

Amador Water Agency

Fraud Prevention Policy
Reviewed and Adopted
09-10-20

100.00 Purpose of the policy . The purpose of this policy is to establish Agency administrative guidelines for clarifying acts that are considered to be fraudulent or dishonest activity, describe management and investigative steps to be taken when fraud or other related dishonest activities are suspected and provide procedures to follow in accounting for missing funds, restitution and recoveries. The policy shall also provide reference to protection for directors, officers, employees and other persons who report such conduct or activities.

100.10 General.

- a. The Amador Water Agency (AWA) is committed to protecting its revenue, property, information and other assets against the risk of loss or misuse. Accordingly, it is the policy of the AWA to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the AWA and, when appropriate, to pursue legal remedies available under the law.
- b. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and any other parties with a business relationship with AWA.
- c. This policy is an internal policy for the management and investigation procedures. Fraud and other misconduct, including frauds reported by persons not AWA employees is the subject matter of Employee Handbook Section 4.01
- d. All employees are responsible for the detection, reporting and prevention of fraud, misappropriations and other irregularities.

100.20 Definitions. The following definitions are used herein:

1. **Fraud** – the intentional false representation or concealment of facts 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:
 - a. Claim for reimbursement of expenses that are fictitious or are not job-related or authorized by current regulations.
 - b. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).
 - c. Misappropriation, misapplication, destruction, removal or concealment of AWA assets (funds, securities, supplies, furniture, equipment, etc.).
 - d. Theft of any asset (money, tangible property, etc.)

- e. Improprieties in handling or reporting of money transactions.
 - f. Authorizing payment for goods not received or services not performed excluding prepayments that were preapproved by the Board of Directors or General Manager.
 - g. Authorizing or receiving compensation for hours not worked.
 - h. Computer-related activity involving unauthorized alteration, destruction, forgery or manipulation of data or misappropriation of AWA-owned software.
 - i. Knowing misrepresentation of information on documents.
 - j. Any apparent violation of Federal, State or Local laws related to dishonest activities or fraud.
 - k. Seeking or accepting anything of material value for personal gain from those doing business with the Agency including vendors, consultants, contractors, lessees, applicants and grantees, provided, however, that this shall not be deemed to apply to campaign contributions otherwise permitted by law.
2. Employee – In this context, employee refers to any individual or group of individuals who receive compensation from AWA for work performed on either a full- or part-time basis. The term also includes any volunteer who provides services to AWA through an official arrangement with AWA.
 3. Management – In this context, management refers to any administrator, manager, director, supervisor or other individual who manages or supervises AWA funds or other resources.
 4. Investigator – In this context, Investigator refers to any person or persons assigned by AWA General Manager to investigate any fraud or similar activity (with the concurrence of the Board of Directors, if the General Manager is involved in the inappropriate activity).
 5. External Auditor – In this context, External Auditor refers to independent audit professionals who perform annual audits of AWA financial statements.
- e. It is AWA'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 or length of service or relationship with the AWA of any party who might be or become involved in or becomes the subject of such investigation.
 - f. Each department of AWA 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.

- g. The Investigator has the primary responsibility for the investigation of all activity as defined in this policy.
- h. Throughout the investigation, the Investigator will inform the General Manager of pertinent investigative findings, unless the General Manager is the subject of the investigation, in which case, the Investigator will inform the AWA's Attorney, AWA Labor Attorney or the Board of Directors of the pertinent investigative findings.

Employees will be granted whistle-blower protection when acting in accordance with this policy and Employee Handbook Section 4.13. Whistle-blower protections shall not, however, be deemed to affect the right of AWA to investigate or take disciplinary action against a whistle-blowing employee for that employee's own improprieties, even if such improprieties are involved in the one for which the employee was a whistle-blower.

- i. Upon conclusion of any investigation, the results will be reported to the General Manager, unless the General Manager is the subject of the investigation, in which case, the Investigator will inform AWA's Attorney/Labor Attorney of the results.
- j. The General Manager, following review of investigation results, will take appropriate action regarding employee misconduct. Disciplinary action can include termination, and referral of the case to the AWA Labor Attorney's Office for possible prosecution. If the General Manager is the subject of the investigation, and the AWA Labor Attorney determines further action is required, then the AWA Labor Attorney shall consult with the Board or Director's which may take appropriate action.
- k. AWA will pursue every reasonable effort, including court ordered restitution, to obtain recovery of AWA losses from the offender, or other appropriate sources.

200.00 Procedures.

- a. Management Responsibilities – in addition to Section 4.01 of the Employee Handbook management shall:
 - 1. Responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
 - 2. Management, in this case the General Manager individually and acting through the responsible department managers, is also responsible for establishing and maintaining a reasonable system of internal controls to ensure the detection and prevention of fraud or other irregularities.

3. 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.
4. 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.
5. If subordinate management or any employee determines a suspected activity may involve fraud or related dishonest activity, then the respective Department Head shall be contacted, who in turn shall notify the General Manager. If the Department Head is alleged to have involvement in the alleged misconduct, then the General Manager shall be contacted directly. If the General Manager is alleged to have involvement in the alleged misconduct, then the Department Head shall inform the AWA's Labor Attorney and together they shall inform the Board of Directors.
6. 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.
7. Management should support the AWA's responsibilities and 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.
8. Management must give full and unrestricted access to all necessary records and personnel. Except as otherwise expressly provided by state or federal law, all AWA furniture and contents, including desks and computers, are open to inspection at any time. There is no expectation of privacy.
9. 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.
10. Employee Responsibilities – refer to Section 4.01 of the Employee Handbook.
11. Investigator's Responsibilities.

1. Upon assignment, the Investigator 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 Investigator, in consultation with the AWA Labor Attorney, will contact the Amador County Sheriff's Department. Notwithstanding the foregoing, if the Amador County Sheriff Department is involved in the fraud, then the Investigator, in consultant with the AWA Labor Attorney, may contact an alternative law enforcement agency.
3. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
4. If evidence is uncovered showing possible dishonest or fraudulent activities, then the Investigator will proceed as follows:
 - a. Discuss the findings with the Department Head, General Manager and/or AWA Labor Attorney (unless any such individual is the subject of the investigation).
 - b. Meet with the General Manager (or AWA labor Attorney if the investigation concerns the General Manager) to:
 1. Determine if disciplinary actions should be taken.
 2. Report to the External Auditor such activities in order to assess the effect of the illegal activity on AWA's financial statements.
 3. Coordinate the notification to insurers and the filing of insurance claims.
 - c. Take immediate action, in consultation with the AWA Labor Attorney (unless the investigation concerns the AWA Labor Attorney), to prevent the theft, alteration or destruction of evidentiary records. Such action shall include, but is not limited to:
 1. Removing the record or other evidence and placing them in a secure location, or limiting access to the records or other evidence.
 2. Preventing the individual suspected of committing the fraud from having access to the records.
5. In consultation with the AWA Labor Attorney (unless the investigation concerns the AWA Labor Attorney) and the Amador County Sheriff Department, the Investigator may disclose particulars of the investigation to potential witnesses if such disclosure would further the investigation.

6. If the Investigator is contacted by the media regarding an alleged fraud or audit investigation, then the Investigator will consult with the General Manager and the AWA Labor Attorney, as appropriate, before responding to a media request for the information or interview.
7. At the conclusion of the investigation, the Investigator will document the results in a confidential memorandum report to the General Manager, and/or AWA Labor Attorney. If the report concludes that the allegations are founded, then the report will be forwarded to the Amador County Sheriff Department or alternative law enforcement agency.
8. The Investigator will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.
9. Upon completion of the investigation, including all legal and personnel actions, all records, documents and other evidentiary material obtained from the department under investigation will be returned by the Investigator to that department.

300.00 Corrective Actions and Discipline. Appropriate and timely action will be taken against those proven to have committed a fraudulent or dishonest act. The remedial actions may include, but are not limited to:

- a. Disciplinary action (up to and including immediate termination of employment).
- b. Restitution for all losses, including investigation and legal expenses, to the fullest extent of the law.
- c. Forwarding information to the appropriate authorities for criminal prosecution.
- d. Institution of civil action to recover losses.

The Amador Water Agency may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from the fraudulent or dishonest conduct.

400.00 Annual Certification. Annual certifications shall be completed as outlined in Section 4.01 of the Employee Handbook.

500.00 Exceptions. There will be no exceptions to this policy, unless approved in writing by the General Manager and Board of Directors. No exception will be valid if the person authorizing the exception is himself/herself the subject of the related allegation.

FRAUD PREVENTION POLICY CERTIFICATION STATEMENT

I _____ confirm I have read the Amador Water Agency's Fraud Policy and understand my responsibilities therein, as they pertain to my employment or relationship with the Amador Water Agency.

I certify and agree to abide by all the provisions contained therein. By signing this form, I also certify, to the best of my knowledge, I have not perpetrated or contributed to the perpetration of fraud or dishonest activity in the Amador Water Agency, nor am I aware of someone who has. I understand failure to report known or suspected instances of fraud or dishonest activity may also result in a corrective or disciplinary action against me, up to and including termination, as well as potential prosecution in the criminal justice system.

Signature of Employee

Name of Employee (please print)

Date