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## **FRAUD POLICY, REPORTING AND RESPONSE PLAN**

### **Diocese of Syracuse Effective May 1, 2012**

#### **OBJECTIVE**

The Code of Canon Law addresses the responsibilities of the Bishop to ensure that no abuses exist in the administration of Church temporal goods within the Diocese. This policy is promulgated to support and assist the Bishop in that responsibility.

The Diocese of Syracuse (“Diocese”) is committed to high standards of accountability in all its affairs and is determined to develop a culture of the Gospel, one of honest and accountable stewardship and opposition to fraud and embezzlement. An environment, which allows any embezzlement or fraud, is not acceptable; canon, civil and criminal laws will be enforced and obeyed.

The Diocese encourages all clergy, religious, lay leaders, employees, parishioners and volunteers to come forward on a timely basis to fairly and accurately report instances of fraud and embezzlement. This should provide assurance against recrimination or retaliation. These actions apply to any person fairly suspected of fraud or embezzlement, including lay employees, volunteers, parishioners, priests and religious. This document should be made available to all employees and volunteers and studied together for sound parish stewardship.

The principles for preventing fraud and safeguarding assets are outlined in the Diocese of Syracuse Business Administration Best Practices Manual that can be found on <http://parishsop.syrdio.org>. This document in no way supersedes those requirements, but rather outlines the steps that are to be taken in the event of suspicion of fraud or actual fraud.

#### **COURSE OF ACTION**

1. All suspected or documented fraud or embezzlement should be *immediately* reported to the Chancellor of the Diocese, Vicar of Priests Personnel, the Chief Financial Officer or the Diocesan Counsel (see below). Upon the initial report, the complainant shall in most cases be asked to provide a written statement of the incident. Efforts will be made to keep complaints and reports of suspected embezzlement or fraud confidential, except to the extent the matter may be reported to law enforcement by the Diocese or the complainant. In most cases, the complainant will be notified of the action taken by the Diocese within fourteen days.
2. The clergy, religious, lay employee or volunteer, reporting the suspected activity to the Diocese, should not communicate with any other priest, lay person, employee, parishioner, volunteer, trustee, director or finance council member concerning the suspected embezzlement until notified by a Diocesan representative. A premature approach might jeopardize the gathering of necessary evidence, result in a needless lawsuit or cause harm to the persons involved. All information regarding the incident should remain confidential by the complainant. However, the complainant may choose to contact or may be contacted by authorized law enforcement, in which case the complainant should cooperate fully.
3. No one, without formal authorization of the Bishop or his designee developed by written policies, has the authority to release the suspected person from liability or agree to terms of restitution. There should be no attempt to contact a lawyer at the parish or affiliated entity level, or to deal with the suspected embezzler or to conduct an investigation at the parish level or other level. No personnel or other action shall be taken without prior consultation with the Diocesan Chief Financial Officer and the Diocesan Legal Counsel.

## **TYPES OF FRAUD**

The following list includes *some* of the types of fraud and embezzlement to be aware of and watch for.

### **Theft**

Theft is the diversion of cash, checks or other assets before they are recorded by an accounting system. It can take the form of removing cash from the collections basket or mail, taking donated cash or goods donated to the parish or school, diverting checks to an inappropriate bank account or utilizing funds for personal use, including for personal credit.

### **Forgery**

Occurs when a person passes a false or worthless instrument, such as a check, with the intent to defraud or injure.

### **Accounts Payable**

An employee may create payments to false vendors or create phony addresses to which payments are sent. Invoices could also be overpaid, with the refunds pocketed by the employee or vendor, with knowledge of an employee.

### **False Accounts**

Establishment of Bank or Credit Card Accounts in the name of an individual or jointly with a parish, school or other Diocesan related entity.

### **Collusion**

Two or more individuals overriding the control system can collectively perpetrate and conceal actions from detection. This could include collusion between an employee and a vendor or customer, or another employee.

### **Lapping**

The postponement of entries for the collection of receivables to conceal a cash shortage. The fraud is perpetrated by a person who records cash in the cash receipts journal and the accounts receivable journal. The employee defers the recording of the cash receipts from one source and covers the shortage with receipts from another source.

### **Payroll Ghosts**

Another common form of fraud is to create false employees. Paychecks are then issued to the false employee and diverted into a bank account. Unauthorized pay charges and not recording vacations taken are other frequent forms of fraud.

### **Kickbacks**

An employee may take bribes or kickbacks from suppliers or vendors. This is more difficult to document because they are usually in cash.

### **Supplies or Inventory Embezzlement**

An employee may purchase, with diocesan, parish or school's funds, supplies or equipment for personal use. Inventory or supplies may also be stolen from the parish or school.

**Inappropriate use of Endowed Funds**

Occurs when a parish or organization uses endowed/restricted gifts for purposes other than designated by the donor or established.

**Other Types of Fraud or Embezzlement**

These could include inflating personal expense reimbursement amounts, using a sales tax exemption for personal purchases, stealing stamps or other office supplies, falsifying time cards, misappropriating petty cash, or other theft.

**FRAUD RESPONSE PLAN**

Once sufficient facts have been uncovered to determine that fraudulent activity has occurred, appropriate action will be taken consistent with Diocesan policies. The Director of Risk Management shall notify insurers, if any and as appropriate. Canon, civil and criminal laws will be strictly adhered to.

Consideration shall be given to:

- Reporting to law enforcement or other authorities.
- Removing the offender from the situation in which the fraud occurred.
- Taking adverse employment action including demotion, suspension, termination, transfer, or other actions consistent with the Diocesan Employment Manual or otherwise.

Restitution will be sought in *all* cases, regardless of the amount of the embezzlement, theft or fraud. Policies will be periodically reviewed relating to reported fraud or embezzlement for appropriate corrective action within the Diocese.

Reports of fraud should be directed to:

As Chancellor:

Rev. Timothy S. Elmer  
Chancellor  
Roman Catholic Diocese of Syracuse  
240 East Onondaga Street  
Syracuse, New York 13202  
(315) 470-1483

As Chief Financial Officer:

Mr. John S. Barsanti  
Chief Operating Officer  
Roman Catholic Diocese of Syracuse  
240 E. Onondaga Street  
Syracuse, New York 13202  
(315) 470-1406

As Vicar for Priests Personnel:

Msgr. Richard M. Kopp  
Vicar for Priests  
Diocese of Syracuse  
240 E. Onondaga Street  
Syracuse, New York 13202  
(315) 422-7203

As Diocesan Counsel:

Doreen A. Simmons, Esq.  
Hancock Estabrook, LLP  
1500 AXA Tower I  
P. O. Box 4976  
Syracuse, New York 13202  
(315) 565-4552

I have read the “**Fraud Policy, Reporting and Response Plan of the Diocese of Syracuse.**” I understand its purpose and content.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

(To be placed in personnel file or volunteer’s record of service file)

Note to all Clergy: Please sign and return to the Vicar for Priests  
240 East Onondaga Street, Syracuse New York 13202  
Or Fax to (315) 478-4619 or scan and email to rkopp@syrdio.org