

McMASTER UNIVERSITY

Complete Policy Title: **DISHONEST OR FRAUDULENT ACTIVITIES
RELATED TO FUNDS OR PROPERTY OWNED
BY OR IN THE CARE OF MCMASTER
UNIVERSITY**

Policy Number (if applicable): **n/a**

Approved by: **The President**

Date of Most Recent Approval: **October 26, 2006**

Revision Date(s): **November 15, 2003
October 26, 2006**

Position Responsible for **Chief Internal Auditor**
Developing
and Maintaining the Policy:

Contact Department: **[Internal Audit](#)**

DISCLAIMER *If there is a discrepancy between this electronic policy and the written copy held by the Policy owner, the written copy prevails.*

1. PURPOSE AND POLICY

- 1.1** 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 (“dishonest or fraudulent conduct”).
- 1.2** This Statement 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.
- 1.3** Where there is conclusive evidence of dishonest or fraudulent conduct, the University may report such activities to the Hamilton Police Services (“HPS”) and/or consider the activity to be grounds for discipline, which will usually result in termination of employment.
- 1.4** Where an internal investigation reveals evidence of criminal activity, the University will report the activity to the HPS.
- 1.5** Individuals covered by this Statement will not be subject to retribution of any kind for making a good faith report or allegation of dishonest or fraudulent conduct.
- 1.6** Reports or allegations of conduct that falls outside the scope of this Statement will be addressed in accordance with other existing University policies and guidelines.
- 1.7** The Chief Internal Auditor shall review this Statement every two years; the outcome of the review shall be reported to the President and the Audit Committee.
- 1.8** The President is responsible for approval of this Statement. The Audit Committee of the Board of Governors shall be advised of any changes to this Statement.

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2. RESPONSIBILITY FOR REPORTING AND INVESTIGATION PROCEDURES

A. Employees

- 2.1 Employees** are responsible for reporting dishonest or fraudulent conduct directly to a member of Internal Audit or Security Services when they have a reasonable basis for believing such acts have occurred (see below for clarification of situations).

Alternatively, in order to provide for anonymity in such reporting, employees may choose to contact EthicsPoint Whistle Blower Hotline at 888-493-1864, or their web site at https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15480, who in turn will anonymously refer the matter to Internal Audit and/or Security Services for investigation.

B. Security Services

- 2.2** Within the scope of this Statement, **Security Services** are responsible for investigations that require interrogation and surveillance in matters such as: bribes; burglaries; thefts of University Property (that do not involve the alteration of University financial records, which is the responsibility of Internal Audit; see below); and, unlawful use of confidential information.

University employees who work in the Health Sciences Centre are to contact the Health Sciences Centre Security Staff, who will, in turn report to the University Security Services.

- 2.3** Security Services shall notify Internal Audit, and the Vice-President (Administration) upon receiving an allegation of dishonest or fraudulent conduct.
- 2.4** Acting as Peace Officers, Security Services will proceed with the investigation in the appropriate manner. During its investigation, Security Services may contact other appropriate University departments. The Vice-President (Administration) will be notified of all offences. Security Services will immediately report to HPS all investigations and arrests involving criminal activity.
- 2.5** If an irregularity is found, Security Services shall communicate with the Vice-President (Administration) regarding the progress of their investigation, and with the Employee/Labour Relations Unit of Human Resources Services in cases where an employment relationship with the University is involved.
- 2.6** In cases where such findings could impact on an employment relationship within the University, Security Services will keep the Employee/Labour Relations Unit of Human Resources Services informed of the ongoing investigation (internal or by the HPS) and will advise them of its completion in a timely manner. (*e.g.*, for allowing HR to conduct an employment investigation and determine appropriate disciplinary action to be taken).

C. Internal Audit

- 2.7 Internal Audit** shall be responsible for conducting investigations that require accounting and/or auditing knowledge including but not limited to situations where there has been an allegation of: embezzlement; conflict of interest; alteration of University financial records; and, fraud involving vendors, customers or employees.
- 2.8** Internal Audit shall notify Security Services, and the Vice-President (Administration) upon receiving an allegation of dishonest or fraudulent conduct.

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- 2.9** During the investigation, Internal Audit will contact other appropriate departments which may include Environmental & Occupational Health Support Services. If the investigation reveals that dishonest or fraudulent conduct has occurred, reports will be issued to the Vice-President (Administration), the President and the Audit Committee of the Board of Governors.

The Vice-President (Administration) or President shall take appropriate action and will turn such matters over to Security Services for investigation and/or reporting to HPS. The Vice-President (Administration), where appropriate, will contact the Vice-President responsible for the area.

- 2.10** If an irregularity is found, Internal Audit shall communicate with the Vice-President (Administration) regarding the progress of their investigation, and with the Employee/Labour Relations Unit of Human Resources Services in cases where an employment relationship with the University is involved.

- 2.11** In cases where such findings could impact on an employment relationship within the University, Internal Audit will keep the Employee/Labour Relations Unit of Human Resources Services informed of the ongoing investigation (internal or by the HPS) and will advise them of its completion in a timely manner (*e.g.*, for the purpose of allowing HR to conduct an employment investigation and determine appropriate disciplinary action to be taken).

3. INVESTIGATIONS

- 3.1** Investigations shall be conducted responsibly, in a manner that is respectful of individuals and that ensures appropriate and acceptable evidence is obtained. Documenting reported activities provides a sound foundation for the following:

- removal of wrong-doing from the University;
- appropriate judicial/arbitral action when warranted by the facts;
- filing of fidelity bond claims; and
- commencement of civil litigation seeking recovery.

- 3.2** Great care needs to be taken in conducting investigations within the scope of this Statement; to avoid incorrect accusations, making statements which could expose the maker to legal liability and to maintain confidentiality. Accordingly, the reporting employee (for all situations) or supervisor (in cases of suspected fraudulent activity) should not:

- attempt to conduct investigations or interviews personally;
- contact the suspected individual(s) to determine facts or demand restitution; or,
- discuss any facts, suspicions or allegations associated with the case, , unless specifically directed to do so by a member of McMaster University's Internal Audit Department, Security Services, or Human Resources Services, or by a law enforcement official or member of a regulatory agency.

- 3.3** The Employee/Labour Relations Unit of Human Resources Services may also conduct an employment investigation in circumstances where the employment relationship could be impacted and will contact Internal Audit and Security Services where appropriate.

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4. CONFIDENTIALITY

- 4.1 The University is responsible for the protection of the innocent as well as identifying those who have engaged in dishonest or fraudulent conduct. Confidentiality concerning the complainant and any information which has been conveyed will be maintained on a 'need-to-know' basis.
- 4.2 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 Human Resources Services will not be disclosed or discussed with anyone other than those persons associated with the University who have a legitimate need to know such results in order to perform their duties and responsibilities, and authorized representatives of law enforcement and/or regulatory agencies.

5. PROTECTED DISCLOSURE

- 5.1 In order to protect an employee who has reported (actual or possible) dishonest or fraudulent conduct *in good faith* in accordance with the requirements of this Statement, the Board of Governors and/or its agents and representatives shall not:
- 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*).
- 5.2 The protection accorded by Section 5.1 does not apply if, after investigation, it is determined that the employee was a willful participant in the conduct reported, or that the employee did not act in good faith in making a report pursuant to this Statement.

6. RETENTION OF EVIDENCE

- 6.1 Investigators (whether in the Department of Internal Audit, Security Services, or Human Resources Services) shall become the custodian of all original files and all documents pertaining to the investigation in order to identify and preserve potential evidence. Based on legal requests, the University may relinquish these original documents (after obtaining a photocopy) if they are needed for evidence in a criminal or civil proceeding.

7. RESPONSIBILITY FOR DETERRENCE

- 7.1 While this Statement does not enumerate the steps required to prevent dishonest or fraudulent conduct, it revisits the ongoing responsibilities for controls designed to prevent them.
- 7.2 Financial, administrative, and academic internal control systems are required for the prevention of dishonest or fraudulent conduct. Ultimately, responsibility for internal control rests with the President. This responsibility is delegated to line managers who are responsible for daily operations and for the internal control systems within their organizational responsibility.

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- 7.3** Administrators at all levels of management are responsible for establishing and maintaining a control framework which reasonably prevents and detects dishonest or fraudulent activities, as well as non-compliance with ethical standards. Where managers do not have the expertise to evaluate internal control, they are encouraged to call on support from Internal Audit or other central services.