

## Bolivar Peninsula S.U.D.

SUBJECT: <b>FRAUD</b>	<b>Policy A-04</b>	
<p><b><u>PURPOSE</u></b> The District’s fraud policy is established to facilitate the development of controls which will aid in the detection and prevention of fraud against Bolivar peninsula Special Utility District (the “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.</p> <p><b><u>SCOPE</u></b> This policy applies to any fraud, or suspected fraud, involving employees, 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. Any investigative activity required will be conducted without regard to the suspected wrongdoer’s length of service, position/title, or relationship to the District.</p> <p><b><u>POLICY</u></b> <b>General:</b> Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. 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 fraud that is detected or suspected must be reported immediately to the General Manager, who coordinates all investigations with the Board of Directors and Legal Counsel and other affected areas, both internal and external. In cases of suspected fraud by the General Manager, a complaint should be given directly to the President of the Board.</p> <p><b>Actions Constituting Fraud:</b> The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:</p> <ul style="list-style-type: none"><li>Any dishonest or fraudulent act</li><li>Forgery or alteration of any document or account belonging to the District</li><li>Forgery or alteration of a check, bank draft, or any other financial document</li><li>Misappropriation of funds, securities, supplies, or other assets</li><li>Impropriety in the handling or reporting of money or financial transactions</li><li>Profiteering as a result of insider knowledge of company activities</li><li>Disclosing confidential and proprietary information to outside parties</li><li>Disclosing to other persons securities activities engaged in or contemplated by the company</li><li>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.</li><li>Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or</li><li>Any similar or related inappropriate conduct</li></ul> <p><b>Other Inappropriate Conduct:</b> <i>Suspected improprieties</i> concerning an employee’s moral, ethical, or behavioral conduct, should be resolved by the General Manager. If there is any question as to whether an action constitutes fraud, contact the General Manager for guidance.</p> <p><b>Investigation Responsibilities:</b> The General Manager 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 General Manager will issue reports to the Board of Directors. 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 as will final decisions on disposition of the case.</p>		
<b>FRAUD POLICY A-04</b>	APPROVED AND EFFECTIVE ON MAY 11, 2004.  _____ President	Page 1 of 2

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### **POLICY (cont.)**

**Confidentiality:** Bolivar Peninsula Special Utility District treats all information received *confidentially* to the extent allowed by law. Any employee who suspects dishonest or fraudulent activity will notify the General Manager 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 a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct.

**Authorization For Investigating Suspected Fraud:** Members of the Investigation Unit will have :

Free and unrestricted access to all Company 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 may 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 wrongdoings 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 the General Manager immediately*. 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 Legal Counsel through the General Manager. 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 General Manager or Legal Counsel.

**Termination:** If an investigation results in a recommendation to terminate an individual, the General Manager will be responsible. If necessary, Legal Counsel will be contacted. The Board of Directors does not have the authority to terminate an employee other than the General Manager.

**Administration:** The General Manager is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

### **COMPLIANCE**

Adherence to the above is mandatory for all employees and Directors.

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