

**CAL POLY POMONA FOUNDATION, INC.**

**POLICIES AND PROCEDURES**

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**Subject: Ethics**  
**Reference: 324-III-C**

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**POLICY:**

It is the policy of the Foundation Board of Directors and management to develop and implement programs, controls and measures that prevent, deter and detect fraud and ensure a culture and environment that promotes honesty and ethical behavior. Unethical or dishonest behavior in any form will not be tolerated.

This Foundation Ethics Policy is based on three fundamental elements; 1) create and maintain a culture of honesty and high ethics, 2) evaluate the risks of fraud and implement the processes, procedures and controls needed to eliminate or reduce the opportunities for fraud, and 3) develop an appropriate oversight process. It is the responsibility of the entire Foundation management team to implement and monitor these activities, with oversight from the Foundation's Board of Directors and the Personnel, Finance and Audit Committees. The three fundamental elements of this Ethics Policy are presented in detail below;

**A. Create and Maintain a Culture of Honest and High Ethics**

It is the responsibility of the directors and officers (management) of the Foundation to create and maintain a culture of honesty and high ethics and to clearly communicate acceptable behavior and expectations to all employees. The cornerstone of an effective anti-fraud environment is a culture with a strong value system founded on integrity. Creating and maintaining a culture of honesty and high ethics shall include the following activities:

**1. *Setting the Tone at the Top***

Management of the Foundation shall "set the tone at the top" for ethical behavior. Management must behave ethically and openly communicate its expectations for ethical behavior to all employees. Management must show employees through its words and actions that dishonest or unethical behavior will not be tolerated.

**2. *Creating a Positive Workplace Environment***

Creating a positive workplace environment that supports and reflects Foundation values and this Ethics Policy shall be a priority of Foundation management.

**3. *Training***

New Foundation employees shall be trained at the time of hiring on Foundation values and the Ethics Policy. This training will cover: a) an employee's duty to communicate

certain matters, b) a list of all types of matters, including actual or suspected fraud, to be communicated, and c) information on how to communicate those matters. Refresher training shall be provided to all employees periodically.

#### **4. Discipline**

Foundation management shall react immediately to incidents of alleged or suspected fraud, therefore helping to reduce the number of future incidents of alleged or suspected fraud. Expectations about the consequences of committing fraud will be clearly communicated throughout the Foundation by management.

### **B. Evaluate the risks of fraud and implement the processes, procedures and controls needed to eliminate or reduce opportunities for fraud**

It is the responsibility of management to be proactive in eliminating or reducing fraud opportunities by: a) identifying and measuring fraud risks, and b) implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.

#### 1. Identifying and Measuring Fraud Risks

It is the responsibility of Foundation management to establish and monitor all aspects of the Foundation's fraud risk-assessment and prevention activities. The fraud risk-assessment process shall consider the vulnerability of the Foundation to fraudulent activity (such as fraudulent financial reporting and misappropriation of assets) and whether any of those exposures could result in a material misstatement of the financial statements or material loss to the Foundation.

#### 2. Implementing and Monitoring Appropriate Internal Controls

Foundation management shall ensure that appropriate, internal controls, policies, procedures, systems and processes are in place and functioning appropriately in order to eliminate or reduce opportunities for fraud.

### **C. Develop an appropriate oversight process**

It is the responsibility of management to develop and maintain an appropriate oversight function. The oversight function of the Foundation shall include: a) the Personnel, Finance and Audit Committees, b) Foundation management, c) the Cal Poly Pomona Department of Financial Services, d) the California State University, Office of the University Auditor, e) the Cal Poly Pomona University Auditor and f) the Foundation's independent auditor.

#### 1. The Personnel, Finance and Audit Committees

The Personnel, Finance and Audit Committees shall evaluate management's identification of fraud risks, implementation of anti-fraud measures and creation of the appropriate "tone at the top." The Committees will ensure the senior management (in particular, the Executive Director) implements appropriate fraud deterrence and prevention measures. The Committees will require management to provide a mechanism for all employees to report concerns about unethical behavior, actual or suspected fraud or violations of the Foundation's Ethics Policy. In instances of unethical behavior, actual or suspected fraud or violations of the Foundation's Ethics

Policy by senior management (Executive Director and/or CFO), the Committees will require management to provide Foundation employees with a process by which employees can report such instances directly to the Personnel, Finance and Audit Committees. The Committees will keep the Board of Directors fully informed on all issues related to the Ethics Policy and bring to the Board any action items that are needed to resolve such issues.

2. Foundation Management

It is the responsibility of management to supervise and oversee the activities carried out by employees and will do so by implementing and monitoring the processes and controls set forth in the Ethics Policy, including those identified by the Board of Directors, the Personnel, Finance and Audit Committees, the Cal Poly Pomona Department of Financial Services, the California State University, Office of the University Auditor, the Cal Poly Pomona University Auditor and the Foundation's independent auditor.

Management shall inform all employees that any concerns about unethical behavior, actual or suspected fraud or violations of the Foundation's Ethics Policy, shall be brought to the immediate attention of the Foundation Executive Director and the Chief Financial Officer.

3. The California State Polytechnic University, Pomona's Department of Financial Services and the University Auditor may be consulted to provide an evaluation of fraud risks and controls and to recommend action to mitigate risks and improve controls.

4. The California State University, Office of the University Auditor

Through periodic audits of the Foundation, the University Auditor shall make recommendations on the adequacy of controls to prevent, deter and detect fraud. It is the responsibility of management to act on any recommendations.

5. Independent Auditors

Independent auditors shall assist management, the Personnel, Finance and Audit Committees and the Board of Directors by providing an assessment of the Foundation's process for identifying, assessing and responding to the risks of fraud. The Personnel, Finance and Audit Committees and the Board of Directors shall have an open and candid dialogue with the independent auditors regarding management's risk assessment process and the system of internal controls. Such a dialogue will include a discussion of the susceptibility of the Foundation to fraudulent financial reporting and the Foundation's exposure to misappropriation of assets.

### **Procedures for Reporting Ethics Policy Violations**

The procedures for reporting violations or perceived violations of our ethics policy are presented below. Our goal is to offer several ways in which to notify management of a suspected ethics violation, with the intent to encourage any employee to report a suspected ethics violation immediately upon becoming aware of such a violation.

1. Suspected ethics policy violations may be reported to your department manager. Upon receipt of such a report, the respective department manager shall notify either the Executive Director or Director of Human Resources within 2 working days of receiving the report.
2. Reports may be submitted directly to the Foundation's Chief Financial Officer, Executive Director, or Director of Human Resources. In situations where one or more of these employees may be involved or suspected in the ethics violation, reports may be made directly to any member of the Personnel Committee or Audit Committee. Any member of the Personnel Committee or Audit Committee who receives such a report shall forward it to the Chair of the Audit Committee for further action. Such forwarding shall occur within 5 business days of receipt of report.
3. Reports of ethics violations should be made in writing, although verbal reports are acceptable. Anonymous reports are accepted although the ability for follow-up actions may be reduced in these situations.
4. Any employee who reports a suspected ethics violation in good faith is protected. Your identity will be protected (to the extent possible), and you are protected against threats, coercion, intimidation, and retaliation, for reporting such information.
5. Upon receipt of a reported ethics violation allegation, an investigation into the allegation will be initiated, as directed by the Executive Director, within 5 business days of receiving the complaint. In the event the Executive Director is suspected to be involved in the ethics violation, the Chair of the Audit Committee shall be responsible to initiate and complete an investigation into the allegation.
6. Upon the completion of the investigation, which will usually occur in 30 days or less, the person(s) who filed the ethics violation will be notified of the outcome of the investigation (i.e.: the complaint was either substantiated or not substantiated by the facts, etc.).