

MARINA COAST WATER DISTRICT FRAUD POLICY

BACKGROUND

The District fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against Marina Coast Water District (MCWD). It is the intent of MCWD to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving employees as well as Directors, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with MCWD (also called the District).

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the District.

POLICY

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the General Manager (unless the General Manager is responsible for the irregularity, in which case the irregularity must be reported to the President or other members of the Board of Directors), who shall coordinate all investigations with legal counsel.

ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of District activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the District

- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the District. Exception: Gifts less than \$50 in value.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity

OTHER IRREGULARITIES

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the General Manager and the President of the Board of Directors. If there is any question as to whether an action constitutes fraud, contact the General Manager and/or the President of the Board of Directors for guidance.

INVESTIGATION RESPONSIBILITIES

The General Manager has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the General Manager will issue reports to the Board of Directors. If the suspected fraudulent acts involve the General Manager, the Board of Directors will assume responsibility for the investigation.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and the Board of Directors, as will final decisions on disposition of the case.

CONFIDENTIALITY

The General Manager treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the General Manager or the President of the Board of Directors immediately, and *should not attempt to personally conduct investigations or interviews/interrogations* related to any suspected fraudulent act (see **REPORTING PROCEDURE** section below).

Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the District from potential civil liability.

AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

The General Manager and/or the Board of Directors will have:

- Free and unrestricted access to all District records and premises, whether owned or rented; and

- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

REPORTING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will *contact the General Manager immediately*. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the General Manager or the President of the Board of Directors. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the General Manager, President of the Board of Directors, or legal counsel.

TERMINATION

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the Board of Directors and, if necessary, by legal counsel, before any such action is taken.

ADMINISTRATION

The Directors of Marina Coast Water District are responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.