
Subject: Fraud and Abuse**Date:** June 19, 2015**No.** 10.5**Page:** 1 of 6

PURPOSE: A Fraud and Abuse Policy is a relatively easy and inexpensive way to discourage integrity violations and encourage early reporting while assuring a fair and consistent response. Reasons for having a fraud and abuse policy include :

- To initiate proactive practices to discourage fraud and abuse by City employees;
- To assure a fair, structured and consistent approach to investigations of suspected fraud and abuse and;
- To establish a policy to govern the process to be followed by the Internal Auditor and City Manager when responding to allegations of fraud and abuse in City programs, functions or activities and;
- Assure confidentiality and protection of the integrity and reputation of innocent employees and;
- Establish responsibility for detection and investigation and,
- Promote an atmosphere of honesty throughout the City organization and encourage accountability and;
- Eliminate claims of biased investigations and;
- Assure that investigations are conducted by those with proper training, and to assure a complete, professional investigation and;
- Reduce the opportunity for compromising the investigation by alerting the suspected party(ies) or by mishandling and;
- Minimize the opportunity for successful litigation by those investigated.

SCOPE: This policy applies to all City employees, excluding City Commission Appointees, who are covered under City Commission Policy 10.7 regarding fraud and abuse.

POLICY: The City of Kalamazoo must identify and promptly investigate any possibility of dishonest or fraudulent activities in the handling of City money, documents and assets involving personnel, vendors, agencies or unknown parties. All employees share a responsibility for reporting any possible fraud or abuse.

All workforce members have the right to be protected against retaliation for reporting suspected wrongdoing or assisting appropriate authorities in investigating possible fraud or abuse.

Any employee found to have committed fraud or abuse in relation to the City's financial affairs is subject to disciplinary action by the City and investigation by law enforcement agencies, when warranted. This policy describes the steps to be taken when fraud, misappropriation, and similar dishonest activities are suspected. The policy also includes the procedures to follow for any missing funds, restitutions, and recoveries.

1. Definitions

Fraud is a type of illegal act involving the obtaining of something of value through willful misrepresentation.

Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interest or to benefit an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.

Investigation Team (the Team) is comprised of the Internal Auditor, City Manager (or designee), City Attorney (or designee), and the Public Safety Chief (or designee).

Fraud and abuse does not refer to unintentional or honestly made errors or omissions by employees performing legitimate functions in the performance of their jobs.

2. Examples of fraud and abuse include (but are not limited to):

- Forgery or fraudulent alteration of documents (checks, promissory notes, time sheets, personnel records, independent contractor agreements, purchase orders, budgets, etc.).
- Willful misrepresentation of information on documents.
- Misappropriation of funds, securities, supplies, or any other asset (including furniture, fixtures or equipment).
- Improprieties in the handling or reporting of money transactions.
- Willfully authorizing or receiving payments for goods not received or services not performed.
- Knowingly authorizing or receiving payments for hours not worked.
- Any criminal violation of applicable Federal, State, or local laws or regulations.
- Theft, embezzlement or willfully misapplying funds, securities, supplies or any other assets of the City.
- Soliciting or receiving bribes and kickbacks from vendors.
- Willful misrepresentation of business expenses.

Subject: Fraud and Abuse**Date:** June 19, 2015**No.** 10.5**Page:** 3 of 6

- Manipulation, falsification or fraudulent alteration of accounting records or supporting documents from which financial statements are prepared.
- Intentional damage to or unauthorized use of City property.
- Conspiracy between two or more persons to engage in fraud or abuse.
- Concealment of any fraudulent scheme by a false statement.
- Using a computer to willfully gain unauthorized access to confidential or restricted City records.
- Knowledge of fraud without making such information known to appropriate authorities.
- Any similar or related activity.

3. Discouraging Fraud and Abuse

The Internal Auditor will be responsible for developing a program in conjunction with the City Manager to:

- a. educate City employees about fraud and abuse and
- b. train appropriate City staff in how to detect and report suspected fraud and abuse.

The City Manager will be responsible for establishing, maintaining and disseminating appropriate administrative policies and guidelines regarding employee conduct.

4. Investigation

Unfortunately, despite proactive efforts to discourage fraud and abuse, situations may arise in which fraud or abuse is suspected. As soon as an impropriety is detected or suspected, the Internal Auditor must be contacted immediately. Members of the Investigation Team (the Team) will be notified by the Internal Auditor within 24 hours of any suspected fraud or abuse.

The Team will review information and determine what investigative actions are necessary and appropriate. At that time, the Team will determine if there is a legitimate reason to believe that fraud or abuse exists. The Internal Auditor, in consultation with the Team, is responsible for the direction of the investigation of any suspected irregularity and will coordinate all investigations with the Team. In the event the focus of the investigation includes a member of the Team, or an employee of the department of a Team member, that individual will not be a part of the Team. The Team will also determine if any

individuals from the City administration should be involved or excluded based on a potential conflict of interest. It is understood Public Safety will be responsible for criminal investigations when warranted.

5. Problems Recognition and Planning

The Internal Auditor is available and receptive to receiving relevant information on a confidential basis and should be contacted directly whenever fraud or abuse is suspected. The investigation process begins when the Internal Auditor or any other member of the Investigation Team is made aware of a possible situation of fraud or abuse.

Investigations will be initiated only upon sufficient evidence, with the objectives of determining the existence of fraud or abuse.

The investigation will identify those individuals accountable for violations, protect the reputation and integrity of City employees not involved or who have been cleared of any wrong-doing, and recommend remedial actions to the City Manager in cases of actual violations.

6. Evidence Gathering

Upon adoption of an Investigative Plan by the Team, the Internal Auditor and other persons designated by the Team will gather all the information and evidence necessary to investigate the allegation of fraud and abuse and individual accountability.

If the evidence indicates that a violation occurred, but that recovery of assets is not available and accountability cannot be established with some certainty by those involved in the investigation, then a recommendation which reflects the results of the investigation will be developed by the Team.

7. The Investigation Plan Should Include:

- Whether to request a co-investigator, listing specific expertise needed.
- What other resources which may be required.
- The Internal Auditor will be responsible for coordinating the plan of investigation and keeping the Investigation Team advised.
- The Team shall have full and unrestricted access to all necessary records and personnel. All City furniture and contents, including desks, are open to inspection when there is a reasonable suspicion of a dishonest or fraudulent activity which makes such inspection

Subject: Fraud and Abuse**Date:** June 19, 2015**No.** 10.5**Page:** 5 of 6

appropriate, and there is no reasonable expectation of privacy. Every effort should be made to effect recovery of City losses. Such efforts will be determined by the Team.

8. Communication of Results

The Internal Auditor will issue a report of findings to the Team, including whether audit recommendations are warranted based on the evidence or lack thereof. The City Manager will be responsible for determining what, if any, disciplinary action is warranted.

9. Responsibility of Supervisors and Management

Deterrence of fraud and abuse is the responsibility of supervisory and management personnel at all levels. The Internal Auditor will provide group and individualized training regarding fraud and abuse detection and reporting. All supervisory and management personnel are responsible for obtaining fraud and abuse training, becoming knowledgeable about this policy, being familiar with the types of improprieties that might occur in his or her area of responsibility and being alert for any detection or suspicion that improper activities, misappropriation, dishonest activity, fraud or abuse, is or was in existence. If such improper activities are detected or suspected, supervisory and management personnel should immediately contact the Internal Auditor

It is preferred that supervisory and management personnel not attempt to conduct individual investigations, interviews or interrogations to determine whether or not suspected activity is improper. The intent of this language is to avoid possible violation of employee rights and to avoid possibly tipping off anyone involved in wrongdoing. Non-Intrusive review of records or documents to determine if there is any possible validity to a suspected improper act is not intended to be prohibited. It is preferred that the appropriate person(s) conduct an investigation of any suspected fraudulent activity or abuse, working under the direction of the Investigation Team.

It is the expectation of the City Manager that supervisory and management personnel will support the City's policy and will cooperate fully with the Internal Auditor and the Team in the detection, reporting and investigation of fraud and abuse, as well as of criminal acts, including possible criminal prosecution of suspects of criminal activity.

Subject: Fraud and Abuse

Date: June 19, 2015

No. 10.5

Page: 6 of 6

10. Notification of City Commission

The Team shall immediately notify the Mayor and the City Commission through its Internal Audit Committee, if the investigation is of a matter of significant public interest or if the amount involved is greater than \$1,000.

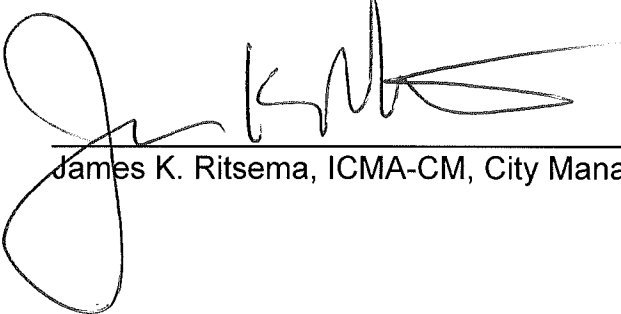
11. Accounting for Loss, Restitution, and Recovery

The department incurring the loss from a dishonest or fraudulent act may suffer the loss until the monies can be recovered through insurance or restitution. The Chief Financial Officer will be notified by the Internal Auditor of any loss and will ensure the recording of said loss and any restitution in accordance with generally accepted accounting principles (GAAP).

12. Cost of Recovering Funds

There is no special fund to recover the costs or recovery, such as hiring special investigators or outside legal counsel. These expenses will be paid from the appropriate fund(s) and budgets amended as needed.

SIGNED & APPROVED BY:



James K. Ritsema, ICMA-CM, City Manager

6/19/15

Date