

# Western Illinois University Foundation, Inc.

## Policy on Fraud

Policy #

Effective Date: 03/11/2015

Responsible Departments: WIU Foundation, Internal Auditing

### 1. PURPOSE

The Fraud Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Western Illinois University Foundation. It is the intent of the Western Illinois University Foundation to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

### 2. APPLICABILITY

This Policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, students, vendors, contractors, outside agencies, and/or any other parties with a business relationship with the Western Illinois University Foundation (WIUF).

Any investigative activity required will be conducted without regard to the suspect's length of service, position/title, or relationship to WIU.

### 3. POLICY

Management, with the assistance of all employees, is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury (as defined by the American Institute of Certified Public Accountants). 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. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the Internal Auditing Office, who coordinates all investigations with the Legal Counsel/Ethics Officer and other internal and external areas affected.

Actions constituting fraud can be defined as defalcation, misappropriation, and other fiscal irregularities which refer to, but are not limited to:

- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to WIUF. Exception: Gifts less than \$75 in value.
- Authorization or receipt of unearned wages or benefits.
- Authorizations or receipt of payment for goods not received or services not performed (e.g. payments to fictitious employees or vendors).
- Collusion with others to circumvent internal controls.
- Conflict of interest, ethics violations.
- Destruction, removal, or inappropriate use of records, buildings, furniture, fixtures, and equipment, including scrap or obsolete equipment regardless of value.
- Disclosing to other persons securities activities engaged in or contemplated by WIUF (e.g. preliminary official statements in connection with bond issuances).
- Embezzlement (e.g. theft of cash, using WIU procurement card or accounts payable systems to purchase personal items).
- Falsifying information provided on legal documents.

- Forgery or alteration of documents (e.g. checks, time cards, receipts, contracts, purchase orders, expense reimbursement paperwork, student bills, electronic files, bids, or other financial documents).
- Fraudulent financial reporting.
- Identity theft.
- Illegal use of logos or trademarks owned by WIU.
- Impropriety in the handling or reporting of cash or financial transactions.
- Misappropriation or misuse of University resources (e.g. cash, securities, inventory, facilities, equipment, services, supplies, or other assets).
- Personal use of University or WIUF property in commercial business activities.
- Submitting multiple vouchers for the same expense reimbursement.
- Unauthorized distribution or theft of student, staff, or faculty excess food points.
- Use of WIUF or WIU property for personal gain or for non-business purposes.
- Using WIUF's tax exempt status for purchase of personal items (via any method).
- Any similar or related irregularity.

Other irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the campus department and Human Resources, Provost Office, and the Ethics Officer rather than the Internal Auditor.

If there is any question as to whether an action constitutes fraud, contact the Internal Auditing Office.

#### **4. INVESTIGATION RESPONSIBILITIES**

The Internal Auditing Office has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Internal Auditing Office will issue reports to appropriate designated personnel, the President of the University, the Executive Officer of the WIU Foundation, the Western Illinois University Foundation Board of Directors Audit Committee, and the External Auditors.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

The Internal Auditing Office treats all information received confidentially. Any employee who suspects dishonest or fraudulent activities will notify the Internal Auditing Office immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect WIUF from potential civil liability.

Members of the Auditing Department investigation team will have free and unrestricted access to all WIUF records and premises, whether owned or rented; and the authority to examine, copy, and/or remove all or any portion of the contents of files, computers, and electronic equipment, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items and facilities when it is within the scope of their investigation. This will also include all media types where records may be electronically stored.

#### **5. REPORTING PROCEDURES**

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Internal Auditing Office immediately. If the suspect is a member of the Internal Auditing Office, the President and Ethics Officer/Legal Counsel will be notified. Independent auditors will investigate any allegations against Internal Auditing staff. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Investigations Team or Legal Counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiries is, "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific references.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by Legal Counsel or the Internal Auditing Office.

## 6. DISCIPLINARY ACTION

If warranted, disciplinary action as a result of an investigation may be recommended by the Internal Auditing Office. This could vary from written reprimand to time off without pay and, if warranted, a recommendation of termination and prosecution to the fullest extent of the law. The recommendation will be reviewed for approval by the designated representatives from Human Resources/the Provost Office, Legal Counsel and, if necessary, by outside counsel, before any such action is taken. The Internal Auditing Office does not have the authority to implement the recommendation unless it relates to a specific employee within their office. The implementation for disciplinary action is made by the employee's management. Should the Internal Auditor believe the management decision inappropriate for the facts presented, the facts will be presented to executive level management or the Audit Committee for a decision.

## 7. FRAUD RISK ASSESSMENT

Every year the Foundation Accounting Office will assess fraud risk relating to the Foundation. The risk assessment will be provided to external auditors on an annual basis, and it will identify areas of risk potential, indicate the probability or likely incidence of fraud, and quantify exposure to areas of risk. After analysis of those items, an overall estimate of risk on each area presented is determined.

## 8. ADMINISTRATION

The Foundation Accounting area under the direction of the Vice President for Advancement and Public Services is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed every three years and revised as needed.

Certified as approved by the Executive Committee of the Western Illinois University Foundation Board of Directors on:

Date 3/11/15

  
Marlin France, Secretary

References:  
5 ILCS 430 – Ethics Act – Article 10 – Gift ban

Review schedule: Every three years

Revision history: 10/08 original policy  
3/11/15 revised policy