

Fraud Policy

I. Purpose and Intent

This policy expresses the commitment of NHRS to effective fraud risk management through the commitment, cooperation and involvement of employees and members of the Board of Trustees in preventing, detecting and responding to all instances of fraud. This policy affirms the importance of fraud prevention to NHRS as a tool to achieve its mission, vision and strategic plan.

Non-compliance with this policy may lead to disciplinary action including, but not limited to, termination and criminal or civil action.

This policy is intended to provide a framework for the responsible and professional conduct by all NHRS employees and members of the Board of Trustees who may find themselves in a position of suspecting or identifying potentially fraudulent activities related to NHRS.

II. Definitions

- A. *Fraud* – Fraud is an intentional act or use of words or an intentional omission designed to deceive another and avoid detection, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. Fraud includes the use of one's position for personal gain through the deliberate misuse or misapplication of NHRS assets or resources. Examples of fraud could include, but are not limited to:
1. Misappropriation of assets such as funds, information, equipment and supplies.
 2. Impropriety in processing or reporting of financial transactions.
 3. Profiting as a result of insider information acquired by virtue of employment or Trusteeship at NHRS.
 4. Disclosing confidential and proprietary information to outside parties.
 5. Accepting or seeking anything of value from contractors, vendors or others providing supplies or services to NHRS.
 6. Destruction, removal or inappropriate use or accessing of records or other NHRS property.
- B. *Retaliation* – NHRS recognizes that the requirement to report fraudulent acts or other irregularities can be difficult because of the fear of reprisals against the complainant. NHRS will not tolerate such retaliation and will take the necessary action to protect those who raise concerns in good faith. NHRS management strictly prohibits any person from engaging in retaliation against a complainant for:
1. Providing information or making a complaint regarding conduct the complainant reasonably believes constitutes fraud.
 2. Reporting of, or participating in, proceedings related to fraud against the alleged perpetrator.
- C. *Confidentiality* - When an individual raises a concern or reports a possible fraudulent event and does not wish his or her name to be disclosed, NHRS will do its best to

protect that individual's identity. However, it should be noted that the investigation process may require that the source of the information be revealed and the complainant may be required to provide a statement and identity as part of the evidence.

- D. *Untrue Allegations* - Allegations made in good faith, but not confirmed by the investigation, will not result in any action against the complainant. However, if it is determined that the complainant made an allegation of fraud maliciously and without a reasonable basis, a disciplinary action may be considered against the complainant.

III. Responsibilities

All NHRS employees and Trustees are required to:

- A. Act in an honest and ethical manner and protect the reputation and assets of NHRS.
- B. Be alert for signs of fraudulent activity.
- C. Uphold, institute, review and maintain fraud prevention strategies.
- D. Fully cooperate with the implementation of fraud prevention strategies and with investigations related to fraud.
- E. Report awareness of suspected fraudulent conduct.

IV. Reporting Requirements

- A. All Trustees and NHRS employees are required to report suspected fraudulent activity in good faith based on reasonable belief.
- B. Reports from employees should generally be made to the complainant's immediate supervisor or, if uncomfortable doing so, to the employee's ETeam Director, the Executive Director, the Chief Legal Counsel, the HR Manager, or the Internal Auditor.
- C. Reports from Trustees should be made to the Board Chair or, if uncomfortable doing so, to the Executive Director, Chief Legal Counsel and Internal Auditor.
- D. The Executive Director, Chief Legal Counsel and Internal Auditor will be provided with all reports of suspected fraudulent activity unless there is a conflict of interest on their parts.

V. Investigations

- A. Great care needs to be taken in the investigation of suspected fraud or criminal action so as to avoid: 1) unfounded/incorrect accusations; 2) alerting individuals against whom an allegation has been made that a matter has been raised and an investigation is underway; and, 3) making statements which could expose the complainant to legal liability. Confidentiality in accordance with any and all applicable laws concerning the information offered by the complainant will be maintained at all times.

Accordingly, the complainant and/or supervisor should not:

1. Attempt to personally conduct investigations or interviews in order to determine whether or not a suspected activity is improper.
2. Contact the suspected individual(s) to determine facts or demand restitution.

3. Discuss any facts, suspicions or allegations associated with the case with anyone, other than the Executive Director, Chief Legal Counsel, and Internal Auditor.
- B. Investigations will be performed under the direction of the Executive Director, Chief Legal Counsel and Internal Auditor, any of whom will recuse themselves if there is a conflict of interest on their part.
1. Full cooperation with the investigation is required.
 2. If the complaint is determined to have merit, the Executive Director, Chief Legal Counsel and Internal Auditor, unless there is a conflict of interest on the part of any, will notify the Audit Committee and will keep the Committee apprised of the situation.
 3. In order to avoid damaging the reputations of innocent persons initially suspected of wrongful conduct, the results of the investigation will be disclosed or discussed only with those persons who require this knowledge in the proper performance of their office or function.

VI. Response

- A. As necessary, guidance may be sought to facilitate appropriate documentation of the facts. If it is determined that the complaint is factual and fraud has been committed, the Executive Director, Chief Legal Counsel and Internal Auditor, unless there is a conflict of interest on the part of any, will confer with the Audit Committee in order to effectuate a resolution. Topics for a possible resolution may include:
1. Appropriate personnel action.
 2. Protection of innocent persons, including the complainant and anyone wrongly accused of committing fraud.
 3. Appropriate civil or criminal actions.
 4. Documentation and submission of claims against the insurers.
 5. Preservation of the integrity of any criminal investigation and prosecution.
 6. Avoidance of any unnecessary litigation.

Following a fraudulent event, the relevant internal controls will be thoroughly evaluated and any appropriate changes will be made.