



IDYLLWILD WATER DISTRICT

Fraud Policy

Instilling a “zero tolerance policy” at all levels in The District is our solution to preventing Fraud. Fraud will not be tolerated under any circumstance.

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Background

Fraud presents a significant risk to The District and its employees. Fraud can also endanger The District's existence and damage its local reputation. The dishonesty of a few individuals may negatively impact The District and distort the principles and trust that exist between The District and its customers. The IWD fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Idyllwild Water District (District). It is the intent of the District to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Scope of Policy/Definition

Fraud, for practical purposes, is defined as a dishonest, unethical, irregular, or illegal act or practice which is characterized by a deliberate intent at concealment of a matter of fact, whether by words, conduct, or false representation, which may result in a financial or non-financial loss to The District. 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 the District. Definitions of fraud include:

- Waste... Loss or misuse of District resources that results from deficient practices, system controls or decisions.
- Theft... The act of taking something from someone unlawfully.
- Abuse... The intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of District resources.

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 President of the Board of Directors of the District, who coordinates all investigations with legal counsel and other affected areas, both internal and external.

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. Forgery or alteration of a check, bank draft or any other financial document. Theft of a check or other diversion of a customer payment.
- 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 departmental management. If there is any question as to whether an action constitutes fraud, contact the President of the District Board of Directors.

Reporting Responsibility and Reporting Protection

All employees and Directors of The District who suspect Fraud has occurred, is occurring, or will occur within or in relation to The District must report the matter to Management or The Board President. Reports should be made immediately. Reporting actual or potential Fraud will not be considered an act of disloyalty, but an action which shows your sense of ownership, responsibility and loyalty to The District and its customers. No action will be taken against a person making allegation in good faith and which is not confirmed via subsequent investigation. A report may be made by an employee without fear of harassment, demotion, dismissal, disciplinary action, remedial action, suspension, threats or any method of discrimination or retaliation by The District. The identity of the reporting person will be kept in the strictest confidence to the extent allowed by law.

Investigation Responsibilities

The President of the District Board of Directors 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 Board President will issue reports to the appropriate designated personnel, and if appropriate, to the Board of Directors, through the Audit Committee.

Confidentiality

The President of the District Board of Directors 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 IWD Board of Directors will issue reports to appropriate designated personnel and, if appropriate, to the Audit Committee.

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 senior management, as will final decisions on disposition of the case.

Authorization for Investigating Suspected Fraud

Members chosen to complete the investigation 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.