

City of Show Low, AZ
Fraud Prevention Policy



July 20, 2010
Resolution #R2010-29

BACKGROUND

This fraud policy of the City of Show Low is established to facilitate the development of controls which will aid in the prevention, deterrence and detection of fraud against the City of Show Low. It is the intent of the City of Show Low to promote consistent organizational behavior which creates and maintains a culture of honesty and high ethical standards; and by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

SCOPE OF POLICY

This policy applies to any fraud, or suspected fraud, involving employees, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the City of Show Low (also called the City). Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the City. To effectively prevent or deter fraud, the City should have an oversight function in place. Oversight can take many forms and can be performed by many within and outside the City offices, under the overall oversight of the Finance Review Committee.

POLICY

Management is responsible for the prevention, deterrence and detection of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Any fraud that is detected or suspected must be reported immediately to the Finance Director, who coordinates all investigations with the Police Department, the City Attorney and other affected areas, both internal and external.

DEFINITIONS

- a. Finance Review Committee – is a committee composed of the city's senior staff which includes the City Manager, Deputy City Manager, City Attorney and all Department Directors. Its responsibilities include evaluation of management's identification of fraud risks, implementation of antifraud measures, and creation of a culture with zero tolerance for fraud. The Finance Review Committee also plays an important role in helping the City Council and Management fulfill its oversight responsibilities with respect to the City's financial reporting process and the system of internal controls. The Finance Review Committee has the responsibility to oversee the activities of the city and to consider the risk of fraudulent financial reporting involving the override of internal controls or collusion. The Finance Review Committee receives information from external auditors in evaluating and assessing the City's internal controls and the potential for fraudulent financial reporting.

As part of its oversight responsibilities, the Finance Review Committee should provide a mechanism for employees to anonymously report concerns about unethical behavior, actual or suspected fraud, or violations of the City's code of conduct or ethics policy. The committee should also receive reports describing the nature, status, and eventual disposition of any fraud or unethical conduct. A summary of the activity, follow-up and disposition should also be provided to the City Council in executive session. The Finance Review Committee typically has the ability and authority to cause to be investigated any alleged or suspected wrongdoing brought to its attention.

All Finance Review Committee members should be financially literate. As a member of the committee, the Finance Director will provide financial expertise in relation to generally accepted accounting principles as they relate to governmental accounting and reporting as well as audits of financial statements prepared under those principles.

- b. Investigator – A party or parties named by the Finance Review Committee and charged with the responsibility of determining the facts in any report of fraud, unethical behavior, or violations of the City's code of conduct received by the Committee.

ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:

- Any dishonest or fraudulent act.
- Forgery or alteration of any document or account belonging to the City.
- Forgery or alteration of a check, bank draft, or any other financial document.
- 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 activities.
- Disclosing confidential and proprietary information to outside parties.
- Disclosing to other persons securities activities engaged in or contemplated by the City.
- Accepting or seeking anything of *material* value from contractors, vendors or persons providing services/materials to the City.
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment.
- Any similar or related inappropriate conduct

OTHER INAPPROPRIATE CONDUCT

Suspected improprieties concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and Human Resources rather than the person who suspects impropriety. If there is any question as to whether an action constitutes fraud, contact the City Attorney for guidance.

INVESTIGATION RESPONSIBILITIES

The Finance Review Committee has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Finance Review Committee will issue reports to appropriate designated personnel and, if appropriate, to the City Council. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, as will final decisions on disposition of the case.

CONFIDENTIALITY

The Finance Review Committee treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Investigation Unit immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see REPORTING PROCEDURE section below). Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the City from potential civil liability. Any Finance Review Committee member who wrongfully discloses confidential information will be immediately removed from the committee and subject to discipline in accordance with the City's Employee Manual.

AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

Investigators will have:

- Free and unrestricted access to all City records and premises, 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 may use or have custody of any such items or facilities when it is within the scope of their investigation.

INVESTIGATING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. An employee who discovers or suspects fraudulent activity will contact the Finance Review Committee immediately. The employee or other complainant may remain anonymous, to the extent possible. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Investigator or the City Attorney. No information concerning the status of an investigation will be communicated with others, shared or given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific or general reference.

REPORTING PROCEDURES

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the City Attorney or Investigator.

DISCIPLINE AND TERMINATION

If an investigation results in a recommendation to discipline or terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the City Attorney's Office and, if necessary, by outside counsel, before any such action is taken. An Investigator, City Attorney or the Finance Review Committee does not have the authority to terminate an employee. The decision to terminate an employee shall be made in accordance with the City's Employee manual.

ADMINISTRATION

The Finance Director is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed on a regular basis and revised as needed.