

EAST VALLEY WATER DISTRICT Administrative Policies & Programs

Policy Title: Fraud Prevention and Detection Policy

Approval Date:
September 25, 2013

Policy No: 7.5

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East Valley Water District (District) is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents, or its own employees, to gain by fraudulent conduct, financial or other benefits at the expense of District customers.

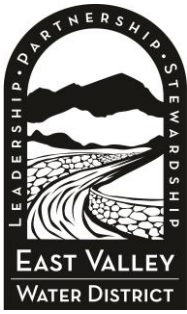
District officials and employees must, at all time, comply with all applicable laws and regulations. The District shall not condone the activities of officials or employees who achieve results through the violation of the law or unethical business dealings. The District does not permit an activity that fails to stand the closest possible public scrutiny.

Purpose

The purpose of this policy is to communicate the District's intent to deter and investigate all suspected fraudulent conduct and dishonesty by employees and others. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraudulent conduct and other similar irregularities.

Definitions

- A. **Fraud** – The intentional false representation or concealment of material fact for the purpose of personal gain for oneself or others; or inducing another to act similarly. Fraud and other similar irregularities include, but are not limited to:
1. Claim for reimbursement of expenses that are not job-related or authorized by current Policy.
 2. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, etc.).
 3. The taking or other forms of misappropriation, of District assets (cash, checks, securities, supplies, furniture, equipment, etc.) to include the temporary removal or "borrowing" of District assets.
 4. Improprieties in handling or reporting of money transactions.
 5. Authorizing or receiving payment for goods not received or services not performed.



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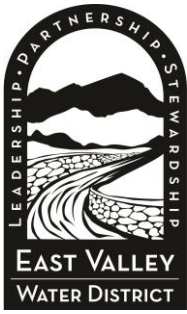
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6. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data.
 7. Misrepresentation of information on documents.
 8. Any apparent violation of Federal, State, or Local laws related to dishonest activities or fraud.
 9. Seeking or accepting anything of material value from those doing business with the district including vendors, consultants, contractors, lessees, and/or applicants.
- B. Employee – In this context, employee refers to any individual or group of individuals who receive compensation, either full or part-time, from the District. The term also includes any volunteer who provides services to the District through an official arrangement with the District.
- C. Management – In this context, management refers to any administrator, manager, director, supervisor, or other individual who manages or supervises employees or volunteers of the District.
- D. Investigator – The District’s General Manager or his designee shall be the investigator for all allegations of Fraud or other wrongdoing unless the General Manager is the subject of the investigation. In that case, the President of the Board of Directors shall assign an alternative investigator.
- E. External Auditor – In this context, external auditor refers to independent audit professionals who perform annual audits of the District’s financial statements.

Policy

All elected officials, appointed committee/board members and employees of the District, as well as any individual or entity doing business with the District are prohibited from engaging in fraudulent conduct in the course of their employment, duties, or business relations with the District.

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. This Policy applies to any irregularity or suspected irregularity, involving employees, consultants, vendors, contractors, outside



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agencies, and/or any other parties with a business relationship with the District. Any investigative activity required will be conducted in an objective and impartial manner without regard to the suspected wrongdoer's length of service, position, title, or relationship to the District. All employees are responsible for the reporting and prevention of fraud, misappropriations, and other irregularities.

Management 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.

Employees will be granted whistle-blower protection when acting in accordance with the reporting provisions of this Policy. When informed of a suspected impropriety, neither the District nor any person acting on behalf of the District shall for retaliatory reasons do any of the following:

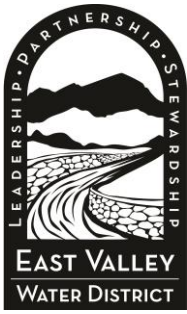
- Dismiss or threaten to dismiss the reporting employee.
- Discipline, suspend, or threaten to discipline or suspend the reporting employee.
- Impose any penalty upon the reporting employee.
- Intimidate or coerce the reporting employee.

Violations of the whistle-blower protection will result in discipline up to and including dismissal. Nothing herein shall prevent the District from otherwise taking non-retaliatory disciplinary action under the Personnel Policies or an applicable Memorandum of Understanding.

The General Manager, following his or her review of the investigation results, will take appropriate action regarding employee misconduct. Disciplinary action shall be imposed in accordance with the District's Personnel Manual and/or Memorandums of Understanding and can include disciplinary action as severe as termination. Further, the case may be referred to an appropriate Law Enforcement Agency for possible arrest and prosecution.

Procedures

A. Management and Non-Management Responsibilities



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1. Management is responsible for being alert to, and reporting fraudulent or related dishonest activities.
2. Non-management employees are responsible to report fraudulent or related dishonest activities.
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 any employee of the District is, or becomes, aware of any activity that may involve fraud or other dishonest activities, they are to contact the General Manager immediately unless the General Manager is alleged to have involvement in the alleged misconduct. If the alleged misconduct is said to involve the General Manager, the Employee is to immediately notify the President of the Board of Directors.
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 reoccurrence of improper actions.
6. All employees shall cooperate fully with the investigator, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
7. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore all employees 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.
8. In handling dishonest or fraudulent activities, all employees have the responsibility to:



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- a. Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be a 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 or District's Legal Counsel. (Employees do have the right to consult with an attorney and/or their union representative).
- c. Avoid discussing the case, facts, suspicions, or allegations with anyone other than employees who have a need to know.
- d. Direct all inquiries from the suspected individual, or his or her representative, to the Investigator. All inquiries from the media should also be directed to the Investigator.

B. Investigator Responsibilities

1. The Investigator has the primary responsibility for the investigation of all activity as defined in this Policy.
2. Upon receiving an allegation of Fraud or other irregularities, the Investigator will promptly conduct a thorough investigation.
3. Employees must cooperate with the Investigator. Refusal, or the conveyance of inaccuracies, may subject an employee to disciplinary action up to and including dismissal.
4. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
5. If evidence is uncovered showing possible dishonest or fraudulent activities, the General Manager will proceed as follows.
 - a. Take immediate action, in consultation with the District's Legal Counsel, to prevent the theft, alteration, or destruction of evidentiary records. Such action may include, but is not limited to:



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- Removing the records and placing them in a secure location, or limiting access to the records.
 - Preventing the individual suspected of committing the fraud from having access to the records.
- b. Take immediate action to improve internal control. Such action shall result in the General Manager having reasonable comfort that the changes in procedures will prevent similar future occurrences.
- c. Take immediate action, in consultation with the District's Legal Counsel to notify the appropriate Law Enforcement Agency (if appropriate) and to take further steps to recover any financial loss incurred by the District.
6. Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of the essential particulars of the allegations following the conclusions of the investigation. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Investigator no later than seven calendar days after notice is received.
7. Upon conclusion of the investigation, the results will be reported to the President of the Board of Directors.