

# TRORC Fraud Prevention Policy

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## **Purpose**

The purpose of this policy is to provide controls that will aid in the detection and prevention of fraud against the Two Rivers-Ottawaquechee Regional Commission (TRORC). It is the intent of TRORC to promote consistent organizational behavior by providing a mechanism for employees and board members to bring to the attention of the TRORC auditors any complaints regarding the integrity of the TRORC's internal financial controls or the accuracy or completeness of financial or other information used in or related to the TRORC's financial activities, statements and reports. TRORC employees and commissioners shall not be discharged, demoted, suspended, threatened, harassed, or discriminated against in any manner for raising reasonable questions concerning fraud in accordance with this policy. This policy applies to any irregularity or suspected irregularity, involving employees as well as consultants, vendors, contractors, and any other parties with a business relationship with TRORC. Any required investigative activity shall be conducted without regard to the suspected wrongdoer's length of service, position, title, or relationship to TRORC. This policy shall be reviewed and revised by the TRORC board as necessary.

Fraud is defined as the intentional, false representation, or concealment of a material fact for the purpose of financial or personal gain. Actions constituting fraud include:

- Any dishonest or fraudulent act.
- Misappropriation of funds, securities, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of TRORC activities.
- Disclosing confidential and proprietary information to outside parties.
- Accepting or seeking anything of material value (> \$50 value) from contractors, vendors or persons providing services or materials to TRORC.
- Destruction, removal, or inappropriate use of records, furniture, fixtures and equipment.
- Any similar or related irregularity.

## **Reports of Irregularity**

TRORC management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Management shall be familiar with the types of improprieties that may occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any TRORC employee or board member who detects or suspects fraudulent activity should immediately report such conduct to the TRORC auditor. The report should include a description of the matter or irregularity and the period of time during which the complainant observed the matter or irregularity. The report may include the complainant's contact information or the complainant may remain anonymous. A report shall not be deemed deficient with the absence of contact information. The auditor shall treat all information received confidentially. The complainant must not attempt to personally conduct investigations or interrogations related to any suspected fraudulent activity. The complainant shall not discuss the case, facts, suspicions or allegations with anyone else unless specifically asked to by the TRORC auditor and shall not contact the suspected individual in an effort to determine facts or to demand restitution.

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Examples of reportable actions include any indication of fraud, misappropriation of TRORC resources, substantial variation in TRORC's financial reporting methodology from prior practice or from generally accepted accounting principles, and the falsification, concealment, or inappropriate destruction of TRORC financial records.

### Investigation

Upon receiving such a report, the TRORC auditor shall analyze the issues identified in the report to determine whether or not a full investigation is necessary. If a full investigation is warranted, the TRORC auditor may consult with the TRORC Executive Committee, the Executive Director, and any other TRORC employee, legal counsel and other independent auditors as part of their investigation. When it is within the scope of the investigation, members of the investigative team shall be provided free and unrestricted access to all TRORC company records and equipment and shall have 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.

At the conclusion of the investigation, the TRORC auditor shall prepare a written response to the report. All fraud reports and responses shall be treated confidentially. To avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct, and to protect TRORC from potential civil liability, investigation results shall not be disclosed or discussed with anyone other than those who have a legitimate need to know. If the investigation substantiates that fraudulent activities have occurred, disciplinary actions may then be taken. Decisions to prosecute or refer the report results to the appropriate law enforcement or regulatory agencies for independent investigation shall be made in conjunction with legal counsel and the TRORC Executive Committee, as will a final decision or disposition of the case. The TRORC auditor does not have the authority to terminate or discipline an employee. The decision to terminate an employee shall be made by the Executive Director, with advice from the TRORC Executive Committee and legal counsel.

Adopted by the TRORC Board of Commissioners:

William B. Emmons III  
TRORC Board Chairperson

5/1/2013  
Date