



FRAUD ASSESSMENT AND INVESTIGATION POLICY

Adopted by Waupaca Common Council: July 19, 2011

Purpose. This policy is adopted to identify responsibilities, establish procedures and controls to aid in the prevention, detection, reporting and investigation of possible cases of fraud involving the city of Waupaca's operations, resources and/or finances. This policy applies to any actual or suspected fraud involving a City employee (including management), a consultant, a vendor, contractor, outside agency or any person conducting business with the City.

Policy Statement. The city of Waupaca does not tolerate any type of fraud. The city of Waupaca's policy is to promote consistent, legal and ethical behavior by assigning responsibility for reporting fraud and providing guidelines to conduct investigations of suspected fraudulent behavior.

Policy Violations. Failure to comply with this policy subjects an employee to disciplinary action up to and including termination of employment. Failure to comply by a consultant, vendor, contractor, outside agency or any other person conducting business with the City can result in cancellation of the relationship with the City. The city of Waupaca will pursue prosecution if investigation results indicate possible criminal activity.

Definitions. For the purposes of this policy "fraud" means:

1. Forgery or alteration of any document or account
2. Forgery or alteration of a check, bank draft or any other financial document
3. Misappropriation of funds, securities, supplies or other assets.
4. Impropriety in the handling or reporting of money or financial transactions.
5. Profiteering as a result of insider knowledge of City activities.
6. Disclosing confidential and/or proprietary information to outside parties
7. Accepting or seeking anything of material value from consultants, contractors, vendors or persons providing services or materials to the City.
8. Destruction, removal or inappropriate use of records, furniture, fixtures and equipment.
9. Any claim or reimbursement of expenses that are not made for the exclusive benefit of the ~~Town~~ **City**
10. Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or
11. Any similar or related irregularity.

Fraud Reporting. It is the responsibility of every employee to immediately report suspected fraud or other dishonest conduct. Reporting protocol for suspected fraud is as follows:

Within a department Report to Department Head and City Administrator

Involving a department head City Administrator and Mayor

Involving City Administrator	Mayor and Chairman of Finance Committee
Involving Council	Mayor and City Administrator
Vendor/Contractor	Department Head and City Administrator

Management is to develop a form that employees can use to report the suspected fraud or dishonest activity. Those who the fraud is reported to are to accept and acknowledge receipt of the fraud reporting form. It is by design that a form be completed and that two individuals are to be involved when a suspected fraud is reported. This process is meant to give those reporting fraud assurances that superiors are taking the report seriously and are acting in good faith to investigate.

Any reprisal against an employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden.

Additional Responsibilities of Supervisors/Department Heads and City Administrator. All employees have the responsibility for reporting fraud or dishonest behavior. However, supervisors and other city management personnel have an additional duty to undertake deterrence and detection actions. These actions include:

1. Awareness of risk for fraudulent or dishonest acts in their respective departments.
2. Placement and maintenance of effective monitoring of control procedures to *prevent* fraudulent or dishonest activity.
3. Placement and maintenance of effective monitoring of control procedures to *detect* fraudulent or dishonest activity promptly if prevention efforts fail.

Authority to carry out these additional responsibilities may be delegated. However, accountability for their effectiveness will remain with department heads.

Investigative Standards. The following shall guide all investigations into potential fraudulent behavior/actions or dishonest behavior:

1. Those investigating possible fraud must observe strict confidentiality and should not discuss the case, facts, suspicions or allegations with anyone unless specifically asked to do so by the City Administrator, Mayor or law enforcement.
2. Those involved in investigating fraudulent or dishonest behavior may assign responsibility for all or part of any investigation to the Waupaca Police Department, City Attorney or other person or agency that may be warranted.
3. No person shall communicate with the suspected individual or organizations about the matter under investigation.
4. All investigations are to be carried out in an impartial and confidential manner, without regard to the suspected individual's position or relationship with the City.
5. Every effort will be made to protect the rights and reputations of everyone involved, including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s).
6. The investigator(s) will have free and unrestricted access to municipal records. They shall have authority to examine, copy or remove all or any portion of files, desks, physical or electronic storage facilities without prior knowledge or consent of any individual who might use or have custody of such items or facilities when it is within the scope of the investigation or related follow-up procedures.
7. All records collected as part of the investigation are to be kept secure at all times by the investigator(s).
8. All employees shall provide the investigators all factual and relevant details relating the alleged fraud or dishonest behavior to the best of their knowledge, without partiality or prejudice to any person.

9. All inquiries regarding alleged fraud or dishonest behavior and/or its follow up investigation shall be referred to the City Administrator or in cases involving the City Administrator the Mayor, including but not limited to those from an attorney, press, law enforcement and the person(s) under investigation.

Investigative Procedures. The City Administrator has primary responsibility for coordinating the investigation of reported fraudulent and dishonest activity and the associated interaction with law enforcement and other parties to the investigation. In cases involving the City Administrator, the Mayor shall have this responsibility.

Once a report of a suspected fraudulent activity is received in accordance with this policy the complaint shall be documented using the reporting form development by management. A preliminary investigation shall be conducted to determine the credibility of the report.

If the report is deemed to be not credible or is not a report of fraud, the City Administrator or in certain cases the Mayor, will document the determination and forward it under confidential stamp to the Common Council. Should any council member wish to discuss they can do so by requesting a closed session at the next regularly scheduled Council meeting.

If the report appears credible, the City Administrator, or in certain cases the Mayor, will prepare an incident report and provide such report to the Common Council, City Attorney and City auditor. The City Administrator, and in some cases the Mayor, will prepare a report as soon as possible after the fraud has been confirmed and shall document the content of the investigation, findings and any disciplinary action recommended or taken as a result of the findings. The findings are to be referred to the Common Council in closed session.

Each City employee or official involved in an investigation of suspected fraud or dishonest act will keep the content of the investigation strictly confidential to the full extent provided by law. Investigation results will be disclosed to the accused, the accuser, Common Council and City Attorney and District Attorney if applicable.

Disciplinary Action. Employees who have engaged in fraudulent and dishonest activity and those who intentionally report false or misleading information may be subject to disciplinary action up to and including termination.

Risk Management. Within 180 days following adoption of this policy, each city department is to carry out a detailed fraud risk review and assessment. A report of the findings is to be presented to the City Finance Committee.

Risk assessments shall also be reviewed upon staff turnover, organizational restructuring, changing technology or other environmental changes that might occur throughout a year.

Employee Ethics Training. Within 60 days of this policy being adopted, the City Administrator is directed to schedule and conduct an ethics training for all city employees. Training will also be held annually in May of each year for employees and the Common Council. The Police Department will not be required to participate as this department already undergoes annual ethics training.

END OF POLICY

