

ADMINISTRATIVE POLICY #: SUBJECT: EFFECTIVE DATE: REVISION DATE: TOTAL PAGES:	1514.00 Fraud Response Plan July 2003 June 2007 4
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I. POLICY

It is the policy of Health Network Laboratories (HNL) to investigate all suspected defalcations, misappropriations, and similar irregularities involving any employee, contractor, vendor, supplier, agents/representatives, or any other parties with a business relationship with HNL.

It is also the policy of HNL to maintain a timely, efficient fraud response plan.

II. SCOPE

All employees, vendors, contractors, students.

III. DEFINITIONS

Defalcations – To misuse funds, embezzle.

Misappropriations – To appropriate dishonestly for one’s own use or benefit assets other than cash.

Irregularities – Not conforming to legality.

Fraud – Any intentional or deliberate act to deprive another of property or money by guile.

IV. PROCEDURE

All employees and managers are responsible for being aware of and detecting suspected defalcations, misappropriations, and similar irregularities in their areas. Included are the following:

- a) Acceptance of bribes or kickbacks.
- b) Diversion to an employee or outsider of a potentially profitable transaction that would normally generate profits for the organization.
- c) Embezzlement, as typified by the misappropriation of money or property.
- d) Falsification of financial record to cover up the act thus making detection difficult.
- e) Intentional concealment or misrepresentation of events or data.
- f) Claims submitted or records falsified for services or goods not actually provided to the organization.

The managers should do a preliminary investigation in their area of responsibility to establish a reasonable basis to support that a defalcation, misappropriation, or similar irregularity may have taken place. Every effort should be made not to alert the individual or individuals suspected of the act that a preliminary investigation is taking place. There should be no discussion of the case with individuals not having a need to know about the preliminary investigation.

Immediately upon completion of the preliminary investigation, all suspected defalcations, misappropriations, and similar irregularities must be reported to the Compliance Officer and the CEO. The CEO will coordinate activities with General Counsel, Internal Audit, and other key personnel.

The following are examples of possible signs of fraud but is not intended to be an all inclusive list:

- a) Missing or incomplete documentation.
- b) Shortage of overages in cash drawer.
- c) Vendor's address is the same as an employee address.
- d) Control totals of checks received do not balance to checks deposited.
- e) Common names and addresses for refunds.
- f) Deposits in transit are slow to reach the bank.
- g) Charge ticket batch detail does not equal control totals.
- i) Patient complaint that they paid the bill.
- j) Adjustments to accounts receivable.
- k) Increase in past due account balances.
- l) No telephone number on vendor invoice.
- m) No collection on past due or accounts written off.
- n) Adjusting entries lack formal approval.
- o) Shortage or adjustments in inventory.
- p) Old outstanding checks in bank reconciliation.
- q) Deviation from specifications on delivered goods or services.
- r) Shortages on delivery.
- s) Check amounts or payees have been altered.
- t) Goods purchased are in excess of needs.
- u) Delivery location is not your office or job site.
- v) Duplicate payments.
- w) Employees are not present at payroll pay out.
- x) Payroll checks have second endorsement.
- y) Handwriting on endorsement does not match signature on file.
- z) Vendor invoices are duplicates or copies.

A. Internal Audit

1. Conduct investigation with assistance provided by others as needed.
2. Provide verbal status reports to General Counsel and/or key administrative personnel periodically during the investigation.

3. Issue a written report at the conclusion of the investigation phase. In those cases in which General Counsel wants to invoke client privilege, consideration will be given to conducting the investigation through General Counsel prior to any written report.

B. Legal

1. Determination of need for a General Counsel investigation.
2. Decision to notify bonding or insurance company and file bonding or insurance claim.
3. Provide guidance for case handling.
4. Refer cases to law enforcement authorities and serve as the contact to those authorities.

C. Management

1. After a preliminary investigation, report suspected defalcations, misappropriations, and similar irregularities immediately to the Compliance Officer and the CEO. Provide necessary support, in a timely manner, during investigations, including cooperation with internal audit, security, and authorities.

D. Human Resources

1. Provide guidance to management on discipline of employees involved in defalcations, misappropriations, and similar irregularities.

V. ATTACHMENTS

None.

VI. DOCUMENT CONTROL

Administrative Policy Manual
Intranet

VII. APPROVAL

	President and CEO	
Signature	Title	Date

	Medical Director	
Signature	Title	Date

	Compliance Officer	
Signature	Title	Date

VIII. POLICY RESPONSIBILITY

President and CEO

IN COORDINATION WITH:

Compliance Officer

IX. DISCLAIMER STATEMENT

This policy and the implementing procedures are intended to provide a description of recommended courses of action to comply with statutory or regulatory requirements and/or operational standards. It is recognized that there may be specific circumstances, not contemplated by laws or regulatory requirements that make compliance inappropriate. For advice in these circumstances, the policy sponsor should consult with Legal Services.

X. REVISIONS

Statement of Rights as follows:

HNL reserves the right unilaterally to revise, modify, review, rescind, or alter the terms and conditions of this policy within the constraints of the law, by giving reasonable notice.