

ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
702 THIRD AVENUE SOUTH
VIRGINIA, MN 55792

POLICY ON SUSPECTED MISCONDUCT

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees and volunteers.

Like all organizations, AEOA 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 the Agency's good public image.
- Loss of employees and difficulty in attracting new personnel.
- Deterioration of employee relations.
- Harm to relationships with clients, contractor/vendors, bankers, and subcontractors.
- Litigation and related costs of investigations, etc.

Our Agency 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 the Agency.

Definitions of Misconduct

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

1. Actions that violate the Agency's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual.
2. Fraud (see below).
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 potential investigation, carried out by a department or agency of the federal government or by the Agency 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 the Agency.
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel, or other resources.

7. Acts that violate federal, state, or local laws or regulations.
8. Accepting or seeking anything of material value from contractors, contractor/vendors, or persons providing goods or services to AEOA. Exception: unsolicited gifts valued at \$25 or less.
9. Impropriety of the handling or reporting of money in 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 the Agency, as well as those of our clients, subcontractors, vendor, contractors, suppliers, and others with whom the Agency has a business relationship).
- Intentional misstatements in the Agency'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, timesheets, contracts, purchase orders, receiving reports.

AEOA prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers, and others responsible for carrying out the Agency's activities.

Reporting Responsibilities

All employees, officers, and volunteers are responsible for immediately reporting suspected misconduct to their supervisor, or the Chief Financial Officer or the Chair of the Audit and Finance Committee. When supervisors have received a report of suspected misconduct, they must immediately report such acts to the Chief Financial Officer or the Chair of the Audit and Finance Committee.

Whistleblower Protection

The Agency will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a federal offense or any other possible violation of the Agency's Code of Conduct.

Reporting Procedure

If an employee of AEOA has a reasonable belief that an employee or the Agency has engaged in any action that violates any applicable law, or regulation, including those

concerning accounting and auditing, or constitutes a fraudulent practice, the employee is expected to immediately report such information by following the procedures.

The whistleblower is not responsible for investigating the activity or for determining fault or corrective measures.

If an employee has knowledge of or a concern of illegal or dishonest fraudulent activity, the employee is to contact his/her immediate supervisor or the Chief Financial Officer.

- The employee must exercise sound judgment to act in good faith and avoid baseless allegations. An employee who intentionally files a false report of wrongdoing will be subject to discipline up to and including termination.
- AEOA will make every reasonable effort to conduct all proceedings in a manner that will protect the confidentiality of all parties. However, identity may have to be disclosed to conduct a thorough investigation, to comply with the law and to provide accused individuals their legal rights of defense.
- AEOA will not retaliate against a whistleblower. This includes, but is not limited to, protection from retaliation in the form of an adverse employment action such as termination, compensation decreases, or poor work assignments and threats of physical harm. Any whistleblower who believes he/she is being retaliated against must contact the Human Resources Director immediately. The right of a whistleblower for protection against retaliation does not include immunity for any personal wrongdoing that is alleged and investigated.

Supervisors and managers are required to report complaints or concerns about suspected ethical and legal violations in writing to the Chief Financial Officer, who has the responsibility to investigate all reported complaints. Employees with concerns or complaints may also submit their concerns in writing directly to their supervisor or the Executive Director, or Chief Financial Officer

Once a complaint has been accepted for review, an investigation will begin. The investigation may include, but is not limited to, review of written statements from both parties, witness interviews, obtaining witness declarations, review of documentation, and on-site investigation. Any person conducting an investigation will maintain a written record of all witness interviews, evidence gathered, the outcome of the investigation, and any other appropriate documents. Records of such an investigation will not be maintained in personnel files unless they are part of a formal corrective action.

Results of the investigation will be shared with the appropriate people. When there is sufficient evidence to support the complaint, written notification of investigative findings will be sent to the complainant and the respondent.

If it is concluded that a violation has occurred, a determination will be made as to the appropriate sanctions or corrective action.

Investigative Responsibilities

Due to the sensitive nature of suspected misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures.

The Chief Financial Officer has the primary responsibility for investigating suspected misconduct involving employees below the Executive Director and executive management level. The Chief Financial Officer shall provide a summary of all investigative work to the Audit and Finance Committee.

The Audit and Finance Committee has the primary responsibility for investigating suspected misconduct involving the Executive Director and executive level positions, as well as board members and officers. However, the Audit and Finance Committee may request the assistance of the Chief Financial Officer in any such investigation.

Investigation into suspected misconduct will be performed without regard to the suspected individual's position, length of service, or relationship with the Agency.

In fulfilling its investigative responsibilities, the Audit and Finance Committee shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants, and investigators, etc.

Members of the investigative team (as authorized by the Audit and Finance Committee) shall have free and unrestricted access to all Agency records and premises, whether owned or rented, at all times. They shall also have the authority to examine, copy, and remove all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas and computers 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 an investigation into suspected misconduct or related follow-up procedures.

The existence, the status, or results of investigations into suspected misconduct shall not be disclosed or discussed with any individual other than those with a legitimate need to know in order to perform their duties and fulfill their responsibilities effectively.

Protection of Records – Federal Matters

AEOA prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Violations of this policy will be considered violations of the Agency's Code of Ethics and subject to the investigative, reporting, and disclosure procedures described earlier in this Policy on Suspected Misconduct.

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 Human Resources Department. 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 the Agency to follow any particular policy or procedure.

Confidentiality

The Audit and Finance Committee and the Chief Financial Officer treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify their supervisor, the Chief Financial Officer, or the Audit and Finance Committee Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedures section above).

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. 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 AEOA from potential civil liability.

An employee who discovers or suspects fraudulent activity may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to AEOA's 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 the AEOA's legal counsel or the Audit and Finance Committee.

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 the Agency to aid in an investigation).

However, all known frauds involving the Executive Director, senior management, 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 and Finance Committee to the Agency's external auditors.

The Agency will disclose, in a timely manner, in writing to Federal awarding agencies all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal Award. *(200.113 Mandatory disclosures)*