POLICY ON SUSPECTED MISCONDUCT

Introduction

The purpose of this document is to communicate the policy of XXX regarding actions to be taken with respect to suspected misconduct committed, encountered, or observed by employees and volunteers of XXX.

Like all organizations, XXX faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but not be limited to:

- Financial losses and liabilities
- Loss of current and future revenue and customers
- Negative publicity and damage to XXX's good public image
- Loss of employees and difficulty in attracting new personnel
- Deterioration of employee morale
- Harm to XXX's relationships with donors, sponsors, consultants, partners, vendors, bankers, and sub-contractors
- Litigation and related costs of investigations, etc.

XXX is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer, at all levels of XXX.

Definitions

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate XXX's Code of Ethics (and any underlying policies) or any of the accounting and financial policies included in this manual
2. Fraud
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or in relation to or contemplation of any such investigation, carried out by a department or agency of the Federal government or by representatives of XXX in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to XXX including the donor database
6. Unauthorized personal or other inappropriate (non-business) use of XXX's equipment, assets, services, personnel or other resources

7. Acts that violate federal, state, or local laws

8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to XXX. Exception: gifts less than a nominal ($50 or less) in value.

9. Impropriety of the handling or reporting of money or financial transactions

10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates)

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for XXX, as well as those of our donors, subcontractors, vendors, contractors, suppliers, and others with whom XXX has a business relationship)
- Intentional misstatements in XXX's records, including intentional misstatements of accounting records or financial statements
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked
- Forgery or alteration of documents, including but not limited to checks, time sheets, contracts, purchase orders, receiving reports

It is the policy of XXX to prohibit each of the preceding acts of misconduct on the part of XXX employees, directors, volunteers and others responsible for carrying out XXX's activities.

**Reporting Responsibilities**

It is the responsibility of every employee, officer, and volunteer to immediately report suspected misconduct in accordance with XXX Whistleblower Protection Policy.

**Whistleblower Policy**

XXX requires its directors and employees to observe the highest standards of business and personal ethics in conducting all dealings on behalf of XXX and in fulfilling their governance or employment responsibilities in accordance with XXX Code of Ethics. If a director or employee suspects that waste, fraud or other illegal business activity is occurring or is about to occur, he or she is expected to disclose this information in accordance with the steps outlined in this policy. Protection from retaliatory personnel action or other retaliatory action is afforded in the circumstances described in this policy.
**Protection from Retaliatory Action**

A director or employee who in good faith reasonably believes that an illegal business activity has occurred or will occur, based on information that that person reasonably believes to be true and who, acting in good faith, reports that suspected activity in accordance with the procedures outlined in this policy, will not be subject to retaliatory personnel or other action. A director or employee who provides information or testimony to a public or law enforcement body conducting an investigation into any illegal business activity or refuses to participate in any illegal business activity will be afforded the same protection from retaliatory personnel or other action. Persons knowingly making false or malicious allegations of illegal business activity will be subject to appropriate disciplinary action.

**Procedures for reporting suspected illegal business activity**

1. If an employee reasonably believes that illegal business activity has occurred, is occurring or will occur, he or she should report it to the Executive Director. The Executive Director will notify the Chairperson of the Audit Committee, and all necessary steps will be taken to investigate and remedy the situation. A written record of all reports and investigations will be made and retained.

2. If an employee reasonably believes that his or her immediate supervisor is or may be involved in the suspect illegal business activity, he or she should report that concern directly to the Executive Director, who will then proceed as described in paragraph 1.

3. If an employee reasonably believes that the Executive Director is or may be involved in the suspect illegal business activity, he or she should report that concern to the Chairperson of the Audit Committee. The Audit Committee Chairperson will contact Legal Counsel who will then take all necessary steps to investigate and remedy the situation. A written record of all reports and investigations will be made and retained.

4. If a Director reasonably believes that illegal business activity has occurred, is occurring or will occur, he or she should report that concern to the Executive Director who will then proceed as described in paragraph 1.

5. If a member of the Audit Committee is the subject of the complaint the Executive Director will notify Legal Counsel and the remaining members of the Audit Committee, who will then proceed as described in paragraph 1.

This policy is intended to encourage and enable employees and others to address legitimate concerns within the organization and to allow the organization the opportunity to address and correct those concerns internally where possible. Violations or suspected violations may be submitted on a confidential basis. Reports of violations or suspected violations will be kept confidential to extent possible consistent with the need to conduct an adequate investigation.
Disciplinary Action

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be coordinated with appropriate representatives from the Audit Committee and the Executive Director. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- Reprimand
- Probation
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind XXX to follow any particular policy or procedure.

Confidentiality

All information regarding allegations of misconduct will be treated confidentially. Any employee who suspects dishonest or fraudulent activity will notify the appropriate person or person(s) outlined in XXX Whistleblower Policy, and shall not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Great care must be taken in the investigation of suspected improprieties or fraud so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. 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 XXX from potential civil liability.

All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer shall be directed to Legal Counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry 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:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.

2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by XXX Legal Counsel.
**Disclosure to Outside Parties**

Allegations of and information related to allegations of suspected misconduct shall not be disclosed to third parties except under the provisions described in this policy (such as disclosure to outside investigators hired by XXX to aid in an investigation) or as required by law.

However, all known frauds involving the Executive Director or members of the Board of Directors, as well as all material frauds involving employees below the senior management level, shall be disclosed by the Audit Committee to XXX’s external auditors.