# Fraud, Waste and Abuse Policy

## Overview

Veterans Path to Hope is committed to the safeguarding of its assets and preventing fraud, waste and abuse. All employees as responsible stewards must share in the commitment. All employees, especially supervisors, must be aware of the circumstances, or "red flags", which may potentially lead to fraud. For the purpose of this administrative procedure, fraud, waste and abuse are referred to as "fraud".

## Purpose

The purpose of this document is to communicate the agency's policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instruction regarding appropriate action in case of suspected violations.

## Scope

This policy applies to any fraud, or suspected fraud, involving employees, supervisors, officials, consultants, vendors, contractors, and any other parties with a business relationship with Veterans Path to Hope.

## Goal

The intent of this policy is to establish and maintain a fair, ethical, and honest business environment for all employees, customers, suppliers and anyone else with whom the agency has a relationship. Fraud not only involves loss of revenue, but decreased morale and productivity.

## Definitions

**Fraud** – Fraud encompasses an array of irregularities and illegal acts characterized by internal or external deception. It can be perpetrated for the benefit of, or to the detriment of, the agency and by persons outside as well as inside the agency. Examples of fraud include, but are not limited to the following:

- Stealing, misappropriation of funds, supplies, etc.
- Forgery or unauthorized alteration of any document
- Intentional misrepresentation by personnel regarding payroll records or the payroll records of others
- Knowingly making a false entry in, or false alteration of a client, employee, or other record

- Making, presenting, or using any record, document, or thing with the knowledge that it is false
- Intentional destruction, concealment, removal or other impairing to the verity, legibility, or availability of a client, employee, or other record
- Processing, selling, or offering to sell an agency record or a blank agency record form with
- Using or claiming to hold an education degree that is fraudulent, fictitious, or has been revoked, with the intent to obtain employment, promotion, or other benefit
- Credit card abuse or falsification of transaction
- Making a false statement to obtain property, credit, or services
- Fraudulent transfer of a motor vehicle
- Securing execution of a document by deception
- Fraudulent use or possession of identifying information without that person's consent
- Stealing an unsigned check or receiving an unsigned check with the intent to use it or sell it

**Waste** - Waste is defined as harmful or destructive use of property under one's control. Waste may also be referred as the unnecessary incurring of costs as a result of inefficient practices, systems or controls. Examples of waste include, but are limited to the following:

- Damaging, destroying, or ruining materials or equipment
- Improper maintenance or intentional mistreatment of equipment
- Purchase of unneeded supplies or equipment
- Purchase of goods at inflated prices
- Failure to reuse or recycle major resources or reduce waste generation

**Abuse** – Abuse refers to violations and circumventions of agency regulations which impair the effective and efficient execution of operations. Some examples of abuse are as follows:

- Using equipment or suppliers to conduct non- business without supervisory permission in advance
- An employee using non-confidential taxpayer information to get new customers for his/her outside business
- Improper handling or reporting of money or financial transaction
- Profiting by self or others as a result of inside knowledge
- Destruction or intentional disappearance of records, furniture, fixtures or equipment
- Accepting or seeking anything of material value from vendors or persons providing services or material to the agency for personal benefit
- Unauthorized use of resources (computers, software, databases, other information) for non-agency purposes
- Abuse of purchase order authority, such as false travel or expense reports
- Accepting or seeking anything of material value from vendors or persons providing services or materials to the agency

- Use of information gained as an agency employee for personal gain, such as an employee using non-confidential taxpayer information to get new customers for his/her outside business

## Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposures if fraud does occur. Agency supervisors are responsible for the implementation and maintenance of effective internal controls. The leadership team is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of internal controls.

Fraud occurs for the following reasons:

1. Poor internal controls, especially disregarded for set policies and procedures
2. Management override of internal controls
3. Collusion between employees and/or third parties
4. Poor or non-existing ethical standards
5. Lack of control over staff by their supervisors

## "Red Flags"

The most frequently cited "red flags" of fraud are:

1. Changes in an employee's lifestyle, spending habits or behavior
2. Poorly written or poorly enforced internal controls, procedures, policies or security
3. Irregular/unexplained variances in financial information
4. Inventory shortages
5. Failure to take action on results of internal/external audits or reviews
6. Unusually high expenses or purchases
7. Frequent complaints from customers
8. Missing files
9. Ignored employee comments concerning possible fraud
10. Refusal to leave custody of records during the day by the employee
11. Working excessive overtime and refusing to take vacation time off

## Fraud Prevention

The following internal controls should minimize the risk and help prevent fraud:

1. Detailed written policies and procedures and adherence to all policies and procedures, especially those concerning documentation and authorization of transactions
2. Physical security and controlled access over assets such as locking doors and restricting access to certain areas
3. Proper training of employees

4. Independent review and monitoring of tasks by the department supervisor, such as approval processing of selected items
5. Separation of duties so that no one employee is responsible for a transaction from start to finish
6. Clear lines of authority
7. Conflict of interest statements which are enforced
8. Rotation of duties in positions more susceptible to fraud
9. Ensuring that employees take regular vacations
10. Regular independent audits of areas susceptible to fraud

## Reporting Fraud

If an employee suspects that fraud is being committed within the agency, then the employee should report it to any of the following:

- The immediate supervisor,
- Any other member of the leadership team

The supervisor and human resource personnel should immediately report it to executive director; if the subject of the suspected fraud is the executive director, the report should be made to the president of the board of directors.

At any time, an employee may communicate directly with the executive director to report fraud and the employee will have the option to remain anonymous. Every attempt will be made to protect the identity of the reporting individual. The agency is committed to protecting the employee's identity and confidentiality.

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Managers, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstance perform any investigative or other follow-up steps on their own. All relevant matters, including suspected but unproven matters, should be referred immediately to those with follow-up responsibility.

## Retaliation

An employee who believes that he or she has experienced retaliation for making a report or assisting in an investigation shall report this as soon as possible to their immediate supervisor or any other member of the leadership team.

## Reporting Unethical Behavior

Employees are encouraged to seek advice from their supervisor or any member of the leadership team when faced with uncertain ethical decisions. The policy will be reviewed annually and revised as necessary.

## Duty to Report

Employees and all others who are subject to this policy have a duty to report violations of this policy and to cooperate in investigations, inquiries, and hearings conducted by the agency. However, a person making false reports shall be subject to disciplinary action if he or she reports information which he or

she knows to be false or which he or she discloses with reckless disregard for its truth or falsify.

## No Coercion

No employee shall directly or indirectly use or threaten to use any official authority or any influence in any manner whatsoever which tends to discourage, restrain, deter, prevent, interfere with, coerce or discriminate against any person who in good faith reports, discloses, divulges or provides any facts or information relative to an actual or suspected violation of this policy or other state, federal, or local laws.

## Consequences

Management staff who have been found to have violated this policy will be subject to discipline, including a written warning or reprimand, suspension, or termination in accordance with the procedures under which a department head may otherwise by disciplined.

Employees found to have violated this policy will be subject to discipline by their supervisor regarding violations of this policy, including a written warning or reprimand, suspension, or termination in accordance with the procedures under which the employee may otherwise be disciplined.

Parties doing business with the agency, including vendors, consultants, contractors, or their principals and employees, found to have violated this policy will be subject to termination of any business relationship with the agency and exclusion from further business opportunities with the .

As to any person subject to this policy or otherwise, the agency may make referral of its findings to the appropriate law enforcement authority.

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