

Fraud/Corruption Policy of Sangli Mission Society

Fraud Policy Statement

- Actions constituting fraud
- Reporting responsibilities [delegation structures]
- Confidentiality
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- Disciplinary actions

1. Policy Statement:

Our goal is to establish and maintain an environment of fairness, promote ethical practices and ensure a level of accountability & honesty for our employees, clients, suppliers, implementing partners, and anyone else with whom we have a relationship. Our organization is committed to the deterrence, detection and correction of misconduct and dishonesty. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Organization. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

2. Actions constituting fraud:

Fraud is defined as 'The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.' There are two broad categories of fraud - internal and external. Internal frauds are committed by persons inside the organization such as employees, officers and directors. External frauds are committed by persons outside the organization, such as vendors, sub-recipients, grant applicants and program participants.

2.1 Internal frauds can be broken down into following separate categories (among many others):

· Revenue and cash receipts schemes

· *2.1.1 Skimming* - Theft of cash before the funds have been recorded on the books. Skimming can be perpetrated by someone who either initially collects or opens incoming mail, the person who initially logs in cash receipts, prepares the deposit or takes the deposit to the bank, or door-to-door solicitors of charitable contributions. Cheque can also be skimmed. The perpetrator opens up a bank account in the organization's name with themselves as a signer and simply deposits and withdraws the cheque.

2.1.2 Theft of donated merchandise - Donated merchandise can be just as susceptible to theft as cash.

· 2.2 Payroll and employee expense reporting schemes

· *2.2.1 Ghost employees* - Whereby either terminated employees are left on the payroll system, or fake employees are set up in payroll. Payroll checks are issued for nonexistent employees and the checks are cashed by the perpetrator.

· *2.2.2 Overstatement of hours worked* - Whereby the employee overstate the number of hours worked.

· *3.4 Fictitious expenditures* - submission of fictitious expenditures for reimbursement

· 2.3 . Other asset misappropriations

· 2.3.1.1 Outright Theft of an asset

· 2.3.2 Personal use of organization's assets and other resources

· 2.4. Fraudulent Financial Reporting

· Fraudulent financial reporting is intentionally making false assertions relating to financial statements, false statements. Fraudulent financial reporting is most often committed by management and includes misrepresentations

2.5 External Frauds constitute, but not limited to, the following:

· 2.5.1 *Fraudulent billings by vendors* - Charging for goods or services not delivered or inflating prices, phony extra charges.

· 2.5.2 *Fraud by sub recipients* - reporting fraudulent data or program costs to the not-for-profit that made the award from the original grant.

· 2.5.3 *Financial assistance fraud* - students who falsely receive financial aid or others who fraudulently apply for or use grant funds.

3. Reporting responsibilities and delegation structures:

It is the responsibility of every employee, supervisor, manager and executive to report, preferably in writing, discovered or suspected unethical or fraudulent activity

suspected misconduct or dishonesty. Any reprisal against any employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden. To safeguard the reputation of the accused person and organization any allegation that proves to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

4. Confidentiality:

Discovered or suspected matters can be reported anonymously or on a confidential basis. In the case of allegations made on a confidential basis, every effort will be made to keep the identity of the reporting party secret, consistent with the need to conduct an adequate and fair investigation. The complainant should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. Allegations will not be discussed with anyone other than those who have a legitimate need to know. It is important to protect the rights of the persons accused, to avoid damaging their reputation should they be found innocent and to protect the organization from potential liability.

5. Investigation Procedures:

· 5.1 Upon receipt of an allegation, [internal audit, legal, other] department has the primary responsibility for all investigations involving the organization and all subsidiaries [investigation team] will assess the case and if it determine that there is sufficient ground to warrant an investigation, it will conduct an investigation.

· 5.2 The Investigation Team will be responsible for collecting all relevant information in respect of the fraud allegation.

· 5.3 Depending on the nature and seriousness of the alleged fraud, the Investigation Team may consult with, or engage the services of, other persons (such as technical experts with IT or forensic accounting skills) as well as external agencies (e.g. the police)

- 5.4 The investigation team will investigate all allegations on a timely basis in order to gather facts and evidence and will have :
 - 5.4.1 free and unrestricted access to all Organization records and premises, whether owned or rented
 - 5.4.2 the authority to examine and copy all, or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises, within the scope of the investigation.
- 5.5 If the investigation team concludes that the evidence it has collected does not support the allegation of fraud, that outcome shall be reported confidentially to the individual who was suspected of fraud and to the complainant. A confidential report will be provided to the Director or higher authority as appropriate that sets out the investigation process undertaken and the conclusions reached. The disclosure of that report or any part of that report to any other person will be determined by the Director or other authority.
- 5.6 If the investigation team concludes that there is sufficient evidence to support the allegation, it will provide the Director or higher authority with a confidential report which includes a recommended course of action and any recommended improvements to internal controls that are identified as a result of the investigation. A summary of this report will be provided to the Management committee.

6. Disciplinary action(s)

- 6.1 Where the investigation has found a staff member guilty of fraudulent practice with sufficient evidence, the Competent Authority should decide on the appropriate disciplinary measures to be taken in accordance with the rules and regulations applicable and the recommendations of the Investigation team.
- 6.2 The Competent Authority will inform an employee, against whom an action is proposed in writing explaining the reason for taking such action(s). The said employee will be given an opportunity to make representation that s/he may wish to and such representation shall be taken into consideration before taking any action(s).

President
Sangli Mission Society

Secretary
Sangli Mission Society