

CUMBERLAND COMMUNITY ACTION PROGRAM, INC.

ANTI-FRAUD POLICY AND PROCEDURE

2009

OVERVIEW

Cumberland Community Action Program, Inc. is committed to having the highest possible standards of openness, probity, accountability and transparency in all its business affairs and fiduciary responsibilities. Maintaining a culture of honesty and with opposition to fraud and corruption is the goal. The anti-fraud policy prohibits fraudulent and dishonest acts and establishes the protocols for responding to allegations of fraud and irregularities.

SCOPE

The anti-fraud policy applies to any actual or suspected fraud, impropriety or irregularity involving employees, including members of management or administrators and Boards, consultants, vendors, contractors and other parties having a business relationship with Cumberland Community Action Program, Inc.

PURPOSE

The purpose of the Anti-Fraud Policy and Procedure is:

1. To provide a written and clear statement on the agency's commitment to meeting high standards of ethics, conduct and fiduciary duties.
2. To inform employees and other shareholders of their responsibility to report fraud or improprieties.
3. To establish the protocols for reporting, responding, and investigating incidences of fraud and irregularities.
4. To standardize an approach to investigating allegations and ensure consistency and objectivity in making decisions regarding any incident.

POLICY

It is the policy of Cumberland Community Action Program, Inc. to enforce internal controls that will aid in the detection and prevention of fraud, misappropriation of funds, corruption or any other irregularities. Every employee is expected to report suspected fraud, theft, waste or abuse through appropriate channels.

CCAP, Inc. does not tolerate and will promptly investigate any possibility of fraudulent or related dishonest activities against the agency. Disciplinary action will be taken against employees and others who violate the agency's anti-fraud policy and practice, including termination of employment and/or appropriate legal action including restitution and notifying authorities for potential criminal prosecution.

DEFINITIONS

The terms **fraud**, **misappropriation**, **abuse** and **illegal acts** refers to any intentional distortion of financial statements or other records by persons internal or external to the agency that is carried out to conceal misappropriation of assets or otherwise for gain, and/or to cause loss to another. Examples include, but are not limited to, the following.

- Any dishonest or fraudulent act.
- Forgery or alteration of any document or account belonging to the organization or its programs, including contractor agreements and invoices, purchase orders, budgets, etc.
- Forgery or alteration of a check, bank draft, or any other financial document.
- Misappropriation of funds, supplies, or other assets; unauthorized use of equipment, computers, and telephones.
- Impropriety in handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of agency activities.
- Disclosing confidential or proprietary information (employee or client lists) to outside parties.
- Disclosing to outside or inappropriate persons financial or real estate activities engaged in or contemplated by the organization.
- Accepting or seeking anything of material value from contractors, vendors or persons providing services and materials to the organization valued at \$25 or more.
- Destruction, removal or inappropriate use of records, supplies, furniture, fixtures, vehicles and equipment.
- Authorizing or receiving compensation for hours not worked.
- Destruction, alteration, mutilation, concealment, covering up, falsification or making of a false entry in any record, document or tangible object with the intent to impede, obstruct or influence any investigation by CCAP, or state or Federal agency.
- Improperly influencing or attempting to improperly influence the conduct of any audit of CCAP finances or programs.
- Authorizing or receiving payments for goods not received or services not performed.
- Theft, disappearance, or destruction of any asset.
- Any apparent violation of Federal, State or local laws related to dishonest activities or fraud.
- Receiving or giving kickbacks to or from third parties.
- Using purchase order forms to gain a personal benefit.
- Any similar or related activity.

The term **corruption** is defined as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.

Waste is defined as a loss or misuse of agency resources that result from deficient practices, system controls, or decisions.

Abuse is the intentional, wrongful, or improper use of resources; or the misuse of position or authority that causes the loss or misuse of resources.

Theft is the act of taking something from someone unlawfully.

SAFEGUARDS

Harassment or Victimization

CCAP, Inc. recognizes the decision to report concerns may be difficult to make. This may be out of fear of reprisal from the alleged parties involved in the fraudulent activities. This agency does not tolerate harassment, victimization or retaliation against employees or others who report potential illegal activities in good faith and will take action to protect those who raise concerns.

Confidentiality

The identity of any person who reports a concern and does not want their identity known will be protected to the extent possible. However, the investigation may reveal the source of information. A statement by the individual reporting a concern may be required as a part of the evidence.

Anonymous Allegations

Individuals are encouraged to use their name in any allegation. Anonymity has less impact in a report but will be considered at the discretion of the Chief Executive Officer. Factors to be taken into account include the seriousness of the allegation, the credibility of the report, and the likelihood of confirming the allegation from other reputable sources.

Untrue Allegations

A concern made in good faith that cannot be confirmed in the investigation will not cause any action to be taken against the originator. Individuals who make malicious or vexatious allegations, however, will have appropriate action taken against them for filing false reports.

EMPLOYEE ACTIONS

Employees are expected to act in a professional and ethical manner, adhere to legal requirements and agency policies, care for property and equipment and maintain and enhance the reputation of CCAP, Inc. They are expected to remain vigilant to any suspected fraudulent behavior, participate in anti-fraud strategies, and to cooperate with any investigations as they occur.

Employees are the first to realize there is something wrong. They may be reluctant to speak out about concerns that may make them appear disloyal to their colleagues. CCAP's Whistle-blowing Policy encourages and enables staff to raise serious concerns without retaliation. Copies of the policy are found on the agency's Intranet.

REPORTING SUSPECTED FRAUD

Every employee is required to report any suspected fraud, theft, waste, abuse or other dishonest conduct to the employee's manager, another member of management or directly to the Chief Executive Officer. All reports of concern are to be reported to the CEO, or designee, immediately. Managers do not have the authority to determine the merits of a report of suspected fraudulent activity. The CEO will make that determination. The identity of the person making the allegation will be kept confidential to the extent possible.

Suspected improprieties or misconduct concerning an employee's ethical conduct should be reported to the Program Director or Human Resource Director. Some instances of prohibited activities are not fraud but may be covered by ethical business conduct and other policies that address behavior of employees.

Employees who feel it may be inappropriate to report a concern to their manager or another member of management may report concerns directly to the CEO, or may report electronically using the Intranet section for employees or may report via ccapcommunications@earthlink.net or ccappersonnel@earthlink.net. In the event the allegation involves the Chief Executive Officer, a report may be directly referred to the Chairman of the Board.

Employees may anonymously report suspicion of fraud or financial misconduct through the state fraud reporting system at www.ncrecover.gov or by calling the Government Waste Hotline at 1-919-733-1433.

All staff are expected to act in good faith and have reasonable concerns in reporting alleged fraudulent activity.

GUIDELINES FOR HANDLING REPORTS

Instructions for Reporter

- Do not contact the suspected individual to determine facts or demand restitution.
- Observe strict confidentiality. Do not discuss any part of the allegation, facts or suspicions, unless specifically asked by the CEO or legal counsel who may be involved in the investigation.
- Retaliation will not be tolerated in any form. Report any instances of retaliation.
- Individuals who in good faith allege misconduct on the part of another, as well as the violator(s), will have their rights protected.
- Their identity will be protected to the extent possible.
- Direct any inquiries of them to the CEO or the appointed auditor.

Responsibilities for the Investigator

- The Chief Executive Officer will appoint an impartial investigator to conduct a preliminary investigation to determine the credibility of the report. The appointment will be made within three business days following receipt of the complaint.
- The Investigator will attempt to protect the rights and reputations, as well as identity, of all parties as much as possible.
- The Investigator will document a determination that a report is not credible or is not a report of fraudulent activity.
- The Investigator has the responsibility for looking into reports of wrongdoing and any suspected fraud. He/she is also responsible for coordinating activities with external sources involved in the investigation.
- The Investigator will have unrestricted access to records and personnel to aid in the search.
- The Investigator has the authority to examine, copy, and remove all or any portion of files, desks, cabinets or other storage on CCAP's property without prior knowledge or consent of the individual who may have use of such items.
- Any activity will be conducted without regard to the suspected violator's length of service, position in the agency, relationship to the agency or other perceived mitigating circumstance.
- Appropriate documentation regarding incidents of fraud will be maintained by the assigned Investigator and will be secured in the corporate files once an investigation is concluded.
- The Investigator will complete the search and examination of documents within two weeks of initiating the investigation.

- If an investigation substantiates fraudulent activities, the Investigator will report the incident to the Chief Executive Officer. The CEO will be responsible for ensuring appropriate offices are notified, i.e., State Auditor's Office, Inspector General's Office for appropriate funding source, and other officials as required by law. The Investigator will prepare a report to document the content of the investigation, the findings, and any disciplinary action taken.
- Any inquiries from the suspected violator or attorney should be directed to the CEO for action or referral.

Responsibilities for the Chief Executive Officer and Board of Directors

- Ensure the investigation has access to internal and/or external resources needed to effectively conduct the process.
- Determine if employee(s) suspected of participating in illegal activities should be suspended without pay during the investigation.
- Issue reports to appropriately designated personnel on substantiation of the findings, including legal, law enforcement, and funding sources.
- Decisions to prosecute or refer results to law enforcement or regulatory agencies may be made in conjunction with legal counsel.
- Decisions to demote, suspend, or terminate an employee found guilty of fraudulent acts may be made in consultation with legal counsel.
- Fully comply with additional reporting requirements disclosures and other requirements pertaining to suspected acts of fraud as described in grant award documents.
- Determine if the relationship with entities such as vendors, contractors, etc., who may be found to have participated in fraudulent activity against CCAP, Inc. will continue to have a modified relationship or is services will be terminated.
- Ensure that employees or other persons who lawfully report suspected fraud or other activity to the agency do not suffer discharge, demotion, suspension, threats, or harassment or be discriminated against in any way because of the employee's lawful actions of providing information and assistance in an investigation of fraudulent activities.
- Make or assign person to respond to any media coverage regarding the investigation of fraudulent activity.

DISCIPLINARY ACTION

Failure to comply with any part of the Anti-Fraud Policy can be considered grounds for disciplinary action, up to and including immediate termination.

An employee who engages in:

- Any form of fraud, waste, abuse, or misappropriation of funds or agency resources;
- Discovery or suspicion of fraudulent activity and fails to report the suspicions as required by the policy; or
- Reporting intentionally false or misleading information

May be subject to disciplinary action, up to and including termination and possible referral to law enforcement for prosecution.

Any manager or member of management who does not report to the CEO every report of suspected fraud made by an employee or other person may be subject to disciplinary action, including immediate termination.

TRAINING

Employees will be required to attend at least one session of training on fraud awareness and the agency's Anti-Fraud Policy annually. Employees will be required to sign a form indicating they have attended the training, had an opportunity to ask questions, and understand the content of the policy.

Employees will be provided with the state web site for reporting fraud and misuse of funds as well as the state's hotline telephone number for unanimous reporting.

ANNUAL REPORT

Incidents of suspected fraud determined to have merit will be reported to the Board of Directors at least annually. The report will include:

- The source (employee, contractor, participant)
- The determination of merit
- Whether a full investigation was conducted and the results
- Disciplinary action resulting from the investigation
- What outside sources received a copy of the report
- Final results or the status of the referral.

Other CCAP, Inc. Policies Addressing Ethical Behavior

Policy 32	Value Statement
Policy 34	Core Values
Policy 102	Employee Relations and Open Communications
Policy 104	Business Ethics and Conduct (Whistleblower Policy)
Policy 111	conflicts of Interest
Policy 114	Acceptance of Gifts and Gratuities
Policy 701	Employee Conduct and Work Rules

Approved by the Board of Directors this 10th day of November in the year of our Lord 2009.



Terri Thomas, Secretary to the Board of Directors

11-19-09

Date