

Yolo Subbasin Groundwater Agency (YSGA)

Policies & Procedures

ADMINISTRATION - Section 2000

2100 - Financial Management

POLICY TITLE: Asset Protection and Fraud in the Workplace

POLICY NUMBER: 2105

(Adopted 9/21/20)

2105.1 Purpose and Scope: To establish policy and procedures for clarifying acts that are considered to be fraudulent, describing the steps to be taken when fraud or other dishonest activities are suspected, and providing procedures to follow in accounting for missing funds, restitution and recoveries.

2105.2 The Yolo Subbasin Groundwater Agency (YSGA) is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the YSGA to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the YSGA and, when appropriate, to pursue available legal remedies.

2105.3 Definitions:

- a) Fraud – 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 YSGA policy;
 - 2) Forgery, falsification, or unauthorized alteration of documents or records (including but not limited to checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.);
 - 3) Misappropriation of YSGA assets (including but not limited to funds, securities, supplies, furniture, equipment, etc.);
 - 4) Inappropriate use of YSGA resources (including but not limited to labor, time, and materials);
 - 5) Improprieties in the handling or reporting of money or financial transactions;
 - 6) Authorizing or receiving payment for goods not received or services not performed;
 - 7) Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of YSGA-owned or –licensed software;
 - 8) Misrepresentation of information;
 - 9) Theft of equipment or other goods;
 - 10) Any apparent violation of federal, state, or local laws related to dishonest activities or fraud;
 - 11) Seeking or accepting anything of material value from those doing business with the YSGA including vendors, consultants, contractors, lessees, applicants, and grantees. Materiality is determined by the YSGA Conflict of Interest Code which incorporates the Fair Political Practices Commission’s regulations;
 - 12) Any other conduct, actions or activities treated as fraud or misappropriation under any federal or state law, rule or regulation.
- b) Employee – In this context, “employee” refers to any individual or group of individuals who receive compensation, either full- or part-time, including members of the Board of Directors, from the YSGA. The term also includes any volunteer who provides services to the YSGA through an authorized arrangement with the YSGA.
- c) Management – In this context, “management” refers to any manager, supervisor, or other individual who manages or supervises YSGA’s resources or assets.

Yolo Subbasin Groundwater Agency (YSGA)

Policies & Procedures

ADMINISTRATION - Section 2000

2100 - Financial Management

- d) Internal Audit Committee – In this context, if the claim of fraud involves anyone other than the YSGA’s Executive Officer, the Internal Audit Committee shall consist of the Executive Officer, the YSGA’s Legal Counsel and any other persons appointed to the Internal Audit Committee by the Executive Officer. If the claim of fraud involves the YSGA’s Executive Officer, the Internal Audit Committee shall consist of the Chair of the Board of Directors, Legal Counsel and those persons appointed to the Internal Audit Committee by the Chair of the Board. Nothing contained in this policy shall be construed as requiring the Executive Officer or the Chair of the Board to appoint other persons to the Internal Audit Committee. Individuals appointed to the Internal Audit Committee by the Executive Officer or the Chair of the Board other than the YSGA’s Legal Counsel shall serve at the pleasure of the Executive Officer or the Chair of the Board.
- e) External Auditor – In this context, “External Auditor” refers to independent audit professionals appointed by the YSGA’s Board of Directors to perform annual audits of the YSGA’s financial statements

2105.4 It is the YSGA’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, and length of service or relationship with the YSGA of any party who might be or become involved in or become the subject of such investigation. An employee being investigated for fraud may request representation by a representative of any recognized bargaining unit that represents the employee.

2105.5 For claims of fraud not involving the Executive Officer, the Executive Officer or an Internal Audit Committee appointed by the Executive Officer shall have primary responsibility for investigation of activity covered by this policy. For claims of fraud involving the Executive Officer, the Chair of the Board or an Internal Audit Committee appointed by the Chair shall have primary responsibility for investigation of activity covered by this policy. The YSGA’s General Counsel shall advise the Committee, the Executive Officer and/or the Board Chair on all such investigations.

2105.6 Throughout the investigation, the Internal Audit Committee will inform the Executive Officer of pertinent investigative findings

2105.7 An employee will be granted whistle-blower protection when acting in accordance with this policy so long as he or she has not engaged in activity that violates this policy. When informed of a suspected impropriety, neither the YSGA nor any person acting on its behalf shall:

- a) Dismiss or threaten to dismiss an employee providing the information,
- b) Discipline, suspend, or threaten to discipline or suspend such an employee,
- c) Impose any penalty upon such an employee, or
- d) Intimidate or coerce such an employee.

Violations of this whistle-blower protection policy will result in discipline up to and including termination.

2105.8 Upon conclusion of an investigation, the results will be reported to the Executive Officer or, if the investigation involves the Executive Officer, the Board Chair, either of whom shall advise the Board of Directors.

2105.9 Following review of investigation results, the Executive Officer or the Board, as the case may be, will take appropriate action regarding employee misconduct. Disciplinary action can include employment discipline up to and including termination, referral for criminal prosecution, or both.

Yolo Subbasin Groundwater Agency (YSGA)

Policies & Procedures

ADMINISTRATION - Section 2000

2100 - Financial Management

2105.10 The Executive Officer or the General Counsel will pursue every reasonable effort, including court-ordered restitution, to obtain recovery of YSGA losses from the offender, other responsible parties, insurers, or other appropriate sources unless the Board should otherwise direct in consultation with General Counsel.

2105.11 Procedures:

2105.12.1 Board of Directors Responsibilities

- a) If a Board Member has reason to suspect a fraud has occurred, he or she shall immediately contact the Executive Officer or the Board Chair, if the activity involves the Executive Officer, and the YSGA's Legal Counsel.
- b) The Board Member shall not attempt to investigate the suspected fraud or discuss the matter with anyone other than the Executive Officer or Board Chair, as the case may be, and the YSGA's Legal Counsel.
- c) The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Executive Officer or the Board Chair after consultation with the YSGA's Legal Counsel and any Internal Audit Committee appointed as to the matter.

2105.12.2 Management Responsibilities

- a) Management staff is responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
- b) Each manager should be familiar with the types of improprieties that might occur in his or her area of responsibility and be alert for any indication that improper activity, misappropriation, or dishonest activity did occur or is occurring.
- c) 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.
- d) If a manager determines a suspected activity may involve fraud or related dishonest activity, he or she should contact his or her immediate supervisor or the YSGA's Executive Officer. If the activity involves
- e) Managers should not attempt to conduct individual investigations, interviews, or interrogations other than as directed by the Executive Officer or General Counsel. However, management staff are responsible for taking appropriate corrective actions to implement adequate controls to prevent recurrence of improper actions.
- f) Management staff should support the YSGA's responsibilities and cooperate fully with the Internal Audit Committee, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
- g) Management staff must give full and unrestricted access to all necessary records and Personnel to those responsible for identifying, investigating and remedying fraud and related dishonest acts. All YSGA assets, including furniture, desks, and computers, are open to inspection at any time. No YSGA officer, agent or employee has a reasonable expectation of privacy in YSGA property and other resources to preclude such inspection.
- h) In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management staff should avoid the following:

Yolo Subbasin Groundwater Agency (YSGA)

Policies & Procedures

ADMINISTRATION - Section 2000

2100 - Financial Management

- 1) Incorrect accusations;
 - 2) Alerting suspected individuals that an investigation is underway;
 - 3) Treating employees unfairly; and
 - 4) Making statements that could lead to claims of false accusations or other offenses.
- i) In handling dishonest or fraudulent activities, managers have the responsibility to:
- 1) Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to “what you did”, “the crime”, “the fraud”, “the misappropriation”, etc;
 - 2) Avoid discussing the case, facts, suspicions, or allegations with anyone outside the YSGA, unless specifically directed to do so by the Executive Officer or the Board Chair; and
 - 3) Avoid discussing the case with anyone inside the YSGA other than employees who have a need to know such as the Executive Officer, Internal Audit Committee, or the YSGA’s Legal Counsel.
 - 4) Direct all inquiries from the suspected individual, or his or her representative, to the Executive Officer, the Board Chair, or the YSGA’s Legal Counsel. All inquiries by an attorney representing a suspected individual should be directed to the Executive Officer or the YSGA’s Legal Counsel. All inquiries from the media should be directed to the Executive Officer or the Board Chair, if the activity involves the Executive Officer.
 - 5) Take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the [position or department] and Legal Counsel, in conformance with YSGA policy and applicable law.

2105.12.3 Employee Responsibilities

- a) A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee’s supervisor for reporting to the proper management official.
- b) When an employee believes his or her supervisor may be involved in inappropriate activity, the employee shall make the report to the next higher level of management and/or the Executive Officer. If the activity involves the Executive Officer, it shall be reported to the Board Chair or the YSGA’s Legal Counsel.
- c) A reporting employee shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone, unless requested by the Executive Officer, Internal Audit Committee, the YSGA’s Legal Counsel, or law enforcement personnel.

2105.12.4 Internal Audit Committee Responsibilities

- a) Upon assignment by the Executive Officer or the Board Chair, an Internal Audit Committee will promptly investigate the allegations.
- b) In all circumstances where there reason to suspect a criminal fraud has occurred, the Internal Audit Committee, in consultation with the YSGA Executive Officer or the Board Chair and Legal Counsel, if the Executive Officer is suspected of involvement in the fraud, will contact the appropriate law enforcement agency.
- c) The Internal Audit Committee shall be available and receptive to relevant, confidential information to the extent allowed by law after consultation with the YSGA’s Legal Counsel.
- d) If evidence is uncovered showing possible dishonest or fraudulent activities, the Internal Audit Committee will:

Yolo Subbasin Groundwater Agency (YSGA)

Policies & Procedures

ADMINISTRATION - Section 2000

2100 - Financial Management

- 1) Discuss the findings with management and the Executive Officer;
- 2) Advise management, if the case involves YSGA staff members, to meet with the [position title] (or his/her designated representative) to determine if disciplinary action should be taken;
- 3) Report to the External Auditor such activities to assess the effect of the illegal activity on the YSGA's financial statements;
- 4) Coordinate with the YSGA's risk manager regarding notification to insurers and filing of insurance claims;
- 5) Take immediate action, after consultation with the Legal Counsel, to prevent the theft, alteration, or destruction of evidence. Such action shall include, but is not limited to:
 - a) Removing relevant records and placing them in a secure location, or limiting access to those records
 - b) Preventing the individual suspected of committing the fraud from having access to the records.
- 6) In consultation with the YSGA Legal Counsel and the local law enforcement agency, the Internal Audit Committee may disclose particulars of the investigation to potential witnesses if such disclosure would further the investigation.
- 7) If the Internal Audit Committee is contacted by the media regarding an alleged fraud or audit investigation, the Internal Audit Committee will refer the media to the Executive Officer or Board Chair, if the activity involves the Executive Officer.
- 8) At the conclusion of the investigation, the Internal Audit Committee will document the results in a confidential memorandum report to the Executive Officer or the Board Chair for action. If the report concludes that the allegations are founded and the YSGA's Legal Counsel has determined that a crime has occurred, the report will be forwarded to the appropriate law enforcement agency.
- 9) The Internal Audit Committee shall make recommendations to the appropriate department as to the prevention of future similar occurrences.
- 10) 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 Internal Audit Committee to that department.

2105.13 Exceptions

There will be no exceptions to this policy unless provided and approved in writing by the Executive Officer or the Board Chair and the YSGA Legal Counsel. The Board of Directors reserves the right to amend, delete, or revise this policy at any time by formal action of the Board of Directors.