

# Fraud and Other Similar Irregularities Policy

Approved by the Board of Directors: March 4, 2009

## Statement of Policy Principles

Meadowgreen Co-operative Homes Inc. is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees, to gain financial or other benefits by deceit.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for investigation of fraud and other similar irregularities.

## Definitions

Fraud and other similar irregularities include, but are not limited to:

1. Forgery or alteration of cheques, drafts, promissory notes and securities.
2. Misappropriation of funds, securities, supplies or any other asset.
3. Irregularity in the handling or reporting of money transactions.
4. Misappropriation of furniture, fixtures and equipment.
5. Seeking or accepting anything of material value from vendors, consultants or contractors doing business with the Meadowgreen Co-operative Homes Inc. in violation of the conflict-of-interest provisions of section 4 of O. Reg. 339/01 under the *Social Housing Reform Act, 2000*.
6. Unauthorized use or misuse of Meadowgreen Co-operative Homes Inc. property, equipment, materials or records.
7. Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes or misappropriation of Meadowgreen Co-operative Homes Inc.-owned software.
8. Any claim for reimbursement of expenses that have been incurred for the exclusive benefit of the Meadowgreen Co-operative Homes Inc.

9. Provision of an unauthorized benefit to a tenant including, but not limited to, an unauthorized reduction of the housing charge payable by a member, unauthorized internal transfers to another unit or unauthorized determination of eligibility for rent-geared-to-income assistance.

## **Applicability**

This policy applies to members of the Board of Directors and all employees of the Meadowgreen Co-operative Homes Inc.

## **General Policy and Responsibilities**

1. It is the Board of Directors' intent to fully investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the Meadowgreen Co-operative Homes Inc. of any party who might be or becomes involved in or becomes/is the subject of such investigation.

All directors, officers and employees of Meadowgreen Co-operative Homes Inc. will cooperate fully with the Board of Directors to ensure that any suspected acts of fraud, or other similar irregularity, are investigated to the satisfaction of the Board of Directors and either the Service Manager.

2. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Board of Directors, subject to the advice of its legal counsel, will contact its insurance company, the local Police Service and the Service Manager.
3. Upon conclusion of the investigation, the results will be reported to the President of the Board of Directors. The President will provide a copy of the results to the Service Manager.
4. The Board of Directors will pursue every reasonable effort, including court-ordered restitution, to obtain recovery of the corporation's losses from the offender, or other appropriate sources.

## **Prevention**

The Board of Directors and staff shall practice internal control measures designed to limit the risk of fraud or other similar irregularities, paying particular attention to the controls for handling cash and corporate credit cards.

## Procedures to be followed when fraud is suspected

### 1) Reporting

#### a) All Employees

Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her supervisor. If the employee has reason to believe that the employee's supervisor may be involved, the employee shall immediately notify the President of the Board of Directors.

Employees shall not attempt to investigate a suspected fraud or discuss the matter with anyone other than a person to whom the fraud was reported, staff of the Service Manager and the police.

An allegation of fraud is a serious matter. Employees who knowingly make false allegations will be subject to discipline up to and including dismissal.

#### b) Supervisors

Upon notification from an employee of suspected fraud, or if the supervisor has reason to suspect that a fraud has occurred, the supervisor shall immediately notify the President. The supervisor shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the President, staff of the Service Manager and the police.

#### c) President

Upon notification from an employee of a suspected fraud, or if the President has reason to suspect that a fraud has occurred, the President shall immediately advise the Board of Directors and the Service Manager. The President shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the Board of Directors, Meadowgreen Co-operative Homes Inc.'s legal counsel, staff of the Service Manager and the police. The President shall coordinate the investigation with the Service Manager and appropriate law enforcement officials on behalf of the Board. The President will ensure that those representing the Meadowgreen Co-operative Homes Inc. who are conducting the investigation keep a detailed log of any relevant records including documents, conversations and formal interviews.

#### d) Board of Directors

Upon notification or discovery of a suspected fraud, the Board of Directors will, in consultation with the Service Manager and legal counsel, promptly conduct an initial review and make a determination whether or not the suspected fraud warrants additional investigation. In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the Board of Directors, in consultation with (the Meadowgreen Co-operative Homes Inc.'s) legal counsel, will contact the local Police Service. The Board of Directors shall investigate any suspected fraud to the satisfaction of the Service Manager. In doing so, the Board must ensure that the investigation is carried out actively and in good faith. Any witnesses will be interviewed as part of the investigation.

In the event that the President is suspected of fraud or other similar irregularities, the Board shall appoint the Vice-President or other board member to fulfil these responsibilities on its behalf.

## 2) Security of Evidence

- a) Once a suspected fraud is reported, the Board of Directors, in consultation with the corporation's legal counsel and the Service, shall take immediate action to prevent the theft, alteration, or destruction of relevant records.
- b) Such actions may include, but are not limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing any individual(s) suspected of committing the fraud from having access to the records. The records must be adequately secured until the investigator engaged to conduct the investigation or the police take control of the records to begin the audit investigation.

## 3) Confidentiality

All participants in a fraud investigation shall keep the details and results of the investigation confidential.

## 4) Personnel Action

- a) If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal, shall be taken by the Board of Directors in consultation with the corporation's legal counsel.
- b) Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary action being taken. Where notice is given, the person against whom allegations are being made may submit a written explanation to the President (or other appointee) of the Board of Directors no

later than seven calendar days after the notice is received. This requirement is subject to any collective agreement provisions respecting the rights of employees during disciplinary proceedings.

5) Whistle-Blower Protection

No person acting on behalf of Meadowgreen Co-operative Homes Inc., including the Board of Directors shall:

- a) dismiss or threaten to dismiss an employee;
- b) discipline or suspend or threaten to discipline or suspend an employee;
- c) impose any penalty upon an employee; or
- d) intimidate or coerce an employee

because the employee has acted in accordance with the requirements of the policy. Violation of this section will result in discipline up to and including dismissal.

6) Media Issues

Any staff person or member of the Board of Directors contacted by the media with respect to an audit investigation shall refer the media to the President. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the President in consultation with the corporation's legal counsel.

7) Insurance recovery

If fraud or other irregularity is confirmed, the Board of Directors will assess the extent of the loss, including the costs of investigation, before deciding on whether to make an insurance claim.