

FRAUD RESPONSE PLAN TEMPLATE

HOW TO USE THIS TEMPLATE

This fraud response plan template contains six sections that can be edited, rewritten, replaced or adapted to meet the needs of your company. Each section contains a brief instruction, which you can delete, followed by an example of the text you may wish to include in the section.

The footer in the document contains the Case IQ logo. This is editable and can be replaced with your own company logo, alternate text, or nothing at all.



(replace with your company's logo)

TABLE OF CONTENTS

Purpose	4
Scope	4
Fraud Definitions & Examples	5
Roles & Responsibilities	5
Fraud Response Stages & Procedures	7
Appendix: Fraud Response Plan Checklist	8

Purpose

Outline the purpose of the fraud response plan. List the plan's goals and objectives. Explain why this document has been created and what you hope to achieve with it.

For example:

Fraud causes [Company Name] financial and reputational damage. The aim of this fraud response plan is to guide [Company Name] employees should an incident of fraud occur. In this document, you will find definitions of types of fraud schemes, as well as roles and responsibilities in the event of fraud.

The goals of this fraud response plan are as follows:

- Inform employees of their roles in the event of fraud at [Company Name]
- Protect [Company Name] from financial loss
- Protect [Company Name] from reputational damage
- Conduct a timely and fair response to protect the party or parties accused of fraud
- Support law enforcement to the fullest extent possible when fraud has been uncovered within [Company Name]

Scope

Outline the scope of the fraud response plan. If external fraud committed by contractors, clients or other visitors fall under the plan, note that.

For example:

This fraud response plan covers any fraud scheme uncovered through audit, disclosure or accidental discovery. The scope of this plan covers all types of fraud committed by [Company Name] employees. It does not cover external fraud committed by vendors, contractors or clients.

Fraud Definitions & Examples

Define and describe different types of fraud that could occur in your organization and give examples of each.

For example:

Fraud refers to the use of deception to gain an advantage or cause a loss. For the purposes of this document, fraud includes:

- **Embezzlement:** When an employee trusted with company assets takes them for themselves. For example, writing fraudulent invoices to fictitious vendors in the employee's own name.
- **Theft:** When an employee takes something from the workplace that doesn't belong to them. For example, stealing office supplies from the company storeroom for personal use.
- **Corruption:** When an employee uses their position or authority to influence business transactions for their benefit while violating their responsibility to the employer. For example, hiring a vendor for a project specifically because a family member owns the business.
- **Asset misappropriation:** When an employee exploits the company's resources. For example, submitting false reimbursement claims for a flight they didn't take.
- **Financial statement fraud:** purposefully omitting or misstating data in financial reports in order to mislead others about the company's financial position and performance. For example, inflating assets when trying to get investors.
- **Data theft:** stealing data held or used by the company for personal gain. For example, stealing employees' banking information to make fraudulent purchases.

Roles & Responsibilities

In this section, outline the responsibilities of members of the fraud response team, managers and/or employees regarding fraud response procedures.

For example:

Below are the roles and responsibilities of each member of [Company Name] to prevent and respond to a workplace fraud. It is not an exhaustive list of duties but designed to give each employee a general understanding of their role and the roles of other employees in fraud response and prevention.

Employees are responsible for:

- abiding by [Company Name]'s anti-theft and fraud policies and procedures
- reporting suspected fraud in accordance with the guidelines in [Company Name]'s anti-theft and fraud policies and procedures
- attending annual training on [Company Name's] fraud response plan, as well as on behaving ethically in the workplace

Managers are responsible for:

- promoting an ethical and honest work environment
- taking every reasonable measure to protect [Company Name] from fraud
- identifying risks to [Company Name]'s assets within their department
- developing and maintaining fraud detection and prevention controls for their department's processes
- providing [Company Name]'s anti-theft and fraud policies and procedures to their employees
- assisting with investigations if required
- reporting suspected fraud in accordance with the guidelines in [Company Name]'s anti-theft and fraud policies and procedures

The fraud response team is responsible for:

- notifying [Company Name] of suspected fraud incidents
- monitoring the implementation of this fraud response plan
- leading risk assessments and root cause analyses
- leading employee training on this fraud response plan as well as on ethics issues in the workplace
- reviewing this fraud response plan on an annual basis
- responding to all suspected fraud tips, taking steps to mitigate immediate risks and notify law enforcement if required
- conducting an initial investigation of all incidents, taking steps to mitigate immediate risks
- assisting with fraud investigations conducted by other departments within [Company Name]
- liaising with law enforcement agencies and participating in legal processes, if required

Fraud Response Stages & Procedures

In this section, reiterate your company's commitment to an ethical, honest workplace. Explain the company's approach to fraud response step by step. Define each stage of fraud response in your workplace and outline the procedures that take place during each stage.

For example:

Stage 1: Preparation

- develop and review [Company Name]'s policies and procedures
- train employees on [Company Name]'s policies and procedures

Stage 2: Detection and Containment

- discover fraud via tip, audit or accident
- discover fraud using internal detection strategies
- complete [Company Name]'s suspected fraud report
- declare and classify the fraud
- identify, isolate and/or mitigate risks associated with the fraud
- preserve physical and/or digital evidence

Stage 3: Investigation

- determine the fraud's scope and root cause
- collect physical and/or digital evidence
- conduct interviews with complainants and/or persons involved

Stage 4: Remediation

- communicate to and instruct employees about next steps
- file formal reports as per regulatory requirements
- create post-incident report

Stage 5: Recovery

- analyze the fraud for its procedural and policy implications
- review and edit established policies and procedures with lessons learned from the fraud

Appendix: Fraud Response Plan Checklist

Create a checklist based on the roles and responsibilities in your plan. Each team or department should fill out their own section. The fraud response team, CFO or other staff in charge of fraud response procedures should then collect each team's checklist to ensure the entire list has been completed across the organization.

When fraud is detected, managers affected by the fraud should:

- ☐ Notify the fraud response team to set a discussion meeting
- ☐ Notify upper management and/or relevant stakeholders
- ☐ Determine if fraud is just suspected or if there is clear evidence of fraud
- ☐ Reassign or suspend the accused fraudster (if there is clear evidence of fraud) until the investigation is complete

Then, the fraud response team/investigation team should:

- ☐ Determine if an investigation into the suspected fraud is warranted
- ☐ Reach out to human resources and/or legal counsel for investigative support
- ☐ Gather evidence (e.g. emails, photos, video surveillance, financial records, etc.)
- ☐ Schedule and conduct confidential interviews with the whistleblower (if applicable), the accused party's coworkers, the accused party's manager and finally, the accused party
- ☐ Write a detailed investigation report and submit it to upper management/the board of directors/legal counsel/other stakeholders
- ☐ If fraud has occurred, provide recommendations on how to reduce fraud risk in the future
- ☐ Recommend a course of disciplinary action for the fraudster

Final steps in the recovery process include:

- ☐ Managers: Determine the extent of the losses due to the fraud scheme
- ☐ Legal counsel: Ensure sufficient evidence has been gathered and the investigation is sound enough to back up the disciplinary action
- ☐ Risk manager (or appropriate staff member for your company): file an insurance claim for lost assets
- ☐ Managers: Implement changes to controls and processes as recommended by the fraud response team