

# BPA Policy 231-6

## Fraud Risk Management

### Table of Contents

|                                    |   |
|------------------------------------|---|
| 1. Purpose & Background .....      | 2 |
| 2. Policy Owner .....              | 2 |
| 3. Applicability .....             | 2 |
| 4. Terms & Definitions .....       | 2 |
| 5. Policy.....                     | 3 |
| 6. Policy Exceptions .....         | 3 |
| 7. Responsibilities .....          | 3 |
| 8. Standards & Procedures .....    | 5 |
| 9. Performance & Monitoring .....  | 5 |
| 10. Authorities & References ..... | 5 |
| 11. Review .....                   | 6 |
| 12. Revision History .....         | 6 |



## 1. Purpose & Background

Fraud poses a significant risk to the integrity of programs managed by the Bonneville Power Administration (BPA) and would erode public trust in the organization. Effective fraud risk management helps to ensure that BPA programs and services fulfill their intended purposes, funds are spent effectively, and assets are safeguarded. The purpose of this policy is to implement the requirements, responsibilities, and principles contained in Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and Government Accountability Office (GAO) report GAO-15-593SP, *A GAO Framework for Managing Fraud Risks in Federal Programs*.

## 2. Policy Owner

The Executive Vice President of Compliance, Audit, and Risk Management (EVP CAR) and Chief Risk Officer, working through the Chief Compliance Officer (CCO) and the Governance and Internal Controls Supervisor, has overall responsibility for monitoring, reporting, evaluating, and proposing revisions to this policy.

## 3. Applicability

The fraud risk management practices and standards expressed in this policy apply to all BPA strategy setting, decision-making, and operational activities.

## 4. Terms & Definitions

- A. **Fraud:** Obtaining something of value through willful misrepresentation.
- B. **Waste:** Using or expending resources carelessly, extravagantly, or to no purpose. Waste does not necessarily involve fraud or illegal acts.
- C. **Abuse:** Excessive or improper use of a thing, or to use something in a manner contrary to the natural or legal rules for its use. This includes the misuse of authority or position for personal gain or for the benefit of another. Abuse does not necessarily involve fraud or illegal acts.
- D. **Control:** The measure that is modifying the risk.
- E. **Inherent Risk:** The exposure arising from a specific risk before any action has been taken to manage it beyond normal operations.
- F. **Risk Assessment:** The overall process of risk identification, risk analysis, and risk evaluation.
- G. **Risk Profile:** A description of any set of risks.
- H. **Residual Risk:** The risk remaining after risk treatment.

|                                                               |                               |                                       |                     |                           |
|---------------------------------------------------------------|-------------------------------|---------------------------------------|---------------------|---------------------------|
| <b>Organization</b><br>Governance and Internal Controls (CGC) |                               | <b>Title</b><br>Fraud Risk Management |                     | <b>Unique ID</b><br>231-6 |
| <b>Author</b><br>Emily Robertson                              | <b>Approved by</b><br>EVP CAR | <b>Date</b><br>08/05/2024             | <b>Version</b><br>2 | Page 2                    |

## 5. Policy

This policy outlines BPA's fraud risk management program and establishes practices to achieve the program objectives as well as reducing or eliminating fraud risks. Criteria for BPA's fraud risk management program are derived from Department of Energy (DOE) orders, OMB circulars, and GAO standards that, when integrated, provide the basis for the requirements in this policy.

Specifically, BPA management supports the goals established in GAO-15-593SP, *A Framework for Managing Fraud Risks in Federal Programs*:

1. Combat fraud by creating an organizational culture and structure conducive to fraud risk management.
2. Plan regular fraud risk assessments and determine a fraud risk profile.
3. Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.
4. Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.

## 6. Policy Exceptions

The following events are not subject to actions under this policy:

1. Personal injury or loss of life. Where appropriate, BPA's Safety organization will lead these incident assessments.
2. Suspected violations of criminal law. Compliance Response and Remediation will coordinate with the DOE Inspector General; Security will facilitate any necessary coordination with appropriate law enforcement entities, and the Office of General Counsel will coordinate any necessary legal response activities for these types of incidents.

Enterprise Risk Management resources will provide support in these instances if requested.

## 7. Responsibilities

- A. **Audit, Compliance & Governance Committee.** Reviews and approves recommendations from the EVP CAR to remediate fraud risks at BPA.
- B. **Executive Vice President, Compliance, Audit, and Risk Management.** Initiates fraud risk assessments periodically as needed but no less than every 3 years.
- C. **Chief Audit Executive.** Provides results of audits involving fraud or illegal acts to be included in the annual review of fraud risk management efforts.

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- D. **Chief Compliance Officer.** Working through Governance and Internal Controls, the CCO reviews fraud risk management efforts annually to develop a recommendation to the EVP CAR for conducting the fraud risk assessment. The CCO ensures development and maintenance of an organizational fraud risk profile in coordination with Enterprise Risk Management, Supply Chain, Finance, the Office of General Counsel, Internal Audit, and other organizations as necessary. The CCO will conduct an annual assessment of fraud risk management activities including a review and update (as appropriate) of the organizational fraud risk profile.

Specifically, the BPA CCO, in cooperation with various agency groups:

1. Creates an entity-level fraud risk profile in accordance with the guidelines contained in GAO-15-593SP, a Framework for Managing Fraud Risks.
2. Establishes an internal control review process that includes an assessment of fraud risk in all internal controls.
3. Conducts fraud awareness communications efforts to create an organizational culture aware of fraud risk and the need to report fraud.
4. Maintains a means for reporting fraud anonymously.
5. Conducts periodic fraud risk assessments and annual reviews of fraud risk management at the entity level.
6. Coordinates with BPA Finance and various organizations within BPA to evaluate awareness of fraud or other illegal acts.

E. **Governance and Internal Controls Manager.**

1. Creates and updates the fraud risk profile for the enterprise. Ensures the fraud risk profile conforms to the requirements of GAO-15-593SP, *A GAO Framework for Managing Fraud Risks in Federal Programs*.
2. Monitors compliance with this policy.
3. Fulfills communication and training needs related to this policy, including maintaining a hotline for reporting fraud anonymously.
4. In association with the Internal Controls Oversight Team (ICOT), identifies and monitors fraud risks, controls, and remediation efforts in accordance with GAO-14-704G, *Standards for Internal Control in the Federal Government (the Green Book)*.

F. **Enterprise Risk Manager.**

1. Provides support to the EVP CAR and the CCO to ensure that the fraud risk management process is consistent with established risk management standards.
2. As needed, provides additional risk management information, resources, tools, or analytical methods in support of fraud risk management program objectives and activities.

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- G. **BPA Organizations.** Include an assessment of fraud risk in planning and operations.
- H. **BPA Employees.** Attend fraud awareness training and report suspected fraudulent activities in accordance with DOE O 221.1B, *Reporting Fraud, Waste and Abuse to the Office of the Inspector General* and BPA Policy 230-2, *Reporting Violations of Law and Policy*.

## 8. Standards & Procedures

### A. BPA Procedure 230-7-1, *Hotline*

1. Describes the procedures for receiving, assessing, and processing concerns reported or referred to the BPA Hotline. These procedures set standards for conducting investigations, resolving concerns, referring a concern for alternative dispute resolution, transferring or referring a concern to another organization, and closing a concern.

### B. BPA Investigation Process Program Guide

2. This handbook provides the elements and standards for internal investigations conducted resulting from concerns reported to the BPA Hotline, DOE IG Referral, or any other source.

## 9. Performance & Monitoring

The Governance and Internal Controls monitors reports of fraud, waste, abuse, and other violations and ensures that BPA is compliant with protocols, procedures, and laws in responding to such reports.

## 10. Authorities & References

### A. Authorities

1. OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*
2. GAO-15-593SP, *A GAO Framework for Managing Fraud Risks in Federal Programs*
3. 5 CFR Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*

### B. References

1. BPA Policy 160-1, *Ethics*
2. BPA Policy 237-1, *Employee & Public Concerns*
3. BPA Policy 230-7, *Hotline*
4. BPA Policy 430-1, *Safeguards and Security Program*
5. BPA Policy 231-1, *Enterprise Risk Management*

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## 11. Review

This policy is scheduled for cross-agency review at least every 5 years in accordance with BPA policy standards as coordinated by the Policy Program Office.

## 12. Revision History

| Version Number | Issue Date | Brief Description of Change or Review                                                                                       |
|----------------|------------|-----------------------------------------------------------------------------------------------------------------------------|
| 1.0            | 11/23/2021 | Initial publication                                                                                                         |
| 2.0            | 08/05/2024 | Fraud Program moved from Compliance Response and Remediation organization to Governance and Internal Controls organization. |
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