer is responsible to notify the Vice-President (Administration), the Vice-President (Research) and the Chief Financial Officer of potential frauds reported under the Research Integrity Policy.

- 4.6** The Vice-President (Administration) is responsible for directing the process of addressing fraud investigations.
- 4.7** Investigations shall be conducted responsibly, in a manner that is respectful of individuals and that ensures appropriate and acceptable evidence is obtained. Collection of evidence, including University information and assets, may be required in some situations. Authority to collect evidence for an internal investigation may only be granted by the Vice-President (Administration) or the Vice-President (Academic) upon written request. Documenting reported activities provides a sound foundation for the following:
- Removal of wrong-doing from the University;
  - Determining appropriate human resource actions and correcting internal control deficiencies identified;
  - Appropriate judicial/arbitral action when warranted by the facts;
  - Filing of fidelity bond claims; and,
  - Commencement of civil litigation seeking recovery.
- 4.8** This policy supersedes all other University policies and guidelines with respect to the collection of evidence for internal investigation(s).
- 4.9** The Chief Internal Auditor shall review this policy every two years; the outcome of the review shall be reported to the Vice-President (Administration), the President and the Audit Committee.
- 4.10** The President is responsible for approval of this policy. The Audit Committee of the Board of Governors shall be advised of any changes to this policy.

## **5. Investigations – Responsibility and Process**

- 5.1** Internal investigations will be conducted using a cross-functional case management approach with Internal Audit, Security Services, Human Resources, the Vice-President (Administration) and other subject matter experts as may be consulted depending on the situation.

For investigations involving potential research misconduct (e.g. misrepresentation to funding agencies, mismanagement or misuse of research funds), the matter will be referred to the Academic Integrity Officer and the investigation will proceed under the terms of the Research Integrity Policy.

## Fraud Policy

Under that policy, it is possible that an investigation under the Fraud Policy is decided upon, or that an audit investigation by Internal Audit at the discretion of the Vice-President (Administration) will be undertaken.

- 5.2 Upon receipt of a report per paragraphs 4.2 or 4.3, the Chief Internal Auditor, Director Security Services and the Director Employee/Labour Relations or their delegates, as the case may be, will consult with each other and with the Vice-President (Administration) for the purposes of determining the appropriate course of action including which Office(s) will conduct the investigation, if any. The Chief Internal Auditor, Director Security Services and Director Employee/Labour Relations, in consultation with the Vice-President (Administration), at initial receipt of a report, or at any point during any internal investigation, may choose to involve local police services if the evidence reveals activity that may constitute an offence under the *Criminal Code*. If local police services are to be involved, the Director Security Services will be responsible for doing so after discussion with the Vice-President (Administration) and will remain the point of contact with the local police on behalf of the University until the matter at issue has been concluded.
- 5.3 Internal Audit shall be responsible for conducting internal investigations that require accounting and/or auditing knowledge including but not limited to situations where there has been an allegation of: financial misappropriation or mismanagement; conflict of interest; and/or falsification or alteration of University financial records. Allegations of research financial mismanagement made to the Academic Integrity Officer may be referred to Internal Audit through the Vice-President (Administration).
- 5.4 Security Services shall be responsible for conducting internal investigations where the reported allegations, if true, would constitute an offence under the *Criminal Code* including, but not limited to situations where there has been an allegation of: bribes; burglaries; thefts of University Property and, unlawful use of confidential information.
- 5.5 Employee/Labour Relations shall be responsible for conducting internal investigations that are normally outside the scope of paragraphs 5.3 and 5.4 and which may result in remedial or disciplinary action being taken against an employee. Employee/Labour Relations will be involved in all investigations related to Individuals who are members of a union.
- 5.6 Notwithstanding 5.3, 5.4, and 5.5, two or all of Internal Audit, Security Services and Employee/Labour Relations may have joint responsibility for conducting an internal investigation. In consultation with the Vice-President (Administration), it may be determined appropriate to engage a third party to complete an investigation into an alleged violation of this policy.
- 5.7 Should a Vice-President, the President, or Chief Internal Auditor be the subject(s) of an investigation, then the Chair of the Audit Committee will assume responsibility for any investigation as well as the responsibilities that would have fallen to the Vice-President (Administration) under this policy.

## **Fraud Policy**

- 5.8** During an investigation, Internal Audit, Security Services or Employee/Labour Relations, as the case may be, may contact and interview any Individual as deemed necessary to the investigation.
- 5.9** Except as may be authorized by the Chief Internal Auditor, Director Security Services, Director Employee Labour Relations, or by the Vice-President (Administration), no Individual shall:
- Conduct investigations or interviews under this policy;
  - Contact the subject(s) of an investigation for any reason related to the alleged Fraud;
  - Discuss any facts, suspicions or allegations associated with an investigation with anyone; or,
  - Make any offer or arrangements to establish a repayment program or payment to rectify any loss of University funds or retrieval of University assets.
- 5.10** During the course of an internal investigation, interim measures such as placing an employee on administrative leave or modification of employment duties may occur. Interim measures may be implemented after review and approval by the Vice-President (Administration), the Provost and Vice-President (Academic) or the Vice-President (Research), as appropriate to the case. Interim measures shall not be construed as evidence of either a finding or non-finding of violation of this policy.
- 5.11** At the conclusion of an investigation under this policy, a report will be issued to the Vice-President (Administration), the President and the Audit Committee of the Board of Governors. If the investigation finds that fraud or financial misconduct of a research nature has occurred, an allegation will be brought under the Research Integrity Policy, as recommended by the Vice-President (Administration) in consultation with the Academic Integrity Officer and reported to the Vice-President (Research).
- 5.12** Where the perpetrator of the Fraud is an employee of the University, remedial or disciplinary action may be taken, up to and including termination of employment or removal proceedings. The Director, Employee/Labour Relations, or delegate, will be consulted in advance of any such action being taken.

## **6. Confidentiality**

- 6.1** The University is responsible for the protection of the innocent as well as for identifying those who have engaged in Fraud. The identity of an Individual who has made a report per paragraphs 4.2 or 4.3 and any information that has been conveyed by that Individual will be kept confidential on a 'need-to-know' basis.
- 6.2** Confidentiality of the investigation process will be observed. This does not preclude the discreet disclosure of information in order to elicit the facts of the case.
- 6.3** In order to avoid damaging the reputations of innocent persons initially suspected of wrongful conduct, and in order to protect the University from potential civil liability, the results of investigations by Internal Audit, Security Services and Employee/Labour Relations will not be disclosed or, discussed with anyone other than those persons associated with the University who have a legitimate need-to-know of such results in order to perform their duties and responsibilities, and authorized representatives of law enforcement and/or regulatory agencies where appropriate.

## Fraud Policy

### 7. Protected Disclosure

7.1 In order to protect an employee who has reported (actual or possible) Fraud *in good faith* in accordance with the requirements of this policy, Senior Administration shall not until completing the report:

- Dismiss or threaten to dismiss that employee;
- Discipline or suspend, or threaten to discipline or suspend, that employee;
- Impose any penalty upon that employee;
- Intimidate or coerce that employee; or,
- Stop an employee from providing information to a federal or provincial authority about an offence under any federal or provincial act or regulation, or subsequently retaliate against an employee whistle-blower (section 425.1 of the *Criminal Code*).

### 8. Retention of Evidence

8.1 Investigators (whether in the Offices of Internal Audit, Security Services, or Employee/Labour Relations) shall become the custodian of all original files and all documents pertaining to the investigation in order to identify and preserve potential evidence. As may be required by law, the University may relinquish these original documents (after obtaining a photocopy) to authorized representatives of law enforcement and/or regulatory agencies where appropriate.

### Related Procedures or Documents

- Conflict of Interest Policy for Employees – [http://www.mcmaster.ca/policy/Employee/Conflict\\_of\\_Interest\\_Policy.pdf](http://www.mcmaster.ca/policy/Employee/Conflict_of_Interest_Policy.pdf)
- Internal Audit Department Policy Statement – <http://www.mcmaster.ca/policy/General/BusOp/IntAuditPolicy.pdf>
- Research Integrity Policy – <http://www.mcmaster.ca/policy/faculty/Research/ResearchIntegrityPolicy.pdf>
- Research Accounts Policy - <https://orf.mcmaster.ca/documents/Research%20Accounts%20Policy.pdf>
- Execution of Instruments - <https://www.mcmaster.ca/policy/General/Financial/Execution-Instruments.pdf>