2.8.9 FRAUD POLICY

A. GENERAL

1. Policy

LSUMC-S strives to conduct academic and business affairs in an ethical and effective environment. Internal controls and other systems have been developed and are in place to prevent and detect irregularities. However, as with any system, individuals may be able to circumvent the controls and defraud the Medical Center. Collusion results in the breakdown of internal controls which increases the opportunity for fraud. Medical Center managers are the human defense against fraud; therefore, they must be vigilant for irregularity and misconduct. Suspected fraudulent activities will be investigated diligently and all substantiated fraudulent activity will be referred to law enforcement officials for legal disposition.

Any detected or suspected fraud must be reported expeditiously directly to the Vice Chancellor for Business and Reimbursements or in his absence the Director of Human Resource Management.

2. Scope

This policy applies to any fraud, or suspected fraud, involving Medical Center faculty, staff, students, vendors, or outside agencies doing business with LSUMC-S.

3. Elements

Fraud, as distinguished from negligence, is always intentional. It includes all acts, omissions, or concealments involving a breach of a legal or equitable duty which results in damage to LSUMC-S.

In essence, a fraud is committed when there is an intentional or reckless false representation about material fact which is believed and acted upon by the victim (LSUMC-S) to the victim’s damage. This definition consists of seven elements.

- a Representation
- about a Material point
- and Intentionally or Recklessly
- so and which is Believed
- and Acted Upon by the Victim
- to the Victim’s Damage
B. FRAUD ACTIONS

Fraud has many descriptors: misappropriation, swindle, and fiscal irregularity. However, actions also indicate fraud. Some of these are, but not limited to:

- falsification of official documents for personal gain;
- unauthorized computer access for personal gain or invasion of privacy of confidential information.
- forgery or unauthorized alteration of any check, bank draft, or other financial document presented to or received by the Medical Center;
- misappropriation of funds, supplies, or other assets owned by the Medical Center;
- malicious destruction or improper disappearance of Medical Center property (records, furniture, fixtures, or equipment); and/or
- acceptance or requesting anything of material value from a vendor or person providing service/materials to the Medical Center;
- false representation of credentials (e.g. educational attainment when acting as an agent of the Medical Center) and/or research conducted;
- Payroll fraud (i.e. refusal to repay a known overpayment, failure to report annual or sick leave when requested or as appropriate, etc.).

C. POLICIES AND PROCEDURES IRREGULARITIES

1. Irregularities

Allegations of fraud may include violations of Medical Center policies, criminal law, or state and federal regulations, as well as inappropriate professional practice. In cases where the allegations appear to constitute fraud as defined in this policy and violate other regulations, the Vice Chancellor for Business and Reimbursements, or his designee, shall meet with appropriate officials to develop a plan for and conduct an investigation. When the allegations relate solely to the violation of Medical Center policies, the Vice Chancellor for Business and Reimbursements will refer the matter to the appropriate official for resolution.

2. Investigation Responsibilities

The Vice Chancellor for Business and Reimbursements, or his designee, initiates all fraud investigations through the Department of Public Safety and will, upon completion of the fraud investigation, issue a report to the Chancellor and the appropriate Department Head/Manager. Sufficient substantiating evidence must be secured prior to charging or implying the conduct of fraudulent activity. Extreme caution must be afforded by the LSUMC’S investigating parties to protect against libel, slander or defamation of character allegations.

The Legislative Auditor issued an opinion (June 24, 1993) on disposition of criminal acts:

“The decision to prosecute, or not to prosecute, lies solely with the local district attorney or the attorney general. Your obligation, and that of the university, is to report all criminal acts to the legislative auditor, district attorney, and/or attorney general. In addition, you have the responsibility to seek restitution and determine the disciplinary action to be taken against the employee.”

In essence, the prosecutorial decisions must be made by law enforcement officials. All criminal violations revealed in a fraud investigation will be referred by the Vice
Chancellor for Business and Reimbursements to the Department of Public Safety for disposition. After review and consultation with legal counsel, they will compile evidence to support a criminal prosecution and will, if necessary, refer the matter to an external law enforcement agency.

The Office of Risk Management issued Insurance Information Notice 94-3 effective July 1, 1994, which states:
“...the blanket employee fidelity bond coverage provided by the Office of Risk Management (ORM) is being amended to include a mandatory requirement that the University Police be notified as soon as possible when you have reason to believe that any loss of, or loss from damage to, covered property is the result of employee dishonesty. Failure to notify the police as soon as possible will cause the claim to be denied by ORM.”

When a fraud investigation identifies misuse or misappropriation of federal funds, the sponsoring federal agency will be notified and offered LSUMC-S assistance in any resultant federal investigation.

D. CONFIDENTIALITY

The Vice Chancellor for Business and Reimbursements will treat information obtained from a Medical Center faculty member, staff, or student reporting fraudulent activity as confidential.

Anyone reporting fraud should:
• Not contact a suspected individual in an effort to determine facts or demand restitution.
• Not discuss the case, facts, suspicions, or allegations with anyone outside LSUMC-S unless specifically asked to do so by the Vice Chancellor or his designee. Alertline counselors are approved for discussions.
• Not discuss the case with anyone inside LSUMC-S other than the assigned investigator or Medical Center officials who have a legitimate “need to know.”
• To avoid mistake accusations or alerting suspected individuals that an investigation is under way, care must be taken in the investigation of suspected fraud. An inquiry from the individual under investigation and his/her attorney or representative should be directed to the Vice Chancellor for Business and Reimbursements or his designee.

E. AUTHORITY OF INVESTIGATORS

When the Vice Chancellor for Business and Reimbursements determines it to be in the best interest of the Medical Center, investigators may be given the authority to:
• take control of, and/or gain full access to, all Medical Center premises, whether owned or rented; and
• examine, copy, and/or remove all or any portion of the contents of files, records, desks, cabinets, computer records, and other storage facilities on the premises without prior knowledge or consent of any individual who uses or has custody of any such items or facilities.
F. PERSONNEL ACTIONS

When the findings of a fraud investigation indicate a need for disciplinary action, the report will be forwarded to the Department of Human Resource Management for determination of disciplinary options available to the Department Director. Medical Center managers must comply with state, federal, and organizational personnel policy, procedures, and regulations/laws during the disciplinary process.

G. ADMINISTRATION

The Vice Chancellor for Business and Reimbursement is responsible for the administration, interpretation, and application of this policy.