



Fraud Detection & Prevention 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 Meiners Oaks Water District (MOWD). It is the intent of MOWD to promote high standards of business and personal ethical conduct by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. The District must practice honesty and integrity in fulfilling its responsibilities and comply with all applicable laws and regulations.

Scope of Policy

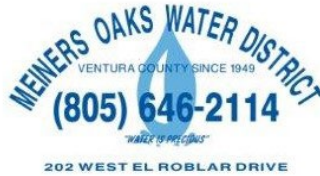
This policy applies to any irregularity, or suspected irregularity, involving employees as well as stakeholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with MOWD.

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. It is the responsibility of all employees to report violations or suspected fraud, including questionable accounting or auditing practices in accordance with this policy. 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 or designee, who coordinates all investigations with the District Attorney(s) and other affected areas, both internal and external.



Actions Constituting Fraud

The term 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
- Misrepresentation or falsification of financial statement(s), including forgery or alteration of documents
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of company activities
- Disclosing confidential and proprietary information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the company
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the District.
- 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 and the Board of Directors.

If there is any question as to whether an action constitutes fraud, contact the General Manager for guidance.

Investigation Responsibilities

Management, in conjunction with legal counsel, 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 management team will issue reports to appropriate designated personnel, and if appropriate, to the Board of Directors.

Decisions to prosecute or refer the examination of results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made by



the Board of Directors in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

Confidentiality

Management treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the General Manager or designee 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 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

Members of the investigative team will include and have:

- The Board of Directors will assign the investigative team members to include at a minimum the Board President/Vice President, District Attorney(s), General Manager/Assistant General Manager.
- 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 management immediately*. The employee or other complainant may remain anonymous. No employee who in good faith reports a violation shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including



termination of employment. 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 management team or District Attorney. 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 District Attorney or General Manager.

Termination

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated manager, Labor Law Attorney or District Attorney, and if necessary, by outside counsel, before any such action is taken. The decision to terminate an employee is made by the employee's management. Should the investigative team believe the management decision is inappropriate for the facts presented; the facts will be presented to the Board of Directors for a decision.

Administration

The General Manager is responsible for the administration, revision, interpretation, and application of this policy. The policy, potential fraud risks, and mitigation efforts will be reviewed by the Board of Directors and Management regularly and will revise as needed. Management will review and discuss fraud risk and mitigation plans with District staff regularly.

Approval

Board Secretary

Board President