**7a. FRAUD PROCESS**

Updated July 24, 2107

Introduction

The objective of the Fraud Prevention Response Plan is to safeguard U.S. Soybean Export Council's (USSEC) finances, company assets and resources against fraudulent acts. USSEC, which derives a significant proportion of its income from governmental funds, has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

Occupational fraud and abuse fall into four main categories:

1. Theft, the misappropriation or misuse of assets for personal benefit;
2. Bribery and corruption;
3. Financial statement fraud including false accounting and/or making fraudulent statements with a view to personal gain or gain for another: for example falsely claiming overtime, travel and subsistence, sick leave or special leave (with or without pay);
4. Externally perpetrating a fraud against an organization.

Definitions

1) Fraud: For practical purposes and for this manual, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to the organization. It is a deliberate intent to acquire money or goods dishonestly through the falsification of records or documents; the deliberate changing of financial statements or other records by either a volunteer, contractor or staff member of USSEC.

Fraud includes but is not limited to the following acts:

* Any dishonest or fraudulent act, including collusion
* False representation of financial documents
* Misappropriation of funds, supplies, or other company assets
* Impropriety in the handling or reporting of money or financial transactions
* Disclosing confidential and proprietary information to outside parties
* Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Company.
* Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
* Any similar or related irregularity

2) Theft : Dishonestly acquiring, retaining or disposing of physical or intellectual property belonging to USSEC's funding sources or to individual members of the organization

3) Misuse of equipment: Deliberately misusing materials or equipment belonging to USSEC.

4) Abuse of position: Exploiting a position of trust within the organization.

5) Members of the organization: This includes staff, executive management, volunteers and contractors of USSEC.

6) Executive team: Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Philosophy

* + 1. USSEC is committed to the continuous improvement of fraud prevention and detection techniques.
		2. Executive management has a responsibility to ensure adequate anti-fraud measures and controls
		are present in systems. However, staff members are equally expected to be vigilant and play an active part in fraud prevention.
		3. The overt investigation of all actual or suspected instances of fraud and the prosecution of
		offenders provides an effective deterrent. Therefore, all known or suspected incidences of fraud will be thoroughly investigated and documented.
		4. The investigation of fraud involving any USSEC staff member is best conducted independently -ie, outside the control of the line management of the area in which the investigation will take place.

Corporate Objectives

* + - 1. To develop an anti-fraud culture and define management and employee responsibilities in this area.
			2. To reduce the opportunity for fraud by introducing preventative and detective measures into systems and processes.
			3. To ensure that anti-fraud controls are considered and built into new systems and processes at the design stage.
			4. To promote an open and ethical culture within the organization which deem unethical behavior unacceptable.
			5. To increase the vigilance of management and staff through raising fraud risk awareness.
			6. To ensure that the Executive Management meets their statutory responsibilities towards fraud as per the Foreign Agricultural Service (FAS) and the Act & Order for the United Soy Bean Board (USB).
			7. To learn from previous incidents and recycle lessons and experiences in fraud prevention and detection globally.
			8. To encourage management and staff to report their suspicions while guaranteeing anonymity where requested.

Fraud Procedures

To achieve this USSEC will comply with the requirements of FAS and USB to:

* Develop and maintain effective internal controls;
* Ensure that if fraud occurs a vigorous and prompt investigation takes place;
* Take appropriate disciplinary and legal action in all cases, where justified;
* Review systems and procedures to prevent similar frauds;
* Investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures occurred; and
* Record and report all discovered cases of fraud.
	1. The following procedures apply to all staff members, members of management and third party contractors:
* USSEC staff members, management and third party contractors must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
* USSEC will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety, or dishonest conduct by any member of the organization.
* USSEC's staff member, managers or third party contractors must not defraud the organization or other members of the organization.
* USSEC reserves the right to take action, including dismissal and/or criminal prosecution against any staff member, management or third party contractor who defrauds or attempts to defraud USSEC.
* USSEC will co-operate fully with an external investigating body.
* USSEC will always seek to recover funds lost through fraud.
* All frauds or suspected frauds will be reported to Executive Management and Compliance immediately.
* After a preliminary investigation, USSEC will Inform FAS and USB in accordance with the terms and conditions of the grant in any case where it is believed that fraud or abuse of company funds or assets are present.
1. Any staff member who suspects or has knowledge of fraud or any fraudulent acts must report the matter immediately to a member of the Executive Management or via the company hotline program. Failure to report concerns of fraud may result in disciplinary action, up to and including termination.
2. To report fraud, please contact our designated third party provider as listed below:

 **Website:** [**www.lighthouse-services.com/ussec**](https://www.lighthouse-services.com/ussec)

 Toll-Free Telephone:

* 1. English speaking USA and Canada: 844-420-0044
	2. Spanish speaking USA and Canada: 800-216-1288
	3. Spanish speaking Mexico: 01-800-681-5340
	4. French speaking Canada: 855-725-0002
	5. Contact us if you need a toll-free # for North American callers speaking languages other than English, Spanish or French

 **E-mail:** reports@lighthouse-services.com (must include company name with report)

 **Fax:** (215) 689-3885 (must include company name with report)

* All concerns of fraud will be immediately investigated, as outlined in the Fraud Response Plan, and the name of the individual who reports a concern of fraud will be kept confidential. In order to maintain confidentiality, and prevent compromising any related investigations, employees who are aware of any circumstances of fraud should not discuss those circumstances with other employees or with any other person other than those directly involved in the investigation.

Methods for Fraud Prevention and Detection

The aftermath of fraud is costly, time-consuming, disruptive and unpleasant. The major thrust of any anti-fraud strategy should therefore be prevention. The following are measures that USSEC is currently utilizing or will put in place include, but not limited to:

1. Conduct pre-employment screening on all new hires which may include but is not limited to:
* Criminal records check
* Credit check (if applicable to their job position)
* Reference checks
* Past employment verification
* Verification of eligibility for employment thru eVerify
	1. Company Culture - Setting an ethical "tone at the top"
* Executive Management will foster and instill an organizational culture of honesty and high integrity by living the values set forth by the organization.
* All staff members and management are expected to lead by example in adhering to policies, procedures and best practices. Equally suppliers and third party contractors are expected to act with integrity and without intent to commit fraud against USSEC in any dealings.
* As part of the culture, Executive Management will provide clear direction by which concerns regarding fraud can be raised by any staff member of USSEC, third party contractors or suppliers through a whistleblowing policy.
* Executive Management is expected to deal promptly, firmly and fairly with suspicions and allegations of fraud or corrupt business practices.
1. Implement strong internal control mechanisms as documented in the *Policies and Procedures
manual dated August 16, 2012.* Internal controls can be detective, corrective, or preventive by nature as follows:
* Preventive controls are designed to keep errors or irregularities from occurring.
* Detective controls are designed to detect errors or irregularities that may have occurred.
* Corrective controls are designed to correct errors or irregularities that have been detected.
1. Conduct an annual fraud risk assessment
* Review and assess internal controls for breakdowns in the system
* Audit various financial transactions for compliance to USSEC's Policy and Procedures manual dated August 16, 2012.
* Assess the company culture and identify opportunities as to why and how fraud may occur
1. Conduct and document anti-fraud training with all staff members, management and contractors annually which includes but is not limited to:
* Foreign Corrupt Practices Act (FCPA)
* Conflict of Interest training
* Occupational Fraud Training
* Code of Conduct Training
1. USSEC's employee handbook and company Policies and Procedures will define the boundaries for acceptable conduct.
2. HR best practices will include creating a positive work environment for all USSEC members, delivering timely performance appraisals and conducting exit interviews prior to any member leaving the organization.
3. Fraud risk will be assessed regularly as part of the business's risk management process, and at the design stage of new systems and processes. Cost-effective controls will be introduced where appropriate.
4. Regular audits will be completed on key controls and other high risk areas to ensure the
risk for fraud is mitigated.

A Fraud Response Plan has been developed to ensure appropriate and timely action is taken if
fraud is suspected or uncovered.

Retaliation and retribution will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit when reporting fraudulent activities, the employee will be subject to disciplinary action.

All reports will be taken seriously and will be investigated. If necessary, USSEC will notify and fully cooperate with the appropriate law enforcement agency in the investigation. Any investigation resulting in the finding of fraud will be referred to USSEC for further action. Fraudulent or corrupt activities that result in disciplinary action will be recorded in the individual employee file. All offenders, no matter their position within USSEC will be treated equally regardless of their position or years of service. Determinations of disciplinary action will be made based on a finding of fact in each case, actual or potential damage to USSEC, cooperation by the offender, and legal requirements.

Depending upon the severity of the offense and the facts of each individual case, action against an employee can range from written reprimand to legal action – either civil or criminal. In all cases involving monetary fraud, the amount taken or cost to USSEC shall be repaid to the, or, if allowed to maintain a position of employment, the monetary amount shall be deducted from the party’s paycheck.

All Board Members, employees and contractors of USSEC are expected to act with integrity. This requires that professional ethics be practiced at all times.

I have read the USSEC Fraud Policy, it has been fully explained to me, and I understand its contents and have received a copy for my use.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed employee or Board member name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Supervisor’s or Chairperson’s signature Date