

Complete Policy Title: Fraud Policy	Policy Number (if applicable):
Approved by: Audit Committee of the Board of Governors	Date of Most Recent Approval: May 1, 2014
Date of Original Approval(s): May 27, 1997	Supersedes/Amends Policy dated: March 13, 2012, October 26, 2006, November 15, 2003, May 27, 1997,
Responsible Executive: Chief Internal Auditor	Enquiries: Internal Audit
DISCLAIMER: <i>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.

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 facilities and departments of the University 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.

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.

2. Scope

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

3. Definitions

3.1 Fraud: is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. This could include any act characterized by theft, 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 the Chief Internal Auditor or Director Security Services 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 , 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 of any kind solely for making such a report. 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.
- 4.6** The Vice President (Administration) will be notified of reports of Fraud when received.
- 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.

- 4.7 This policy supersedes all other University policies and guidelines with respect to the collection of evidence for internal investigation(s).
- 4.8 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.
- 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 (Legal) or their delegates, as the case may be, will consult with each other 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 (Legal), 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 might or conclusively 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 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: embezzlement; conflict of interest; and/or alteration of University financial records.
- 5.4 Security Services shall be responsible for conducting internal investigations where the reported allegations, if true, would constitute an offense under the *Criminal Code* such as; bribes; burglaries; thefts of University Property and, unlawful use of confidential information.
- 5.5 Employee/Labour Relations shall be responsible for conducting internal investigations outside the scope of paragraphs 5.3 and 5.4 and which may result in remedial or disciplinary action being taken against an employee.
- 5.6 Two or all of Internal Audit, Security Services and Employee/Labour Relations may have joint responsibility for conducting an internal investigation.
- 5.7 Should the alleged perpetrator(s) be a Vice-President, the President, or Chief Internal Auditor, 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.

- 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 or Director Employee Labour Relations (Legal), no Individual shall:
- Conduct investigations or interviews under this policy;
 - Contact the alleged perpetrator(s) for any reason related to the alleged Fraud; or,
 - Discuss any facts, suspicions or allegations associated with an investigation with anyone.
- 5.10** If the investigation reveals that Fraud has occurred, a report will be issued to the Vice-President (Administration), the President and the Audit Committee of the Board of Governors.
- 5.11** 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. The Director, Employee/Labour Relations (Legal), 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 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** 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 to, 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 where appropriate.

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, the Board of Governors and/or its agents and representatives 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
- Internal Audit Department Policy Statement
<http://www.mcmaster.ca/policy/General/BusOp/IntAuditPolicy.pdf>