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The Greater Beloit Economic Development Corporation (GBEDC) Fraud Policy/Procedure

BACKGROUND

The corporate fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against GBEDC. It is the intent of GBEDC to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with GBEDC (also called the Corporation).

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

POLICY

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team and the Finance and Audit Committee will 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 that is detected or suspected will be reported immediately to the Board Chairman and/or Chair of the Finance and Audit Committee, who will coordinate all investigations with appropriate legal counsel and the Executive Committee.

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**ACTIONS
CONSTITUTING
FRAUD**

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

- Any dishonest or fraudulent act
- 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 Corporation activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the Corporation
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Corporation. Exception: Gifts less than \$50 in value.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity

**OTHER
IRREGULARITIES**

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by management and the Executive Committee.

If there is any question as to whether an action constitutes fraud, contact the Board Chair and/or Chair of the Finance and Audit Committee for guidance.

**INVESTIGATION
RESPONSIBILITIES**

The Finance and Audit Committee has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Finance and Audit Committee will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with designated legal counsel and Finance and Audit Committee, as will final decisions on disposition of the case will be approved by the Executive Committee.

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CONFIDENTIALITY

The Finance and Audit Committee treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Board Chair and/or Chair of the Finance and Audit Committee immediately, and *should not attempt to personally conduct investigations or interviews/ interrogations* related to any suspected fraudulent act (see REPORTING PROCEDURE section below).

Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Corporation from potential civil liability.

AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

Members of the Finance and Audit Committee will have:

- Free and unrestricted access to all Corporation records and premises, whether owned or rented; and
- The authority to 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 might use or have custody of any such items or facilities when it is within the scope of their investigation.

REPORTING PROCEDURES

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

An employee who discovers or suspects fraudulent activity will *contact the Board Chair and/or Finance & Audit Committee Chair immediately*. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Finance and Audit Committee or the Legal Department. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- 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 *any-one* unless specifically asked to do so by the Legal Department or **Finance and Audit Committee**.
- An Incident Report form should be completed.

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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 designated representatives from Human Resources and the Legal Department and, if necessary, by outside counsel, before any such action is taken. The Finance and Audit Committee Unit does not have the authority to terminate an employee. The decision to terminate employee is made by the employee's management. Should the Finance and Audit Committee believe the management decision inappropriate for the facts presented, the facts will be presented to Executive Committee for a decision.

ADMINISTRATION

The Finance and Audit Committee is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

**Greater Beloit Economic Development Corporation
Fraud Incident Report**

Date _____
Preparer _____
Email Address _____
Phone Number _____

Description of the incident and individuals involved:

Were parties outside the Organization involved? (complete only if known)

How was the incident discovered?

When was the incident discovered?

Was there financial loss? Yes No If yes, estimated \$ _____

Are GBEDC funds involved? Yes No If not, specify the source _____

Are GBEDC staff involved? Yes No If not, specify individuals _____

Rules, regulations and procedures violated: (complete only if known)

Names of Individuals notified of the Fraud Incident?

Please attach any relevant information concerning the incident.

Required Distribution:
GBEDC Board Chair and/or GBEDC Finance/Audit Committee Chair

Preparer's Signature

Date