

MEMO



To: 2017 Board of Directors
From: General Manager, Robb Etnyre
Dates: December 16, 2017
Subject: **Fraud Prevention Policy (Administrative Resolution 2016-5) Quarterly Compliance Report for Fourth Quarter**

Introduction

The board of directors approved Administrative Resolution 2016-5, titled Fraud Prevention Policy and Administrative Resolution 2016-6, titled Whistleblower Protection Policy. Both policies remain in effect. To maintain consistent communication and reporting on these policies with the board of directors, the following quarterly schedule has been established to provide a status report on these policies. Reporting will typically take place during the below calendar month's board meetings in executive session, given the sensitive nature of fraud reporting. The following topics will be addressed quarterly, per policy:

1. Association fraud **risk management activities**
2. **Reported suspected fraud** or other acts that may be illegal, unethical or in violation of adopted policies, including the Code of Conduct
3. **Results of investigations** and incident resolutions

March	June	September	December
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Risk Management Activities

The following policies and entity level controls have been established to create an effective environment to manage the Association's fraud risk:

- Codes of Conduct for the Association's Board of Directors (Resolution 2016-7), Senior Management (Directors and above) and employees prescribed expected professional and ethical conduct, including potential conflicts of interest. Individual Board Directors, Senior Managers, Managers, and all full-time regular employees will affirm they have read, understood and complied with these policies annually.
 - Board of Directors has a currently adopted Fraud Prevention Policy (2016-5).

- Board of Directors has a currently adopted Whistleblower Protection Policy (2016-6)
- Board of Directors has a current adopted Code of Conduct (2016-7).
 - Currently updating annual full-time employee code of conduct acknowledgement statements.
- Actions for fourth quarter
 - Full-time, regular employee annual acknowledgement statements updated for new year will occur.
- The Association has adopted a formal delegation of authority for authorizing and executing transactions on behalf of the organization and two individuals are required for transactions over defined limits (Resolution 2009-10).
 - Management Internal Limitations by General Manager, Effective 1/20/2016
 - Supervisor \$ 0
 - Manager \$ 500
 - Senior Manager \$ 1,000
 - Director of Finance \$ 2,000
 - General Manager \$ > 2,000
 - ALL SPENDING REQUIRES PRE-APPROVAL.
 - Approvals should be obtained on Purchase Order (PO) prior to any firm commitment or order execution with vendor.
- Duties are adequately segregated throughout the organization.
- Established a Director of Loss Prevention & Risk Management to oversee and direct specific loss prevention activities, reporting, and staff.
- Financial results, with variance analysis to prior periods and budgeted amounts, are reviewed monthly with the Finance Committee, Managers, and Board of Directors.
- Related party transactions, including those with Board members, are reviewed annually in conjunction with the audit of the financial statements.
- Loss prevention cameras exist in various locations throughout Tahoe Donner. Digital video from loss prevention is reviewed and/or when appropriate and relevant to an investigation.
- Employees in Finance and Accounting are required to take at least five days of consecutive paid time off annually.
- Background checks are performed for all new hires in Senior Management and Finance and Information Technology Department positions, including confirmation of work history, education, criminal record, credit report and follow up with references. Background checks related to criminal history are also performed for employees that will regularly interact with minors.

- The Employee Handbook is provided to all employees at the time of hiring and includes the following information:
 - Employee Code of Conduct
 - Association policy on accepting gifts
 - Basic provisions from the Fraud Policy and the Whistleblower Policy describing responsibilities, reporting and investigation processes and retaliation protections
 - Requirement for cooperating with investigations into alleged fraud or any other suspected actions that may be illegal or unethical or in violation of Association policies, including the Code of Conduct

Reported Suspected Fraud

- The Association has adopted a Whistleblower Protection Policy, including a third-party Fraud Hotline for anonymous reporting.
- No reported cases of fraud for this period.

Reported acts that may be illegal, unethical or in violation of adopted policies, including the Code of Conduct

- Five reported cases
 - V17-11-1: Investigation initiated
 - B17-11-2: Investigation initiated
 - B17-11-3: Investigation initiated
 - B17-11-4: Investigation initiated
 - B17-12-1: Investigation initiated
- **Results of Investigations**
 - No completed investigations as of this report

Respectfully,

RP Etnyre

Robb Etnyre
General Manager
Tahoe Donner Association