

# Anti-Fraud Policy

## Introduction

The City has established an anti fraud policy to enforce controls and to aid in the prevention and detection of fraud, theft, waste, or abuse against the City. This policy applies to any fraud, theft, waste, or abuse or suspected fraud, theft, waste, or abuse involving an employee (including management), a consultant, vendor, contractor, outside City, or person doing business with the City or in any other relationship with the City.

The City does not tolerate any type of fraud, theft, waste or abuse. The City's policy is to promote consistent, legal, and ethical organizational behavior by assigning responsibility for reporting fraud, theft, waste or abuse and providing guidelines to conduct investigations of suspected fraudulent behavior.

Failure to comply with this policy subjects an employee (including management) to disciplinary action, including immediate termination. Failure to comply by a consultant, vendor, contractor, outside City, or person doing business with the City or in any other relationship with the City could result in cancellation of the business or other relationship between the entity and the City.

The City will pursue prosecution if the results of an investigation indicate the possibility of criminal activity.

For purposes of this policy only the term *fraud* or *fraudulent* includes theft, waste, and abuse as defined below. The term *employee* includes employees not in management positions. The term *management* includes directors, managers, assistant managers, supervisors and any other employee who has authority to sign another employee's performance evaluation.

## Definitions and Examples of Fraud, Waste, and Abuse

*Fraud* is defined as an intentional deception designed to obtain a benefit or advantage or to cause some benefit that is due to be denied. Examples of fraud include:

- Forgery or alteration of a check, bank draft, or any other financial document;
- Theft of a check or other diversion of a taxpayer payment;
- 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 City operations;
- An employee with access to confidential taxpayer information who sells this information or uses it in the conduct of an outside business activity;
- Disclosing to others the securities activities engaged in or contemplated by the City.

**Waste** is the loss or misuse of City resources that results from deficient practices, system controls, or decisions. An example of waste is not taking advantage of available early bird conference registration discounts.

**Abuse** is the intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc. Examples of abuse include:

- Using state equipment or supplies to conduct personal business;
- An employee using non-confidential taxpayer information to get new customers for his/her outside business.

**Theft** is defined as the act of taking something from someone unlawfully. An example of theft is taking home a printer belonging to the City and keeping it for personal use.

The City Manager is designated as **Ethics Officer**. The City Manager may delegate all or a portion of the fraud related duties to any staff member.

## **Responsibility to Report Suspected Fraud**

Each employee is required to report any suspected fraud, theft, waste or abuse or other dishonest conduct to the employee's management or to the Ethics Officer.

Management is required to report suspected fraud, theft, waste or abuse or other dishonest conduct, including reports from employees or other individuals, to the Ethics Officer.

Management does not have the authority to determine the merits of a report of suspected fraud - the Ethics Officer makes this determination with the assistance of an Internal Audit committee, as provided by this policy.

The identity of an employee or complainant who reports suspected fraud will be protected to the full extent allowed by law. (See: *Responsibilities of Ethics Officer*.)

Suspected improprieties and/or misconduct concerning an employee's ethical conduct should be reported to division management or the Ethics Officer. Note that there are many instances of prohibited actions that do not rise to the level of fraud, such as an improper relationship with a vendor.

## **Guidelines for Handling a Report of Suspected Fraud, Theft, Waste, or Abuse**

Whether the initial report is made to management or the Ethics Officer, the reporting individual should receive the following instructions and information:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Allow the Ethics Officer to conduct the investigation. Do not further investigate the allegations.
- Observe strict confidentiality. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Ethics Officer or the City Attorney.
- Retaliation will not be tolerated. The City will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud.
- Every effort will be made to protect the rights and the reputations of everyone involved, including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s). (See: *Disciplinary Action* for the consequences of making a report of fraud in bad faith.)
- The identity of an employee or other individual who reports a suspected act of fraud will be protected as provided by this policy. (See: *Responsibility to Report Suspected Fraud*.)

## **Responsibility of the Ethics Officer**

On receiving a report of suspected fraud, the Ethics Officer shall document the contact and conduct a preliminary investigation to determine the credibility of the report. If the report is credible, the Ethics Officer shall follow the investigation guidelines provided in this policy. (See: *Guidelines for the Investigation of Suspected Fraud*.)

The Ethics Officer shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s). The Ethics Officer also shall make every effort to protect the identity of a person who in good faith reported the suspected fraud. However, disciplinary action may be taken as provided by this policy if a report is made in bad faith (see: *Disciplinary Action*).

On determining that a report is not credible or is not a report of fraud, the Ethics Officer shall document this determination. The Ethics Officer's documentation shall include support for the determination. The Ethics Officer will refer questions as to whether an action constitutes fraud to the Internal Audit Committee or City Attorney.

The Ethics Officer is responsible for the administration, revision, interpretation, and application of this policy.

## **Guidelines for the Investigation of Suspected Fraud**

The Ethics Officer is responsible for the full investigation and documentation of suspected fraud.

The Ethics Officer has primary responsibility for the investigation of reported wrongdoing and all suspected fraud and for coordinating investigative activities with the City Attorney and the Police Department. Each employee involved in an investigation of suspected fraud shall keep the content of the investigation strictly confidential to the full extent provided by law. Investigation results shall not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Any required investigative activity shall be conducted without regard to the suspected wrongdoer's length of service, position/title, relationship to the City, or any other perceived mitigating circumstance.

The Ethics Officer shall maintain appropriate documentation regarding incidents of fraud. The Ethics Officer shall develop and maintain guidelines for access to and security of this documentation.

If an investigation substantiates fraudulent activities, the Ethics Officer will prepare an incident report to the City's executive management, the City Attorney and the Director of the division in which the fraud occurred. The Ethics Officer shall prepare the report as soon as possible after the fraud is confirmed and shall document the content of the investigation, the findings, and any disciplinary action taken as a result of the finding.

Any inquiries from the suspected individual, his or her attorney/representative, or any other inquirer shall be directed to the Ethics Officer. If necessary, the Ethics Officer will refer these inquiries to the appropriate division.

## **Disciplinary Action**

Failure to comply with any part of this policy is grounds for disciplinary action, including immediate termination.

An employee who:

- has engaged in any form of fraud, waste, or abuse;
- suspects or discovers fraudulent activity and fails to report his or her suspicions as required by this policy (See: *Responsibility to Report Suspected Fraud*); or
- intentionally reports false or misleading information

is subject to disciplinary action, including termination.

Any member of management who does not pass to the Ethics Officer each and every report of suspected fraud made by an employee or other person is subject to disciplinary action, including immediate termination.

## Annual Report

Incidents of suspected fraud determined by the Ethics Officer to have merit shall be reported to executive management on an annual basis. The annual report shall include: whether the report was from an employee; the determination of merit; whether a full investigation was conducted and if so, the results of the investigation; the disciplinary action, if any resulting from the investigation; whether the report was referred to an outside entity and if so, the current status or final results of the referral.

The annual report shall also be provided to the City Attorney and the Police Department.

## Distribution

All City employees will be given a copy of this policy. All newly hired City employees will be provided a copy as part of orientation. All City employees will be asked to provide a written acknowledgement upon receipt of the policy, and a signed copy will be retained in their respective personnel file.

Signed: \_\_\_\_\_

Marjie Petrus, City Manager

Date: \_\_\_\_\_

3/28/11