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| <b>Subject:</b>                | <b>Suspected Misappropriation, Fraud and Other Similar Irregularities</b> | <b>Number: 1-10</b>                           |
|                                |   | <b>Date Issued/Revised: September 8, 2003</b> |
| <b>Responsible Department:</b> | <b>Finance Internal Audit</b>   | <b>Approved:</b>                              |

## Purpose

To establish a Citywide policy regarding reporting and investigating suspected fraud, misappropriation of City assets or other irregularities.

## Policy

The City of Fresno desires to create an environment in which employees and/or citizens are encouraged to report any suspicions of fraud, misappropriation of City assets or other irregularities. This policy provides management and Internal Audit staff with specific guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties.

## Definitions

The terms fraud, misappropriation and other irregularities include, but are not limited to:

1. Forgery or alteration of checks, drafts, promissory notes and securities;
2. Any misappropriation of funds, securities, supplies or any other asset;
3. Any irregularity in the handling or reporting of money transactions;
4. Disappearance of furniture, fixtures and equipment;
5. Seeking or accepting anything of material value from vendors, consultants or contractors doing business with the City in violation of the City's Charter, Administrative Order Manual, etc.;
6. Any computer-related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent or malicious purposes or misappropriation of City-owned software; and
7. Any similar or related irregularity.

Included in the above definition is any irregularity or suspicion of an irregularity involving vendors, contractors, consultants, City personnel, agencies (or employees thereof), agents, servicing agents, unknown parties or City property.

## **Applicability**

This procedure applies to all employees of the City of Fresno.

It is intended that all managers are aware of this procedure, since good business practice dictates that every suspected fraud, misappropriation or other irregularities are promptly identified and investigated.

## **General Policy and Responsibilities**

1. It is the City's intent to fully investigate any suspected acts of fraud, misappropriation or other irregularity. The investigation will be conducted regardless of the suspected wrongdoers length of service, position, title or relationship with the City. Any employee who commits a criminal act will be referred for prosecution.
2. Department Directors or managers are responsible for instituting and maintaining a system of internal controls to provide reasonable assurance of the prevention and detection of fraud, misappropriations and other irregularities. They should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication that any fraud, misappropriation or irregularity is or was in existence.
3. When a fraud, misappropriation or other irregularity is detected or reasonably suspected, Internal Audit should be contacted immediately. Internal Audit will then notify the City Controller, City Manager and City Attorney's Office. The City Attorney will determine the extent of any potential criminal activity. If any potential criminal activity exists, the Fresno Police Department will conduct the investigation, assisted by Internal Audits. If no potential criminal activity exists, the matter will be reviewed by Internal Audit, with assistance from the City Attorney's Office, as appropriate.
4. The Principal Internal Auditor will notify the City Controller, City Manager and the Department Director of a reported allegation of fraudulent conduct, upon the start of the investigation, to the extent practical. Throughout the investigation these officials will be informed of pertinent investigative findings.
5. Upon conclusion of the investigation, the results will be reported to the appropriate City officials.
6. The City intends to pursue every effort to obtain recovery of City losses from the offender, including notification of the bonding company, court-ordered restitution or other appropriate source(s).

## Procedures

1. A City employee or member of the public who suspects dishonest or fraudulent activity is to notify the City's Principal Internal Auditor. Callers may remain anonymous if they wish. **All information received will be treated in a confidential manner, including the name of the reporting person, if so desired by that person, to the extent permitted by law.**
2. It is the City's intent to protect any employee or person who discloses information of suspected violation of this policy from retaliatory actions by other individuals, employees, managers, agencies or independent contractors.
3. City employees not directly involved in an investigation shall not attempt to contact the suspected individual in an effort to conduct interviews or direct an investigation to determine facts or demand restitution.
4. Employees will cooperate with the investigative process and with law enforcement agencies in the detection, investigation and reporting of conduct covered by this policy, including prosecution of offenders.
5. Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway, or making any statements that could provide a basis for a suit for false accusation or other offenses.
6. Employees should not discuss the case unless necessary to the conduct of the investigation and until the same is concluded. The proper response for any inquiries from the suspected individual, his representative or attorney should be, "I am not at liberty to discuss this matter."
7. Information obtained as a result of an investigation is subject to the laws regarding public records and confidentiality.