

CITY OF BARRE

FRAUD, WASTE AND ABUSE POLICY

PURPOSE

The City Manager is responsible for the effectiveness and efficiency of City municipal operations, including the protection of City assets from fraud, waste, and abuse. The City Manager has the primary responsibility for the implementation of internal controls to deter and detect fraud.

PERSONS AFFECTED

This policy applies to all City employees. The provisions of this policy apply to any instance of fraud, waste, or abuse involving not only employees, but also external organizations doing business with the City and volunteers at City-sponsored events.

PROCEDURE

City Department Heads are responsible for assisting the City Manager in the deterrence and detection of fraud, waste, and abuse in the municipality by examining and evaluating the adequacy and the effectiveness of Barre City's systems of internal control, commensurate with the extent of the potential risk in the various segments of the organization. The City Manager's Office has primary responsibility for the investigation of fraudulent acts committed by or against the municipality. In the event that the City Manager's Office is suspected of fraud, waste or abuse, the responsibility will be given to the City Council.

DEFINITIONS

Fraud

The American Institute of Certified Public Accountants (AICPA) defines two basic categories of fraud: intentional misstatement of financial information and misappropriation of assets (or theft). Other audit-related organizations provide additional insight into the definition of fraud that can be summarized as follows:

Fraud consists of an illegal act (intentional wrongdoing), the concealment of that act, and the deriving of a benefit (converting the gains to cash or other valuable commodity).

Legally, fraud can lead to a variety of criminal charges including theft, embezzlement, and larceny – each with its own specific legal definition and required criteria – each of which can result in severe penalties and a criminal record.

Waste

"Waste" means the negligent or careless expenditure, consumption, mismanagement, use, or squandering of resources owned or operated by the City to the detriment or potential detriment of the City. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls. Waste does not normally lead to an allegation of

"fraud", but it could.

Abuse

"Abuse" means the excessive, or improper use of something, or the use of something in a manner contrary to the natural or legal rules for its use; the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources owned or operated by the City; or extravagant or excessive use so as to abuse one's position or authority. "Abuse" does not necessarily lead to an allegation of "fraud", but it could.

Examples of fraud, waste, and abuse activities include, but are not limited to:

- Forgery or alteration of documents (checks, contracts, purchase orders, invoices, time sheets, leave records, etc.).
- Misrepresentation of information on documents (employment history, time sheets, leave records, travel reimbursement requests, financial records, etc.).
- Theft, unauthorized removal, or willful destruction of City records, City property, or the property of other persons (to include the property of employees, customers, or visitors).
- Misappropriation of funds, equipment, supplies, or any other asset.
- Improprieties in the handling and reporting of financial transactions.
- Serious abuse of City time such as unauthorized time away from work, falsification of work hours reported, excessive use of City time for personal business, or in appropriate use of fringe benefits (i.e., sick times, etc.)
- Authorizing or receiving payments for goods not received or services not performed.
- Vendor kickbacks.
- Authorizing or receiving payment for hours not worked.
- Misuse of authority for personal gain.
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes.
- Inappropriate use of City-provided electronic devices such as computers, PDAs, cell phones, pagers, or e-mail.

ZERO TOLERANCE: The City of Barre has zero tolerance for the commission or concealment of acts of fraud, waste, or abuse. Allegations of such acts will be investigated and pursued to their logical conclusion, including immediate termination and/or legal action where warranted. All employees are responsible for reporting suspected instances of fraud, waste, and abuse in accordance with this Policy. See also the City of Barre Whistleblower Policy.

COMMITMENT TO CONFIDENTIALITY AND ANONYMITY:

When you report an item of fraud, waste, abuse, please remember the following concerning confidentiality and anonymity:

- Even if you report anonymously, once the report has been filed and the investigation begins, your co-workers or others who are familiar with the situation you are reporting may still be

Council Revised on 11/12/19

- able to guess your identity.
- Whether you report anonymously or not, the City Manager's Office and/or City Council will treat your report confidentially.
 - It is not possible to guarantee absolute confidentiality in all circumstances. Disclosure to others inside or outside Barre City may be required by law in certain cases.

Please do not let these possibilities discourage you from reporting an incident.

WHISTLEBLOWER PROTECTION

Retaliation against an employee who, in good faith, filed a report of alleged fraud, waste, or abuse, or who participated in an investigation, is a violation of this Policy. See also City of Barre Whistleblower Policy.

RESPONSIBILITIES:

Employee Responsibilities

Any City employee who has knowledge of fraud, waste, or abuse, or who has good reason to suspect that such conduct has occurred, shall adhere to the procedures in this Policy.

When suspected fraudulent activity, waste, or abuse is observed by, or made known to, an employee, the employee shall immediately report the activity to a direct supervisor. If the employee believes that the supervisor is involved with the activity, the employee shall immediately report the activity to the appropriate Department Head as well as the City Manager. If the employee believes that the Department Head and/or the City Manager may be involved with the activity, the employee shall contact the City Council directly.

The employee shall not make any attempt to investigate the suspected activity prior to reporting it. The City Manager or City Council shall coordinate investigations of fraud, waste, or abuse.

An employee shall not destroy, or allow to be destroyed, any document or record of any kind that the employee knows may be relevant to a past, present, or future investigation of fraud, waste, or abuse.

Management Responsibilities

Once management has been informed of suspected fraud, waste, or abuse (or if management itself suspects fraud, waste, or abuse), management shall contact the City Manager directly. In the event that the City Manager's Office is suspected of fraud, waste or abuse, the responsibility will be given to the City Council.

City Manager's Office Responsibilities

The City Manager's Office will coordinate the Fraud, Waste, and Abuse Policy by receiving reports and initiate and coordinate investigations, except reports of the City Manager's Office.

To the extent allowed by law, the City Manager and/or designated staff shall review relevant information in a confidential and professional manner, and will conduct a prompt preliminary investigation of the alleged activity. The City Manager or designated staff has the authority to retain and/or assign to law enforcement or legal entity the primary task of fraud investigation. The preliminary investigation may include employee interviews and analyses of available records. A full investigation will follow if evidence indicates possible fraud, waste, and/or abuse.

The City Manager or designated staff shall be given unlimited and unrestricted access to all books, records, property (including desks and computers), and personnel during such investigations. Once an investigation is undertaken, the City Manager or designated staff will take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions may include, but are not limited to the following:

- limiting access to the location where the records currently exist
- preventing the individual(s) who is the subject of the investigation from having access to the records
- taking actual possession of such records, to include the confiscation of city-owned computers and/or electronic devices

Once the City Manager or designated staff has sufficient, competent evidence that there is indeed an unauthorized, illegal, irregular or unsound practice that could (or already has) affect the Municipal Government, the City Manager or designated staff is required to report the matter to the City Council. If a member of the Council or the City Manager is believed to be a party to the matter, the designated staff will report the matter directly to the City Attorney. If it appears that the matter is criminal in nature, the City Manager or designated staff will immediately report it to the City Attorney in addition to those previously cited. The City Manager and/or City Attorney will then advise other departments/agencies as necessary (e.g., Police Department, State Attorney General's Office, Human Resources).

Citizens and Customers Responsibilities

The City Manager's Office cannot compel citizens and customers (non-employees) to report suspected instances of fraud, waste, or abuse. However, the City Manager's Office strongly encourages them to do so.