

## Policy on Fraud

### 1. Purpose

This policy addresses the responsibility of staff members for detecting and reporting fraud or suspected fraud.

### 2. Policy

It is the policy of SEDL to identify and promptly investigate any possibility of fraudulent or related dishonest activities against SEDL and, when appropriate, to pursue legal remedies available under the law.

SEDL will take appropriate disciplinary and legal actions against staff members or work units that commit fraud, including the possibility of termination of employment and forwarding of information to the appropriate authorities for criminal prosecution.

This policy will clarify acts that are considered to be fraudulent and describe the steps to be taken when fraud or other related dishonest activities (e.g., research misconduct) are suspected. This policy also includes the procedures to follow in accounting for missing funds and recoveries.

### 3. Definitions

3.1 Fraud is an intentional or deliberate act to deprive another of property or money, or to mislead by guile, deception, or other unfair means. Classes of fraud and some examples include:

- a. Asset misappropriation:
  - Larceny (cash and inventory)
  - Skimming (cash)
  - Misuse (inventory)
  - Fraudulent disbursements:
    - Billing schemes
    - Payroll schemes
    - Expense reimbursement schemes
    - Check tampering
- b. Corruption:
  - Conflicts of interest
  - Bribery
  - Illegal gratuities
  - Economic extortion
- c. Fraudulent statements:
  - Financial:

Asset/revenue overstatement  
Asset/revenue understatement  
Non-financial:  
Employment credentials  
Internal or external documents  
Fabrication, falsification, or plagiarism in the conduct of research or in the provision of information (written or oral)

3.2 *Staff members*, in this context, refers to anyone who receives compensation, either full- or part-time, from SEDL. The term also includes any volunteer who provides services to SEDL through an official arrangement with SEDL.

3.3 *Management*, in this context, refers to any manager, budget authority, supervisor, or other individual who manages or supervises funds or other resources, including human resources.

#### 4. Management Responsibility

4.1 Management is responsible for preventing and detecting fraudulent or related dishonest activities in their areas of responsibility. Each manager should be familiar with the types of improprieties that might occur in their area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

4.2 If management determines that a suspected activity may involve fraud or a related dishonest activity, he/she should contact SEDL's President and CEO if he/she feels the situation warrants such action (for example, obvious theft has taken place, security is at risk, or immediate recovery is possible). SEDL's President and CEO will determine if the matter should be referred to SEDL's legal counsel, who would conduct any needed investigation, reporting findings and recommendations to SEDL's President and CEO. Management should not attempt to conduct individual investigations, interviews, or interrogations. Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.

4.3 Management will support SEDL's legal counsel and will cooperate with legal counsel, other involved departments, and law enforcement agencies in the prevention, detection, reporting, and investigation of criminal acts, including prosecution of offenders. Legal counsel shall have full and unrestricted access to all necessary records and personnel. All SEDL furniture and contents, including desks and computers, are open to inspection when there is reasonable suspicion of a dishonest or fraudulent activity that makes such inspection appropriate. During this process there is no assumption of privacy. Every effort should be made to effect recovery of SEDL losses.

4.4 Great care must be taken when dealing with suspected dishonest or fraudulent activities to avoid the following:

- a. Incorrect accusations
- b. Alerting suspected individuals that an investigation is underway
- c. Treating employees unfairly
- d. Making statements that could lead to claims of false accusations or other offenses

Individuals who knowingly make false accusations may be subject to disciplinary action.

4.5 Management should abide by the following guidelines in handling dishonest or fraudulent activities:

- a. Do not contact (unless requested by SEDL's President & CEO or legal counsel) the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did," "the crime," "the fraud," "the forgery," "the misappropriation," or other such accusatory language.
- b. Do not discuss the case, facts, suspicions, or allegations with anyone outside SEDL.
- c. Direct all inquiries from the media to SEDL's legal counsel. A proper response to such an inquiry would be, "I'm not at liberty to discuss this type of matter."
- d. Take appropriate corrective and disciplinary action after consulting with SEDL's legal counsel.

## 5. Staff Member Responsibilities

5.1 When suspected fraudulent incidents or practices are observed by or made known to a staff member, the following actions should be taken:

- a. The reporting staff member must report the incident or practice to his/her supervisor, who will then report the incident to the proper management official. When the staff member believes the supervisor may be involved in the inappropriate activity, the staff member shall make the report directly to the next higher level of management.
- b. The reporting staff member shall refrain from further investigation of the incident, confrontation of the alleged violator, or further discussion of the incident with anyone unless requested to by law enforcement personnel or SEDL's legal counsel.
- c. When any staff member believes that SEDL's President and CEO may be involved in the inappropriate activity, the staff member shall make the report directly to the Chairman of SEDL's Board of Directors.