

## **Sunnyslope County Water District Asset Protection and Fraud in the Workplace Policy**

### **8300: Asset Protection and Fraud in the Workplace Policy**

**8300.1 Purpose and Scope:** To establish policy and procedures for clarifying acts that are considered to be fraudulent, describing the steps to be taken when fraud or other related dishonest activities are suspected, and providing procedures to follow in accounting for missing funds, restitution and recoveries.

**8300.2 General:** The District is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the District to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the District and, when appropriate, to pursue legal remedies available under the law.

#### **A. Definitions:**

1. **Fraud** – Fraud and other similar irregularities include, but are not limited to:
  - a. Claim for reimbursement of expenses that are not job-related or authorized by the District Administrative and Ethics Code.
  - b. Forgery, falsification, or unauthorized alteration of documents or records (including but not limited to checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).
  - c. Misappropriation of District assets (including but not limited to funds, securities, supplies, furniture, equipment, etc.).
  - d. Inappropriate use of District resources (including but not limited to labor, time, and materials).
  - e. Improprieties in the handling or reporting of money transactions.
  - f. Authorizing or receiving payment for goods not received or services not performed.
  - g. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of District-owned software.
  - h. Misrepresentation of information on documents.
  - i. Theft of equipment or goods.
  - j. Any apparent violation of federal, state, or local laws related to dishonest activities or fraud.
  - k. Seeking or accepting anything of material value from those doing business with the District including vendors, consultants, contractors, lessees, applicants, and grantees. Materiality is determined by the District’s Conflict of Interest Code which incorporates the Fair Political Practices Commission’s regulations.
  - l. Any other conduct, actions or activities treated as fraud or misappropriation under any federal or state law, rule or regulation.
  
2. **Employee** – In this context, employee refers to any individual or group of individuals who receive compensation, either full- or part-time, including the Board of Directors,

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from the District. The term also includes any volunteer who provides services to the District through an official arrangement with the District.

- 3. Management** – In this context, management refers to any manager, supervisor, or other designated individual who manages or supervises District’s resources or assets.
  - 4. Internal Audit Committee** – In this context, if the claim of fraud involves anyone other than the District’s General Manager, the Internal Audit Committee shall consist of the General Manager, the District’s Legal Counsel and any other persons appointed to the Internal Audit Committee by the General Manager. If the claim of fraud involves the District’s General Manager, the Internal Audit Committee shall consist of the President of the Board of Directors of the District, the District’s Legal Counsel and those persons appointed to the Internal Audit Committee by the President of the Board. Nothing contained in this policy shall be construed as requiring the General Manager or the President of the Board to appoint other persons to the Internal Audit Committee. Individuals appointed to the Internal Audit Committee by the General Manager or the President of the Board other than the District’s Legal Counsel shall serve at the pleasure of the General Manager or the President of the Board.
  - 5. External Auditor** – In this context, External Auditor refers to independent audit professionals who perform annual audits of the District’s financial statements and are appointed by the District’s Board of Directors.
- B.** It is the District’s intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the District of any party who might be or become involved in or becomes the subject of such investigation. An employee being investigated for fraud may request representation at their own expense.
- C.** Each department of the District is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.
- D.** For claims of fraud not involving the General Manager, the General Manager or an Internal Audit Committee appointed by the General Manager shall have primary responsibility for investigation of the activity covered by this policy. For claims of fraud involving the General Manager, the President of the Board or an Internal Audit Committee appointed by the President shall have primary responsibility for investigation

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of the activity covered by this policy. The District's General Counsel shall advise the Committee, the General Manager, or the Board President on all such investigations.

- E.** Throughout the investigation, the Internal Audit Committee will inform the General Manager of pertinent investigative findings.
- F.** Employees will be granted whistle-blower protection when acting in accordance with this policy so long as the employee has not engaged in activity that violates this policy. When informed of a suspected impropriety, neither the District nor any person acting on behalf of the District shall:
  - 1.** Dismiss or threaten to dismiss the employee,
  - 2.** Discipline, suspend, or threaten to discipline or suspend the employee,
  - 3.** Impose any penalty upon the employee, or
  - 4.** Intimidate or coerce the employee.

Violations of the whistle-blower protection will result in discipline up to and including termination. Whistle-blower identity will be kept confidential as much as possible.

- G.** Upon conclusion of the investigation, the results will be reported to the General Manager or in the event the investigation involves the General Manager, then the Board President shall receive the report and shall advise the Board of Directors.
- H.** The General Manager or the Board President, as the case may be, following review of investigation results, will take appropriate action regarding employee misconduct based on the District's Administrative and Ethic Code. Disciplinary action can include termination, and referral of the case to the District Attorney's Office for possible prosecution.
- I.** The General Manager or the Board President will pursue every reasonable effort, including court ordered restitution, to obtain recovery of District losses from the offender, or other appropriate sources.

### **8300.3 Procedures**

#### **A. Board of Directors Responsibilities**

- 1.** If a Board Member has reason to suspect that a fraud has occurred, he or she shall immediately contact the General Manager or the Board President, if the activity involves the General Manager, and the District's Legal Counsel.

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2. The Board Member shall not attempt to investigate the suspected fraud or discuss the matter with anyone other than the General Manager and the District's Legal Counsel.
3. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the General Manager or the Board President after consultation with the District's Legal Counsel and the Internal Audit Committee, if any Committee is appointed.

**B. Management Responsibilities**

1. Management is responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
2. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.
3. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.
4. If management determines a suspected activity may involve fraud or related dishonest activity, they should contact their immediate supervisor or the District's General Manager. If the activity involves the General Manager it shall be reported to the Board President or the District's Legal Counsel.
5. Management should not attempt to conduct individual investigations, interviews, or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent recurrence of improper actions.
6. Management should support the District's responsibilities and cooperate fully with the Internal Audit Committee, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
7. Management must give full and unrestricted access to all necessary records and personnel. All District's assets, including furniture, desks, and computers, are open to inspection at any time. There is no assumption of privacy.

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8. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:
  - a. Incorrect accusations.
  - b. Alerting suspected individuals that an investigation is underway.
  - c. Treating employees unfairly.
  - d. Making statements that could lead to claims of false accusations or other offenses.
  
9. In handling dishonest or fraudulent activities, management has the responsibility to:
  - a. Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to “what you did”, “the crime”, “the fraud”, “the misappropriation”, etc.
  - b. Avoid discussing the case, facts, suspicions, or allegations with anyone outside the District, unless specifically directed to do so by the General Manager.
  - c. Avoid discussing the case with anyone inside the District other than employees who have a need to know such as the General Manager, Internal Audit Committee, the District’s Legal Counsel, or law enforcement personnel.
  - d. Direct all inquiries from the suspected individual, or his or her representative, to the General Manager, the Board President, or the District’s Legal Counsel. All inquiries by an attorney of the suspected individual should be directed to the General Manager or the District’s Legal Counsel. All inquiries from the media should be directed to the General Manager or the Board President if the activity involves the General Manager.
  - e. Take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the Human Resources Department and Legal Counsel, in conformance with the District’s Administrative and Ethics Codes.

### **C. Employee Responsibilities**

1. A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee’s supervisor for reporting to the proper management official.
  
2. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the General Manager. If the activity involves the General Manager, it shall be reported to the Board President or the District’s Legal Counsel.
  
3. The reporting employees shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with

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anyone, unless requested by the General Manager, Internal Audit Committee, the District's Legal Counsel, or law enforcement personnel.

### **D. Internal Audit Committee Responsibilities**

1. Upon assignment by the General Manager or the Board President, the Internal Audit Committee will promptly investigate the fraud.
2. In all circumstances where there appears to be reasonable grounds for suspecting that a criminal fraud has taken place, the Internal Audit Committee, in consultation with the General Manager or the Board President and Legal Counsel, will contact the appropriate law enforcement agency.
3. The Internal Audit Committee shall be available and receptive to receiving relevant, confidential information to the extent allowed by law after consultation with the District's Legal Counsel.
4. If evidence is uncovered showing possible dishonest or fraudulent activities, the Internal Audit Committee will proceed as follows:
  - a. Discuss the findings with management and the General Manager.
  - b. Advise management, if the case involves District staff members, to meet with the Human Resources Manager (or his/her designated representative) to determine if disciplinary actions should be taken.
  - c. Report to the External Auditor such activities in order to assess the effect of the illegal activity on the District's financial statements.
  - d. Coordinate with the District's Safety/Risk Compliance Administrator regarding notification to insurers and filing of insurance claims.
  - e. Take immediate action, after consultation with the Legal Counsel, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:
    1. Removing the records and placing them in a secure location, or limiting access to the location where the records currently exist.
    2. Preventing the individual suspected of committing the fraud from having access to the records.
  - f. In consultation with the District Legal Counsel and the local law enforcement agency, the Internal Audit Committee may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.
  - g. If the Internal Audit Committee is contacted by the media regarding an alleged fraud or audit investigation, the Internal Audit Committee will refer the media to

