



**TULLY RINCKEY** PLLC  
ATTORNEYS & COUNSELORS AT LAW

Defend Yourself: How Good HR Policies Protect  
Your Company From Dishonest Employees

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- Why Are We Here?—

- **Risks**
- **Definitions**
- **Benefits to Anti-Fraud Policy**
- **Responsibility to Report Suspected Fraud**
- **Conducting An Investigation**
- **Considering Disciplinary Action**

# Risks

Risks can be reduced if you have current and relevant HR policies and procedures

- Policies:
  - Well written policies allow employees to understand what the rules are of working within the organization
- Procedures:
  - Well establishes procedures help managers enforce policies

When is the last time you reviewed your organizations Policies and Procedures?



# Definitions

- **Fraud**
  - Intentional deception designed to obtain a benefit, advantage or to cause some benefit that is due to be denied
    - Forgery or alteration of a check or any other financial document
    - Profiteering as a result of insider knowledge of a client/firm operations
- **Waste**
  - Loss or misuse of firm's resources that result from deficient practices, system controls, or decisions
    - Excess printing
    - Time Management
- **Abuse**
  - Intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources
    - Using firm equipment or supplies for personal business
    - Using vendor relationships for person gain

# Benefits To Anti-Fraud Policy

- To enforce controls and to aid the prevention and detection of fraud, theft, waste, or abuse against the company
- Policies apply to any suspected fraud, theft, or abuse involving an employee, consultant, client, vendor, contractor, or any person doing business with the company or in any other relationship with the company
- The goal is to promote consistent, legal and ethical organizational behavior by
  - Educating/spreading awareness to recognize it
  - Assigning responsibility to report it
  - Providing guidelines to investigate it
  - Enforcing disciplinary action for non-compliance



# General Factors To Consider

Do you have the following policies in your handbook?

- Anti-fraud
- Disciplinary policy
- Guidelines for Investigations
- Computer use policy/ Expectation of privacy

Other factors to consider:

- Do you need just one general policy or do you need narrowly tailored policies based on particular departments, employees, accounts, etc.
- Are there outside obligations (financial, legal, ethical) to provide accounting, reporting, or auditing
- How often are you reviewing your procedures and/or providing training to your employees regarding fraud

# Industry Factors To Consider

Look at your industry and the particular vulnerabilities to fraud, waste and abuse

- Fraud
  - Key areas are anyone that has access to finances, client funds, or confidential information
  - How often are you reviewing/auditing the relevant departments, accounts, employees
  - Who is conducting the auditing (checks and balances)
- Waste
  - What are the largest areas of expenditures of company resources
  - What controls are in place to prevent waste
- Abuse
  - Which employees have the highest potential to expose the company to loss or misuse



# Responsibility to Report Suspected Fraud

Reporting suspected fraud, theft, waste, abuse, or any other dishonest conduct is REQUIRED. The identity of an employee or complainant who does report suspected fraud will be protected.

- Report the suspected fraud to a Manager
- Manager will report the suspected fraud to a Director level

Managers DO NOT Have the authority to determine the merits of a report of suspected fraud.

The reporting individuals should

- Not contact the suspected individual to determine facts
- Not further investigate
- Observe strict confidentiality



# Conducting An Investigation

## Factors to consider before conducting an investigation

- Who is conducting the investigation
- What is the scope of the investigation
- What documents do you need to conduct the investigation
- Who are the witnesses to be interviewed
- What is the order of interviews
- What is the deadline to complete the investigation
- What interim action, if any, should be taken
- Do you need to involve outside parties



# Conducting An Internal Investigation

A committee (Chief Financial Officer, Chief Operating Officer, Human Resources Manager, Director, Etc.) will determine the merit and best course of action to handle the suspected offense.

- Each employee involved in any investigation shall keep it confidential
- Investigation results will only be discussed or shared with those who have a legitimate need to know

Employees should be reminded at the onset and completion of the investigation regarding confidentiality and the company's policies against retaliation

Investigations should be conducted without regard to the suspected wrongdoers length of service, position/title, relationship to the firm or any other perceived mitigating circumstances.

Remember...sometimes good people make bad decisions!



# Considering Disciplinary Action

Failure to comply with any part of the policy is grounds for disciplinary action, up to and including immediate termination

- Anyone who engages in any form of fraud, waste, or abuse
- Anyone who suspects or discovers fraudulent activity and fails to report it
- Anyone who intentionally reports false or misleading information
- Anyone who retaliates against any witness who participated and/or reported the fraudulent activity

If the results of an investigation indicate the possibility of criminal activity, consider what steps you need to take to report that liability

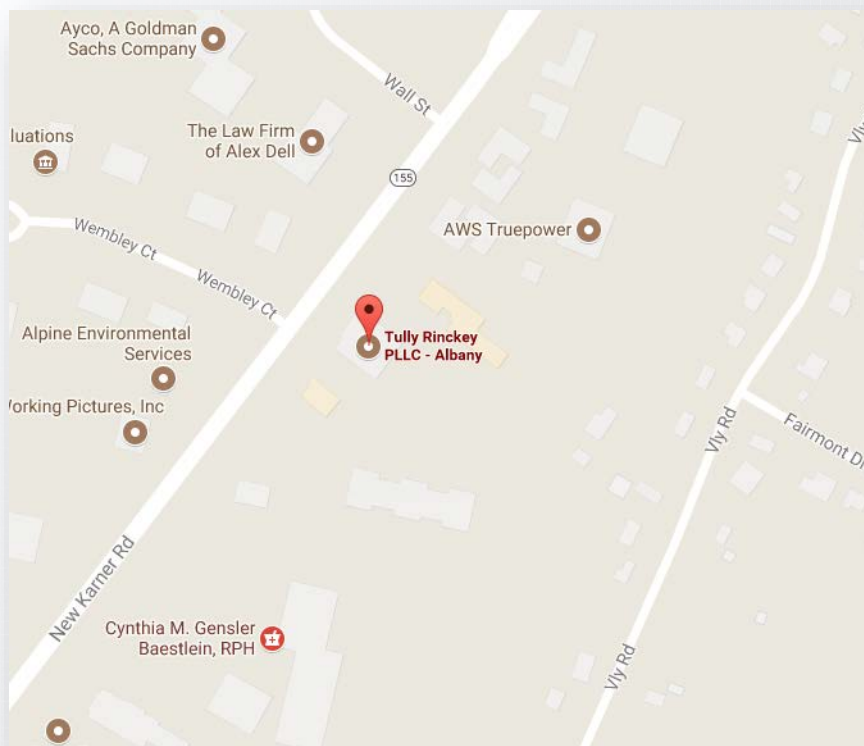


# Final Thoughts

- The cost to prevent fraud is less expensive to a business than the cost of the fraud that gets committed
- Those who are willing to commit fraud do not discriminate. It can happen in a large or small company and vary across industries



# Contact Us



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