

# POLICY ON FRAUD

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## BACKGROUND AND PURPOSE

Associated Students, Incorporated (ASI) recognizes the importance of protecting the organization, its operations, its employees and its assets against financial risks, operational breaches and illegal activities. Therefore, it is incumbent upon ASI’s Board of Directors and management to institute and clearly communicate a fraud prevention policy to both internal and external customers, vendors and partners.

ASI recognizes a zero tolerance policy regarding fraud and corruption. All matters raised by any source will be taken seriously and properly investigated.

This policy applies to any irregularity, or suspected irregularity, involving employees as well as students, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with ASI.

It is the intent of ASI’s Policy on Fraud to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

ASI’s Policy on Fraud is established to facilitate the development of controls that will aid in the detection and prevention of fraud against ASI by:

1. Initiating proactive practices to discourage fraud and abuse by employees and others,
2. Assuring a fair, structured, and consistent approach to investigations of suspected fraud and abuse, and

3. Articulating the process to be followed when responding to allegations of fraud and abuse in ASI programs, functions or activities. By having an established process, ASI is able to institutionalize the approach and reduce the role of personalities in decisions regarding each case.

## POLICY STATEMENT

It is the policy of the ASI to prohibit the commission of any fraudulent activity by the directors, officers, employees, and volunteers of the ASI and its subsidiaries, as well as agents of any program, activity or function financially supported and administered by the ASI (hereinafter known collectively as “representatives”). This prohibition extends to and includes activities that might be perpetrated for the benefit of the ASI.

Any investigative activity required under this policy will be conducted without regard to the suspected wrongdoer’s length of service, position/title, or relationship to the corporation.

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team must 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.

## DEFINITIONS

For purposes of this policy, the terms used are defined as follows:

Term	Definition
<b>Corruption</b>	The offering, giving, soliciting or accepting of an inducement or reward that may improperly influence the action of a person or entity
<b>Defalcation</b>	Withholding or misappropriating funds held for another, or failing to make a proper accounting
<b>Forgery</b>	The crime of creating a false document, altering a document, or writing a false signature for the illegal benefit of the person making the forgery
<b>Fraud</b>	An intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity
<b>Misappropriation</b>	The intentional, illegal use of the property or funds of another person for one's own use or other unauthorized purpose, particularly by a public official, a trustee of a trust, an executor or administrator of a dead person's estate or by any person with a responsibility to care for and protect another's assets
<b>Misrepresentation</b>	A false and material statement that induces a party to enter into a contract
<b>Theft</b>	The generic term for all crimes in which a person intentionally and fraudulently takes personal property of another without permission or consent and with the intent to convert it to the taker's use (including potential sale).

## STANDARDS AND PROCEDURES

### 1.0 ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to the Associated Students, Incorporated
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of ASI activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by ASI
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to ASI, with the exception of gifts less than \$50 in value
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity

If there is any question as to whether an action constitutes fraud, the Director of Administrative Services must be consulted for guidance.

## 2.0 REPORTING SUSPECTED WRONGDOING

Any irregularity that is detected or suspected must be reported immediately to the Director of Administrative Services and/or by contacting The Network fraud hotline at 888-823-6298 or on-line at [www.reportlineweb.com/csulb](http://www.reportlineweb.com/csulb). The individual filing the report may remain anonymous. Any representative who suspects dishonest or fraudulent activity must not attempt personally to conduct investigations, interviews, or interrogations related to any suspected fraudulent act.

All subsequent inquiries concerning an activity under investigation must be forwarded to the Director of Administrative Services. No information concerning the status of an investigation will be released. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances will any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

Individuals reporting a suspected fraudulent activity MUST NOT:

- Contact the suspected individual in an effort to determine facts or demand restitution.
- Discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Director of Administrative Services.

Reprisal against a person who has, in good faith, reported a violation or suspected violation is strictly prohibited. Representatives are further prohibited from participating in any cover-up of suspected wrongdoing or any form of retaliation against witnesses.

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## 2.1 REPORTING FISCAL IMPROPRIETIES

CSU Executive Order No. 813, "Reporting of Fiscal Improprieties" requires auxiliary organizations of the California State University system to properly report all cases of actual or suspected theft, fraud, defalcation, or other irregularity involving auxiliary organization assets.

The Director of Administrative Services will provide proper written notification to the University Director of Internal Auditing and the ASI Board of Directors within 12 hours of any incidence of actual or suspected theft, defalcation, fraud, or other irregularity involving ASI funds, property or other resources. Information about such incidences may arise from within or from external sources and may involve employees or others outside the organization. The purpose of this notification is to provide the Board and University President with critical information about such incidences, and to enable the University to comply with both the State Administrative Manual Section 20080 and Executive Order No. 813 within the required time constraints.

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### 2.1.1 NOTIFICATION INFORMATION

An incident report will include, at a minimum:

- The known sequence of events
- Internal controls compromised
- Discovery means
- Actual or estimated asset value loss, and
- Remedial and/or disciplinary actions taken or considered

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### 2.1.2 FOLLOW-UP TO PRELIMINARY NOTIFICATION

If complete information for an incident report is not known within the reporting requirement period, a preliminary notification will be submitted within the required period, followed by either a complete report or progress reports within thirty days until the matter is fully reported.

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## 2.2 REPORTING OTHER IRREGULARITIES

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be reported to the employee's supervisor and the Human Resources Manager rather than the Director of Administrative Services.

## 3.0 INVESTIGATION RESPONSIBILITIES

All suspected wrongdoing will be investigated fully. Nonetheless, great care will be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. The Director of Administrative Services has the primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. The Director of Administrative Services will coordinate all investigations with the CSULB Office of Internal Auditing and other affected areas, both internal and external.

While conducting an investigation, the Director of Administrative Services must be provided:

- Free and unrestricted access to all ASI records and premises, whether owned or rented; and

- Authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of the investigation.

All suspects and perpetrators will be treated consistently without regard to position or length of service.

#### 4.0 CONFIDENTIALITY

All information received in connection with an investigation will be treated confidentially.

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 the Associated Students, Incorporated from potential civil liability.

#### 5.0 REPORTING INVESTIGATION FINDINGS

If an investigation substantiates that fraudulent activities have occurred, the Director of Administrative Services will issue reports to appropriate designated personnel and to the ASI Board of Directors through the ASI Board of Control or USUBOT, as appropriate. The Director of Administrative Services is also responsible for notifying the appropriate insurance carriers and filing necessary claims.

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 the ASI Executive Officers, as will final decisions on disposition of the case.

#### 6.0 TERMINATION

If an investigation results in a recommendation to terminate an individual, the Human Resources Manager and legal counsel will review the recommendation before any such action is taken. The final decision to terminate an employee will be made by the employee's hiring authority. Should the Executive Director believe the decision is inappropriate for the facts presented, the facts will be presented to the ASI Board of Directors for a final decision.

#### 7.0 FRAUD AWARENESS

The Director of Administrative Services is responsible for developing and implementing a program of fraud awareness training. Such training will focus on fraud prevention, fraud detection, and internal controls. All staff that have been delegated authority for the approval of financial and/or personnel transactions will be required to complete fraud awareness training no less than every two years beginning in fiscal year 2013-2014.

### ADMINISTRATION

The Director of Administrative Services is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed triennially and revised as needed, unless earlier revisions are necessitated by changes in the regulations of CSULB or the California State University Office of the Chancellor.

### FORMS

The following forms are to be used in the execution of this policy.

Form Name	Purpose	Responsible Office	Approved By	Timeline for Submission
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<b>Fraud Allegation Form</b>	To report an allegation of fraud involving the assets, programs, or operations of the Associated Students, Incorporated.	ASI Administrative Services	N/A	Completed form and any attachments must be sealed in an envelope marked "Confidential" and mailed or delivered to the Director of Administrative Services. If an allegation is being made against the Director, the form should be mailed or delivered to the Office of the Executive Director.
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