

## SAMPLE FRAUD POLICY

**SHOULD NOT BE ADOPTED UNTIL REVIEWED AND APPROVED  
BY CORPORATE LEGAL COUNSEL**

### Policy Statement

The management of \_\_\_\_\_ is responsible for the detection and prevention of fraud, misappropriations, and other irregularities (fraud). Each member of the management team should be familiar with the types of fraud that might occur within his or her area of responsibility and should be alert for any indication of fraud.

### Scope

This policy applies to any fraudulent activity involving not only employees but also directors, vendors, outside agencies, and/or unknown parties. Investigations will be performed without regard to length of service, title/position, or relationship.

### Actions Constituting Fraud

The terms fraud, misappropriation and irregularities refer to, but are not limited to:

Any dishonest or fraudulent act	Forgery or alteration of documents
Misapplication of funds or assets	Impropriety in reporting transactions
Profiting on insider knowledge	Gifts from vendors (outside of limits)
Destruction of records or assets	Disappearance of records or assets
Disclosure of confidential information	Any similar of related irregularity

### Non-fraud Irregularities

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral, should be resolved by departmental management and the human resources department, rather than audit related departments or agencies.

### Reporting Structure (Tailor to your organization, i.e. Committee Reporting, External Fraud Hotline)

The Board of Directors of the organization has established a formal reporting mechanism whereby any individual who has knowledge of any suspected fraudulent activity, can anonymously report to the [audit committee/board of directors/fraud hotline] the nature of these allegations. {In this section, you may outline how and to whom the individual should report such as Audit Committee phone #, address, etc.}

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Any individual making a notification under this reporting mechanism is protected by the separate “Whistleblower Protection” provisions of this policy. The individual making the report may choose whether to remain anonymous. The individual should not attempt to confront the accused or conduct his/her own investigation.

### Investigation Responsibilities

Upon receipt of the notification of alleged fraudulent activities, the [audit committee] must investigate the specific allegations utilizing available internal and/or external resources. The committee shall retain in its permanent records, all documentation regarding the nature of the allegations, the date the allegation was received, the resolution of the allegation, and the date resolved.

Decisions to prosecute or refer the investigation results to the appropriate authorities and/or regulators for independent investigation and/or prosecution will be made in conjunction with legal counsel, the board of directors, and senior management.

### Confidentiality

The results of investigations will not be disclosed or discussed with anyone other than those persons associated with the organization who have a legitimate need to know in order to perform their duties and responsibilities. This does not preclude the disclosure of the results in accordance with resulting prosecution under legal authority.

### Authorization for Investigation

Those individuals or agencies assigned the responsibility for investigation may take control of and gain full access to the organization’s records and premises without prior consent of any individual who may have custody of any such records or facilities.

### Reporting Procedures

Care must be exercised in the investigation to avoid mistaken accusations. The reporting individual must not contact the suspected individual for information. No facts of the case may be discussed with anyone inside or outside the organization, except those individuals conducting the investigation. Face-to-face interviews of the suspected individual should be performed under the supervision of an attorney or certified fraud examiner.

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### Acting in Good Faith

Anyone reporting any irregularity that is detected or suspected must be acting in good faith and have reasonable grounds for believing the information provided. Allegations made maliciously or with knowledge of their falsity will not be tolerated. People making such allegations may be subject to institutional disciplinary action and/or legal actions by the individuals accused of fraudulent conduct.

### Whistleblower Protection

Employees may not retaliate against a whistleblower for reporting an activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of employment (including, but not limited to, threats of physical harm, dismissal, transfer to an undesirable job assignment, demotion, suspension, or impact on salary or wages). A whistleblower is defined as an employee who informs a manager or supervisor, or other responsible official about an activity which that person believes to be fraudulent or dishonest.

Whistleblowers who believe that they have been retaliated against may file a written complaint with the \_\_\_\_\_ . Any complaint of retaliation will be promptly investigated by the \_\_\_\_\_ and appropriate remedial measures will be taken if allegations of retaliation are proven. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

### Suspension/Termination

During an investigation, the suspected individual may be suspended with pay. Based upon the results of the investigation, the individual will either be reinstated or terminated, based upon the legal review by the corporate attorney. Fraudulent activities will be prosecuted to the fullest extent of the law.

### Acknowledgement and Signature

I have read the contents of this fraud policy. I understand that management will not tolerate fraudulent or dishonest activities of any kind and that I am not to engage in such acts while employed by

\_\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date