

Preventing and Reporting Fraud, Waste & Abuse

Office of Financial Services

Applies to: Faculty, Staff, Student Employees, Students and Volunteers

Fitchburg State University is committed to the responsible stewardship of its resources. University management is responsible for maintaining a work environment that promotes ethical and honest behavior. Management is further responsible for establishing and implementing policies and procedures to prevent and detect irregularities, including fraud, waste and abuse. Employees, at all levels, should be aware of the risks and exposures inherent in their areas of responsibility and should incorporate into their business practices policies and procedures that safeguard the resources entrusted to them.

It is the intention of the University to take whatever action may be needed to prevent and correct activities that violate this policy.

POLICY GUIDELINES

No area or department is exempt from potential misappropriation or misuse of university resources. Fraud, waste and abuse all have the same pattern, commonly referred to as the fraud triangle. Where this pattern exists there is a potential for misappropriation or misuse. The three factors present for fraud, waste and abuse to occur are as follows:

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| Pressure or motivation - | There is a will to commit fraud, waste or abuse. |
| Opportunity - | There is minimal oversight or lack of adequate controls in a particular area. |
| Rationalization - | There is an accepted practice or a perceived entitlement. |



Understanding the forces driving fraud, waste and abuse facilitate the development of policies and procedures to prevent and detect it.

I. Definitions

- A. Fraud – A deliberate deception to secure an unfair gain. Fraud can be monetary, contractual or any other advantage that is unlawful. Common types of fraud may include, but are not limited to:
- Theft, misappropriation, misuse or destruction of College assets
 - Improper handling or reporting financial transactions
 - Authorization or receipt of compensation for hours not worked
 - Inappropriate use or alteration of data, computer files, equipment, software, networks or other systems
 - Forgery or unauthorized alteration of documents
 - Falsification of reports to management or external agencies
 - Pursuit of personal benefit or advantage
 - Concealment or misrepresenting events or data
 - Acceptance of bribes, kickbacks, gifts or other items of value
- B. Waste – The loss or misuse of College resources resulting from deficient practices, system controls or poor decision making. Waste does not necessarily involve fraud, violation of laws or provisions of contracts and agreements. Waste is a thoughtless or careless act that results in expenditures, consumption, mismanagement, use or squandering of College assets or resources. Some examples of waste include:
- Not taking advantage of available discounts on purchases
 - Ordering excessive supplies because existing stock was not inventoried before hand
- C. Abuse – The intentional, wrongful or improper use or misuse of rank, position or authority that causes the loss or misuse of College resources. Abuse also includes the misuse of authority or position for personal financial gain or financial gain of an immediate family member or business associate. Some examples of abuse include:
- Using university equipment or supplies to conduct personal business
 - Using information from vendor lists to get new customers for an outside business

II. Preventing Fraud, Waste and Abuse

- A. Maintaining an ethical work environment – Management is responsible for maintaining a work environment that promotes ethical and honest behavior on the part of all students, faculty, staff, contractors, vendors and others. To do so, management at all levels must behave ethically and communicate to employees and others that they are expected to behave in the same manner. Management must demonstrate through words and actions that unethical behavior will not be tolerated.
- B. Implementing effective systems and business practices – Management is responsible to establish and implement systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Internal control systems and other policies, procedures and practices should provide reasonable assurance that:
- Safeguards exists over institutional assets and resources such as cash, securities, supplies, equipment, property, records, data or other electronic systems
 - Operations are effective and efficient
 - Financial reports and other types of reporting are reliable

- The university is compliant with applicable laws, regulations, contracts, grants and policies

C. Reviewing and assessing – To determine whether internal controls and other practices are effective, management should perform periodic risk and control assessments. The assessments should include periodic review of operational processes to determine the inherent risk of fraud, waste and abuse in each process. Management should then determine if there are controls in place that reduce that risk. Most processes will already have a number of controls in place. These controls should be monitored or reviewed for adequacy and effectiveness. Where controls do not exist, new controls will need to be implemented. Some examples of typical controls include (but are not limited to):

1. Adequate separation of duties among employees
2. Sufficient physical safeguards over cash, supplies, equipment and other resources
3. Appropriate documentation of transactions for accuracy and completeness
4. Documented supervisory review and approval of transactions and other activity
5. Proper supervision of employees, processes, projects and other operational activities

Other types of reviews include internal and external audits, as well as, program audits or reviews mandated by various federal, state or other outside agencies. These reviews can be based on type, function or funding of the program. Although external reviews and assessments may be mandated, it is still the primary responsibility of management to prevent fraud, waste and abuse. Therefore, management should take steps to perform reviews whether or not external mandates exist.

III. Reporting Fraud, Waste and Abuse

It is everyone's responsibility to be vigilant in providing for the security and accountability of resources entrusted to them. Fitchburg State University encourages all faculty, staff, students, vendors and others, acting in good faith to report known or suspected instances of fraud, waste and abuse. Although proof of an improper activity is not required at the time an incident is reported, those reporting such actions must have reasonable grounds to do so. Failing to report or knowingly making false accusations constitutes fraud in and of itself.

Those reporting fraud, waste and abuse do so with the knowledge that the university is committed to protecting individuals from interference when reporting fraud, waste and abuse and from retaliation for having made such a disclosure. As such, the university maintains a *Whistleblower Policy* that protects both, the individual reporting fraud, waste and abuse and those who may be potentially involved in the occurrence. The policy, encourages individuals to report any wrongful conduct, outlines how occurrences are reported, mandates protections for those reporting and provides individuals who believe they have been subject to reprisals or false accusations a fair process to seek relief.

The policy details procedures for reporting violations and assigns responsibilities surrounding the process to individuals, departments and offices. The policy mandates that individuals act in good faith and refrain from making false accusations. The policy provides for the confidentiality of reported disclosures and for protection from retaliation for individuals reporting wrong doing. University, staff, students, vendors and others may not retaliate against an individual who has made a protected disclosure or who has refused to obey an illegal order. Individuals may not directly or indirectly use or attempt to use the official authority or influence of their position or office for the purpose of interfering with the right of an individual to make a protected disclosure.

As outlined in the policy, individuals should share their questions, concerns, suggestions, or complaints with a university administrator who can address them properly. In many cases the individual's supervisor is in the best position to address an area of concern. If an individual is not comfortable speaking with their supervisor, or is not satisfied with the supervisor's response, individuals can take their concerns to the offices listed below that will investigate and/or address the concern as appropriate.

- Office of the Provost/Vice President for Academic Affairs
- Office of the Vice President for Finance and Administration
- Office of Human Resources/Payroll Services & Affirmative Action

The full text of the *Fitchburg State University Whistleblower Policy* is available in the Office of Human Resources & Payroll Services.

IV. *Questions*

Any questions or concerns regarding this policy or its implementation should be directed to the Vice President for Finance and Administration, Mr. Jay Bry at 978-665-3171.