

Board Policy No. 28 Fraud Prevention

Summary

This document sets forth the North County Transit District's (NCTD) fraud prevention policy.

Policy

This policy is established to facilitate the development of controls that aid in the detection and prevention of fraud against NCTD. It is the intent of NCTD to promote responsible organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

NCTD is committed to protecting its revenue, property, proprietary information, and other assets. NCTD will not tolerate any misuse or misappropriation of those assets. NCTD's Fraud Prevention Policy is established to provide guidance to employees when misuse or misappropriation of NCTD assets is suspected.

It is NCTD's intent to fully investigate any suspected acts of fraud, as defined in this policy, in an impartial manner regardless of the suspected wrongdoer's length of service, position, title, or relationship to NCTD. Any act of fraud that is detected or suspected must be reported immediately and investigated in accordance with this policy. To facilitate reporting, NCTD has made available a whistleblower hotline for use by all NCTD employees and contractors. Suspected violations may be reported via the anonymous Whistleblower Hotline managed by third-party vendor, Navex Global at www.nctd.ethicspoint.com or by calling 855-877-6048. Furthermore, NCTD has instituted a Fraud Response Plan that identifies a Fraud Response Team to take immediate action and effectively address and respond to potential fraud activities.

NCTD will make every reasonable effort, including court-ordered restitution, to recover or receive compensation from any appropriate source for NCTD assets obtained by fraud.

Scope of Policy

This policy applies to any irregularity, or suspected irregularity, involving NCTD employees as well as members of the Board of Directors, the Executive Director, consultants, vendors, contractors, outside agencies doing business with NCTD employees, and any other parties with a business relationship with NCTD.

Definition of Fraud

Fraud is any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

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For the purposes of this policy, fraud includes, but is not limited to, the following:

1. Any intentional dishonest act of misappropriation of funds, supplies, or other assets;
2. Impropriety in handling or reporting of money or financial transactions;
3. Profiteering as a result of insider knowledge of NCTD activities;
4. Disclosing confidential and proprietary information to outside parties;
5. Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to NCTD (Refer to NCTD's Employee Handbook for detailed information);
6. Unauthorized destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; or
7. Any similar or related irregularity.

Responsibilities

Managers – Members of management are responsible for establishing and maintaining a system of internal controls to ensure the detection and prevention of fraud, waste, abuse, and other irregularities. Management should be reasonably familiar with the types of fraud that might occur within their area of responsibility and be alert for any indication of fraud. If necessary, management will support and cooperate with auditors and law enforcement, in the detection, reporting, and investigation of all potentially fraudulent acts, including the prosecution of the offenders.

Employees – Any direct employee of NCTD or contractor employee, who knows or has reason to believe that fraud may have occurred, has a duty to immediately notify his/her immediate supervisor and the NCTD Office of General Counsel. If the employee has reason to believe that the employee's immediate supervisor may be involved, the employee shall immediately notify senior management. All employees shall fully cooperate with management, auditors, and law enforcement agencies during the course of an investigation and will make all reasonable efforts to be available to assist in the investigation.

The General Counsel, or designee – As an investigator, the General Counsel or designee has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the Policy. The assigned investigator will have:

- Free and unrestricted access to all NCTD personnel, records, physical properties, 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 the investigation.

If the investigation substantiates that fraudulent activities have occurred, the General Counsel will issue reports to the appropriate designated personnel. Depending on the nature and severity of the fraudulent activities, the General Counsel may refer the matter to outside legal counsel to conduct an independent investigation. General Counsel, in consultation with the Board of

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Directors, will decide whether to refer the matter to the District Attorney or other appropriate enforcement agency for investigation and further action.

Administrative Policy ADM-1006 - *Fraud Response Plan* outlines the specific steps in response to a suspected fraud incident and provides a list of roles and responsibilities of management staff, employees, and the Office of General Counsel to respond to suspected fraud incidents in accordance with this Board Policy.

Confidentiality

All participants in a fraud investigation shall treat all information received confidentially. Except as required by law, investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Any staff person or elected official contacted by the media with respect to a fraud investigation shall refer the media person to NCTD's Chief of Advocacy, Marketing and Communication.

Whistleblower Protection

No person covered by this policy shall:

1. Dismiss or threaten to dismiss an employee;
2. Discipline or suspend or threaten to discipline or suspend an employee;
3. Impose any penalty on an employee; and/or
4. Intimidate or coerce any employee, because the employee has acted in accordance with the requirements of the policy.

Disciplinary Action


Management is responsible for discipline of employees in accordance with NCTD's Employee Handbook and in consultation with Human Resources. Employees who have committed fraud will be subject to disciplinary action up to and including dismissal. NCTD's Employee Handbook contains additional information regarding disciplinary procedures for employees.

NCTD may terminate its contract with any independent contractor or consultant that commits fraud and/or pursue any other available remedies under the contract, at law, or in equity and may report such fraud to the appropriate Local, State, and Federal agency.

APPROVALS ON FOLLOWING PAGE

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Approvals


 Board Chair 10/19/2023
 Date


 Executive Director 10/19/2023
 Date


 General Counsel 10/19/2023
 Date

DATE	REVISION No.	RESOLUTION No.	COMMENTS
10/18/2012	ADOPTED	12-10	
10/17/2013	1	13-07	2013 REVISION
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10/19/2023	8	23-06	2023 REVISION AND INCLUSION OF FRAUD RESPONSE PLAN