

Sample Fraud Policy Statement

Prepared By: _____
Approved By: _____
Revision Date: _____
Effective Date: _____

Management is responsible for detecting defalcation, misappropriation, and other irregularities. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Any irregularity detected or suspected must be reported immediately to the Fraud Examination Unit (FEU), which coordinates all investigations with the Legal Department and other affected areas, both internal and external.

Scope of Policy

The conditions of this policy apply to any irregularity, or suspected irregularity, involving not only employees but also shareholders, vendors, outside agencies doing business with employees of such agencies, and unknown parties.

Any investigative activity will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship.

Actions Constituting Fraud

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to a shareholder
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of securities activities
- Disclosing to other persons the securities activities engaged in, or contemplated by the company
- Accepting or seeking anything of [material] value from vendors or persons providing services/materials to the company [exception: perishable gift less than (\$50) in value intended for a group of employees, such as, [candy, flowers]
- Destruction or disappearance of records, furniture, fixtures, or equipment
- [Similar or related irregularities unique to the company]

Non-Fraud Irregularities

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral, should be resolved by departmental management and the Employee Relations Unit of Human Resources rather than the FEU.

Contact the Director of the FEU for guidance if you have any questions of whether an action constitutes fraud.

This policy was originally printed in [The Fraud Examiners Manual](#), by Joseph T. Wells, CFE, CPA, publisher [Association of Certified Fraud Examiners](#).

Investigation Responsibilities

The FEU has the primary responsibility for investigations. If an investigation reveals that fraudulent activities have occurred, the FEU will issue reports to the proper executives and, if appropriate, to the Board of Directors through its Audit Committee.

Decisions to prosecute or turn matters over to appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and Senior Management, as will final decisions on disposition of cases.

Confidentiality

The FEU will accept relevant information on a confidential basis from an employee who suspects dishonest or fraudulent activity. Employees should contact the FEU immediately, and should not attempt personally to conduct investigations or interviews/interrogations related to suspected frauds (see Reporting Procedure section below).

The results of investigations conducted by the FEU will not be disclosed or discussed with anyone other than those persons associated with the company who have a legitimate need to know in order to perform their duties and responsibilities. This is important in order to avoid damaging the reputations of persons suspected, but subsequently found innocent of wrongful conduct, and to protect the company from potential civil liability.

Authorization for Investigating Suspected Fraud

In those instances in which the Director of the FEU believes it to be in the best interests, members of the FEU have the authority and duty, after consulting with appropriate executives, to:

- Take control of, and/or gain full access to, all company premises, whether owner or rented.
- Examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities.

Reporting Procedure

Great care must be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity should contact the FEU immediately. All inquiries from the suspected individual and his or her attorney or representative should be directed to the FEU or Legal Department. Proper response to such an inquiry is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "what you did", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference.

The reporting individual must adhere to the following restrictions:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone outside unless specifically asked to do so by the Legal Department or FEU.
- Do not discuss the case with anyone inside other than the FEU, Legal Department, or individuals within the department who have a legitimate need to know.

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Termination

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the Vice President of Human Resources and, if necessary, by outside counsel before any such action is taken.

Administration

The Director of the FEU is responsible for the administration, interpretation, and application of this policy.