



## Policy 19

### Fraud, Waste & Abuse

May 14, 2026

#### 1. Purpose

The Mendocino Coast Health Care District (MCHCD) Board is committed to creating and supporting a workplace culture that promotes integrity, ethical decision-making, honesty, and accountability and to prevent fraud, waste, and abuse. The purpose of this Policy is to establish a common understanding of fraud, waste and abuse, the methods and tools that MCHCD has implemented to prevent these concerns, and the actions that should be taken if fraud, waste, or abuse is suspected of occurring.

This Policy is intended to establish and maintain a fair, ethical, and honest business environment for all employees, volunteers, consultants, contractors, and anyone else with whom MCHCD has a business relationship. This Policy does not supersede or preclude MCHCD from complying with applicable federal, state, or local laws or guidelines that require measures that are more prescriptive and/or restrictive than provided here.

#### 2. Scope

This Policy applies to all MCHCD volunteers, outside agencies, consultants, contractors, employees (both permanent and temporary), and any other persons or entities doing business with MCHCD. This Policy applies to any suspected or actual fraud, waste, or abuse against MCHCD, or the public served by this organization.

#### 3. Definitions

“Fraud, waste or abuse” is “any activity by a local agency or employee that is undertaken in the performance of the employee’s official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.” California Government Code Section 53087.6(f)(2)



Improper Government Activity means any activity, or act by an executive management, director, department, officer (elected or appointed), or employee relating to the performance of official MCHCD business, duties, and responsibilities.

There are four categories that constitute improper government activity: (1) gross mismanagement, (2) significant waste of public funds, (3) abuse of authority, or (4) substantial and specific danger to public health and safety.

**Gross Mismanagement** means the failure to exercise even a substandard level of performance relating to the management of projects, programs, activities, functions, services, and responsibilities.

**Significant waste of public funds** means an unnecessary expenditure of a substantial amount of money or a series of unnecessary expenditures of smaller amounts of money.

**Abuse of Authority** means the willful exercise of authority for improper or wrongful purpose.

**Substantial and specific danger to the public health and safety** means a risk of serious injury, illness, peril or loss, to which the exposure of the public is a gross deviation from the standard of care or competence which a reasonable person would observe in the same situation.

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**Fraud:** Fraud is defined as a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which employees or officials committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the Agency of its resources or rights. There are three categories of fraud. They include 1) financial statement fraud, 2) misappropriation of assets, and 3) corruption.

**Waste:** Waste is defined as the needless, careless, or extravagant expenditure of Agency funds; incurring of unnecessary expenses; or mismanagement of Agency resources or property. Waste does not necessarily involve private use or personal gain, but it almost always signifies poor management decisions, practices, or controls.

**Abuse:** Abuse is defined as the intentional, wrongful, or improper use or destruction of Agency resources, or improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or official's position in a manner other than its rightful or legal use.

**Business Ethics:** Business ethics refers to contemporary organizational standards, principles, sets of values, and norms that govern the actions and behavior of an

individual in the business organization. Business ethics have two dimensions, normative business ethics or descriptive business ethics.

**Human Resources Ethics:** Interactions between managers and employees create opportunities for breaches of ethics, such as discrimination based on ethnicity, gender, age, or other factors. Managers who discriminate against protected groups in hiring practices, compensation decisions, and terms of employment can face legal and social consequences. Dishonesty and manipulation are also examples of unethical workplace behavior.

**Accounting Ethics:** Financial accounting is a major ethical issue, and no amount of industry or government regulation seems able to prevent dishonest people from reporting financial information in unethical ways. Certain unethical accounting practices are illegal, such as misrepresenting income or expenses in financial statements through unjustifiable shifting of expenses to inappropriate periods to influence current financial results, obtain a better debt rate, or to maintain debt covenant requirements.

Examples of fraud, waste, and abuse under this Policy include, but are not limited to:

**Misappropriation of funds**, including without limitation, theft of cash or of funds, being economically wasteful, personal purchases using MCHCD resources, falsifying travel expense reports, misuse of expense cards, false invoicing, payroll falsification, creating unnecessary overtime, and/or forgery or alteration of any document.

**Misappropriation of property**, including without limitation, theft, or removal of MCHCD equipment, inventory or supplies, use of MCHCD equipment for purposes unrelated to MCHCD business, use of one's position at MCHCD to gain advantage when conducting personal business with a vendor, and/or destruction, removal, or inappropriate use of MCHCD furniture, fixtures, and equipment.

**Misappropriation of insurance proceeds**, including without limitation, filing a false claim for workers compensation, accidents, or other claims.

**An act or omission with corrupt intent**, including without limitation, overcharging for goods or services, secret commissions (e.g., kickbacks), acceptance of gifts / goods / services as inducement to giving work to any contractor or supplier, and/or collusive bidding.

**Knowingly making misleading statements**, including without limitation, false accounting, deliberate misstatement of accounting information, and/or intentional statements of incorrect or misleading employment history / educational qualifications.

**Gross misconduct**, including without limitation, deliberate wrongdoing that undermines the trust and confidence between an employee and MCHCD, disclosing confidential information, and/or destruction of records.

**Willful omission** with the intent to mislead or intentional concealment or misrepresentation of a material fact, including without limitation, intentionally omitting or ignoring information important to the day-to-day operations of MCHCD.



*MCHCD provides a hospital and fosters leadership, advocacy and collaboration  
for our community health and well-being.*

**Knowingly making a false promise**, including without limitation, intentionally omitting or ignoring information important to the day-to-day operations of MCHCD. Those who are unsure as to whether particular conduct constitutes fraudulent, wasteful, or abusive conduct are advised to contact the District Manager or Board for clarification. Further, those who see or suspect any fraud, waste, or abuse must report it immediately. Appropriately qualified parties, depending on the matter, including law enforcement if applicable, may be asked to undertake an investigation. Investigation results will not be disclosed or discussed with anyone other than on a legitimate need-to-know basis. Reports will be treated as confidential. All reports must be made with truthful and accurate information and to the best of your knowledge. Reports may be made by telephone, e-mail, or by U.S. mail by contacting the following:

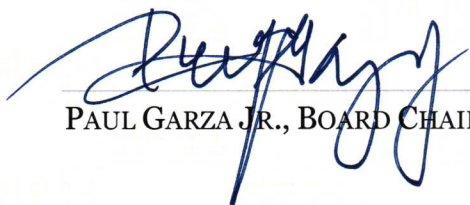
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APPROVAL SIGNATURES:



PAUL GARZA JR., BOARD CHAIR

May 14, 2026

DATE ADOPTED

ATTEST:

May 14, 2026

SUSAN SAVAGE, BOARD SECRETARY      DATE