



FRAUD PREVENTION AND DETECTION POLICY

~~CITY OF REPUBLIC, MISSOURI~~ ~~FRAUD PREVENTION AND DETECTION POLICY~~

The purpose of this Fraud Prevention and Detection Policy ("Policy") ~~document~~ is to communicate municipal policy regarding the deterrence and investigation of suspected fraudulent conduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

I. INTRODUCTION

The City of Republic ~~(City)~~ is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by ~~fraudulent conduct~~ Fraudulent Conduct, financial or other benefits at the expense of City taxpayers.

City officials and employees must, at all times, comply with all applicable laws and regulations. The City shall not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The City does not permit any activity that fails to stand the closest possible public scrutiny.

This ~~policy~~ Policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of ~~fraudulent conduct~~ Fraudulent Conduct and other similar irregularities.

The impact of ~~fraudulent conduct~~ Fraudulent Conduct and dishonesty may include, but is not limited to:

- The actual financial loss incurred
- Damage to the reputation of the City and its employees
- Negative publicity
- The cost of investigation
- Loss of employees
- Loss of public confidence
- Damaged relationships with City contractors and suppliers
- Litigation
- Damages to employee morale

The goal of this ~~policy~~ Policy is to establish and maintain an environment of fairness, ethics and



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honesty for city employees, citizens, ~~city~~-vendors and anyone else with whom the City has a relationship. To maintain such an environment, requires the diligence of each city employee and manager while in the performance of their duties.

The City of Republic is committed to the deterrence, detection and correction of ~~fraudulent conduct~~Fraudulent Conduct, misconduct and dishonesty. The discovery, reporting and documentation of such acts provide a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, and the referral to appropriate law enforcement agencies, when warranted by the circumstances. ~~by facts and the recovery of assets.~~

II. APPLICABILITY

This ~~policy~~Policy applies to all elected officials, appointed committee/board members and employees of the City of Republic, as well as any individual or entity purporting to act on behalf of the City or doing business with the City.

III. PROHIBITION

All elected officials of the City, appointed committee/board members of the City, and employees of the City ~~of Republic~~, as well as any individual or entity purporting to act on behalf of the City or doing business with the City, are expressly prohibited from engaging in ~~fraudulent conduct~~Fraudulent Conduct in the scope or course of their employment, duties or business relations with the City.

IV. DEFINITIONS

Fraudulent conduct ("Fraudulent Conduct") is defined herein as the use of one's occupation or position for personal enrichment or the personal enrichment of others through the voluntary or deliberate misuse or misapplication of ~~the City's~~City resources or City assets, ~~or for the personal enrichment of others~~. There are three major categories of ~~fraudulent conduct~~Fraudulent Conduct:

1. **Asset misappropriations.** Theft or misuse of an organization's assets.

- Cash.
 - Fraudulent Disbursements. Perpetrator causes organization to disburse funds through some trick or device (e.g., submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.) ~~or prevents the timeliness of the disbursement of funds.~~



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- Embezzlement. Perpetrator appropriates monies fraudulently to one's own use, as money or property entrusted in one's care.
 - Skimming. Cash is stolen from an organization before it is recorded on the organization's books and records.
 - Cash Larceny. Cash is stolen from an organization after it has been recorded on the organization's books and records.
 - Inventory and all other assets.
 - Misuse. Improper use, misappropriation, misapplication, destruction, removal or concealment of an organization's inventory or assets for personal use (e.g., City vehicles, computers, supplies, etc.)
 - Larceny. Inventory or other assets are stolen from an organization.
2. **Corruption.** Wrongful use of influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to one's employer or the rights of another.
- Conflict of Interest. An undisclosed economic or personal interest in a transaction that adversely affects the employer.
 - Bribery. The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.
 - Illegal Gratuities. A party that benefits from an official act or a business decision in giving of a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
 - Economic Extortion. An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. **Fraudulent Statements.** Falsification of an organization's financial statements.

Other Similar Irregularities. Any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, ~~agents~~agents, or city employees, that put city revenue, property, information and other assets at risk of waste or abuse.

~~**Fraud Investigator.** In this context, reference is to any person or persons assigned by the City Administrator and/or City Attorney in consultation with the City Council (whether a city employee or an individual or firm retained by the City on a contract basis) to investigate any fraud or similar activity.~~

4. POLICY ACKNOWLEDGEMENT



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All City Councilmembers appointed committee/board members and employees of the City of Republic shall be responsible for understanding and adhering to this ~~policy~~Policy. On an annual basis, these applicable individuals are required to review the current City of Republic Fraud Policy and acknowledge their understanding of it by signing the *Fraud Recognition and Understanding Form* found at the end of this document.

It is the responsibility of the City Council, City Administrator and/or City Attorney, managers/supervisors and chairpersons to ensure all applicable individuals have read and understand the *City of Republic Fraud Prevention and Detection Policy* and understand their responsibilities as related to the prevention, detection and reporting of suspected fraud, misconduct and dishonesty. Signing of the attached *Fraud Recognition and Understanding Form* signifies that this process has occurred.

5. RESPONSIBILITIES

The City Administrator and each City Council Member, manager/supervisor or employee has defined responsibilities and procedures to follow when there is knowledge or suspicion of an act committed in violation of this ~~policy~~Policy.

a. Mayor and City Council Responsibilities:

- i. If the Mayor or any Council ~~M~~member observes an incident of Fraudulent Conduct or has reason to suspect that such an incident ~~of fraudulent conduct~~ has occurred, he/she shall immediately ~~contact~~ notify the City Administrator.
- ii. The Mayor or City Council shall not attempt to investigate the suspected incident of ~~fraudulent conduct~~ Fraudulent Conduct or discuss the matter with anyone other than the City Administrator, or their designee.
- iii. The alleged fraud, and any resulting or related investigation, ~~-or audit investigation~~ shall not be discussed with the media by any person other than ~~through~~ the City Administrator, in consultation with and upon advice of the City Attorney, ~~and the Fraud Investigator~~.
- iv. If a fraud allegation involves the City Administrator, the Mayor and City Council shall collectively select a Fraud Investigator for the purpose of investigating the allegation and reporting the results thereof. The City Council shall select a professional services firm or individual, independent of the City, to ~~act as the Fraud Investigator~~ investigate the



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allegation and report the results and findings to. ~~In this situation, the Fraud Investigator shall inform~~ the City Council of pertinent investigative findings and results.

~~iv.~~

~~v.~~ iv. If a violation of this ~~policy~~ Policy is determined, the City Council will take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the City Attorney.

b. Management Responsibilities:

~~i.~~ Each manager/supervisor of the City is responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of ~~fraudulent conduct~~ Fraudulent Conduct and other similar irregularities.

~~i.~~ ~~Each manager/supervisor should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.~~

~~ii.~~ Management is responsible for being alert to and reporting ~~fraudulent or related dishonest activities~~ Fraudulent Conduct in their areas of responsibility.

i.

When an improper activity is detected or suspected, management should contact the Finance Director to assist in ~~determine~~ determination of whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

~~ii.~~ ii. If Fraudulent Conduct is suspected, management shall notify the City Administrator, or their designee. ~~shall be notified.~~

~~If any member of management determines a suspected activity may involve fraud or related dishonest activity, their immediate supervisor shall be informed. Department Directors/Managers/Heads shall contact the City Administrator.~~

iii. Upon receipt of any allegation of fraud, the City Administrator, or their designee, shall notify the City Council of such allegation. All efforts shall be exercised to ensure that the City Council is fully aware of the nature of the allegation presented while ensuring that the rights and identity of any City employee involved are duly protected.

~~iv.~~ ~~In notifying the City Council, the City Administrator shall exercise care to ensure that the City Council is fully aware of the nature of the~~



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- ~~allegation presented while ensuring that the rights and identity of any city employee involved are duly protected.~~
- ~~v. Based upon consultation with the City Council, the City Administrator shall select a Fraud Investigator for the purpose of investigating the allegation and reporting the results thereof.~~
- ~~vi. The selection of a Fraud Investigator shall be based upon careful consideration as to whether city staff has the necessary degree of independence and competence as well as sufficient time available to ascertain the validity of the allegation that has been brought forth. If these qualifications are not met by internal staff, the City Administrator in consultation with the City Council, shall select a professional services firm or individual to act as the Fraud Investigator.~~
- ~~vii.i. If any member of management determines a suspected activity may involve fraud or related dishonest activity, their immediate supervisor shall be informed. Department Heads shall contact the City Administrator.~~
- ~~viii. Management shall not attempt to conduct individual investigations, interviews or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions. Management shall support the City's responsibilities and cooperate fully with the Fraud Investigator, other involved departments and law enforcement agencies in the detection, reporting and investigation of criminal acts, including the prosecution of offenders.~~
- ~~ix. Management shall give full and unrestricted access to all necessary records and personnel as allowed by law. All city property is open to inspection at any time and there is no assumption of privacy.~~
- iv. The City Administrator shall notify all Department's should they need to be involved in any fraud investigation so an investigation can be started and documented thereafter.
1. Management shall give full and unrestricted access to all necessary records and personnel. All City property is open to inspection at any time and there is no assumption to privacy.
- ~~x.v. In dealing with suspected dishonest or fraudulent activities, great care must be exercised. Management should avoid the following:~~
- ~~1. Incorrect accusations.~~
 - ~~2. Alerting suspected individuals that an investigation is underway.~~
 - ~~3. Unfair treatment of employees.~~



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4. Making of statements that could lead to claims of false accusations or other offenses.

~~xi. In handling dishonest or fraudulent activities, management shall:~~

- ~~1. Make no contact (unless requested) with the suspected individual to determine the facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.~~
- ~~2. Avoid discussion of the case, facts, suspicions or allegations with anyone outside the city government, unless specifically directed to do so by the City Attorney.~~
- ~~3. Avoid discussion of the case with anyone inside the city government other than employees who have a need to know such as the City Administrator, Fraud Investigator, City Attorney or law enforcement personnel.~~
- ~~4. Direct all inquiries from the suspected individual, or representative, to the City Administrator or City Attorney. All inquiries by an attorney of the suspected individual shall be directed to the City Attorney. All inquiries from the media shall be directed to the City Administrator.~~
- ~~5. Take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the City Attorney and/or if applicable, the labor relations representative, in conformance with the city's personnel policies.~~

c. Employee Responsibilities:

- ~~i. In the event an employee observes a~~ A suspected fraudulent incident or practice involving City personnel, property or other City business, that employee is required to ~~observed by, or made known to, an employee shall be reported promptly report the incident~~ to the employee's supervisor(s). ~~for reporting to the proper management official.~~
- i. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the City Administrator.
- ii. The reporting employee shall refrain from further investigation of the incident, confrontation with the alleged violator or further discussion of the incident with anyone, unless specifically requested by the City Administrator, ~~Fraud Investigator,~~ City Attorney, Republic Police Department or other law enforcement personnel with jurisdiction.



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d. ~~Fraud Investigator Responsibilities:~~

- ~~i. Upon assignment by the City Administrator, the Fraud Investigator shall promptly investigate the fraud.~~
- ~~ii. In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the Fraud Investigator, in consultation with the City Attorney, shall contact the Republic Police Department or other appropriate law enforcement authorities.~~
- ~~iii. The Fraud Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.~~
- ~~iv. If evidence is uncovered showing possible dishonest or fraudulent activities, the Fraud Investigator shall proceed as follows:
 - ~~1. Discuss the findings with management and the department manager, if appropriate.~~
 - ~~2. Advise management, if the case involves staff members, to meet with the City Administrator (or designated representative) to determine if, and the extent of, disciplinary actions to be taken.~~
 - ~~3. Report to the city's external auditor of such activities in order to assess the effect of the illegal activity on the city's financial statements.~~
 - ~~4. Determine proper notifications to insurers and filing of insurance claims.~~
 - ~~5. Take immediate action, in consultation with the City Attorney, to prevent the theft, alteration or destruction of evidentiary records. Such action shall include, but not be limited to:
 - ~~-Removal of records to a place in a secure location or limit access to the location where the records currently exist.~~
 - ~~-Prevent the individual suspected of committing the fraud from having access to the records.~~~~
 - ~~6. In consultation with the City Attorney and the Republic Police Department, the Fraud Investigator may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.~~
 - ~~7. If the Fraud Investigator is contacted by the media regarding an alleged fraud or audit investigation, the Fraud Investigator shall consult with the City Administrator and the City Attorney, as appropriate, before responding to a media request for information or interview.~~
 - ~~8. At the conclusion of the investigation, the Fraud Investigator~~~~



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~~shall document the results in a confidential memorandum report to the City Administrator and City Attorney. If the report concludes that the allegations are founded, the report shall be forwarded to the Republic Police Department and City Council.~~

- ~~9. Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of essential particulars of the allegations following the conclusion of the audit. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Fraud Investigator no later than seven (7) calendar days after notice is received.~~
- ~~10. The Fraud Investigator shall be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.~~
- ~~11. Upon completion of the investigation, including all legal and personnel actions, all records, documents and other evidentiary material obtained from the department under investigation shall be returned by the Fraud Investigator to the respective department(s).~~

6. AUTHORITY AND INVESTIGATION

It is the City's intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. An objective and impartial investigation shall be conducted regardless of the position, title, length of service or relationship with the City of any party who might be or becomes involved in or becomes/is the subject of such investigation.

- ~~a. The Fraud Investigator has the primary responsibility for the investigation of all activity as defined in this policy.~~
- ~~b. Throughout the investigation, the Fraud Investigator shall inform the City Administrator of pertinent investigative findings.~~
- ~~c. Upon conclusion of the investigation, the results shall be reported to the City Administrator.~~
- ~~d. The City Administrator, following review of investigation results, shall take appropriate action regarding employee misconduct. Disciplinary action may include termination and referral of the case for possible prosecution.~~
- ~~e. The City shall pursue every reasonable effort, including court order restitution, to obtain recovery of city losses from the offender or other appropriate sources.~~
 - a. The City Administrator, or their designee, will investigate situations involving possible fraud or related dishonesty activity.
 - b. The City of Republic Finance Department and/or the City of Republic Police Department will assist the City Administrator in this task, if deemed necessary.



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- c. In the event of an investigation being deemed necessary required, the evidence obtained through the investigation will be displayed closed as follows.
- i. The City Administrator, or their designee, will discuss the finding(s) with the City Council and appropriate Department Director(s).
 - ii. The City Administrator, or their designee, will advise direct the applicable Department Director(s) who oversee the employee(s) subject to the investigation, if the case involves their staff, to meet with Human Resources, for the purpose of determining whether if disciplinary actions or criminal prosecution should be taken.
 - iii. If illegal activity appears to have occurred, the evidence will be provided to the City of Republic Police Department, City Attorney, and City Prosecutor for review.

7. WHISTLE-BLOWER PROTECTION

Employees who observe and in good faith report a violation of ~~the city's fraud~~ this P policy shall be granted the protections contained herein. However, such protection shall not be afforded to employees on a retroactive basis to those employees who are the subject of pending disciplinary action. When informed of a suspected impropriety, neither the City nor any person acting on behalf of the City shall:

- Dismiss or threaten to dismiss the reporting employee;
- Discipline, suspend or threaten to discipline or suspend the reporting employee;
- Impose any penalty upon the reporting employee; or
- Intimidate or coerce the reporting employee.

Violation of this section shall result in discipline up to and including dismissal in accordance with applicable federal, state and local administrative laws.

8. DISCIPLINE

Violations of this ~~policy~~ Policy by an employee will be handled in accordance with the city's Personnel Policy Manual. All other persons or entities that are found to have violated this P policy will be either removed from the applicable board or committee or subject to suspension by the City from future business transactions for a specified period of time.

9. EXCEPTIONS

There shall be no exceptions to this policy unless provided and approved by the City Council.



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*Passed and Approved by City Council via Resolution 15-R-04 on January 26, 2015.



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CITY OF REPUBLIC, MISSOURI
FRAUD RECOGNITION AND UNDERSTANDING FORM

~~My signature signifies that I have read the *City of Republic Fraud Prevention and Detection Policy* and that I understand my responsibilities related to the prevention, detection and reporting of suspected fraud, misconduct, dishonesty and other similar irregularities.~~

~~I also acknowledge that I have read and understand the *City of Republic Business Ethics Policy*. Failure to disclose a relationship with a city vendor, as outlined in the *Business Ethics Policy*, that is used by my department or by a department that I am in a position to influence may subject me to disciplinary action in accordance with the city *Personnel Policy Manual*. Attached is a separate listing of city-used vendors with which I have a relationship identified as constituting a conflict of interest.~~

Print Name:

Signature:

_____ **Date:** _____

Manager/Supervisor/Chairperson:

_____ **Date:** _____

My signature signifies that I have read the *City of Republic Fraud Prevention and Detection Policy* and that I understand my responsibilities related to the prevention, detection and reporting of suspected fraud, misconduct, dishonesty, and other similar irregularities.

Printed Employee Name:

Employee Signature:

Date:

Manager/Supervisor Signature:

Date:



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CITY OF REPUBLIC, MISSOURI BUSINESS ETHICS

~~Exactly what constitutes a conflict of interest or an unethical business practice is both a moral and a legal question. The City recognizes and respects the individual employee's right to engage in activities outside of his or her employment which is private in nature and do not in any way conflict with or reflect poorly on the City.~~

~~Management reserves the right, however, to determine when an employee's activities represent a conflict with the city's interests and to take whatever action is necessary to resolve the situation — including termination of the employee.~~

~~It is impossible in a general policy statement to define all the various circumstances and relationships that would be considered "unethical." Following is a non-exclusive list of activities that would reflect in a negative way on the employee's personal integrity or that would limit the employee's ability to discharge job duties and responsibilities in an ethical manner.~~

- ~~1. Carrying on city business with a firm in which the employee, or a close relative of the employee, has substantial ownership or interest.~~
- ~~2. Holding a substantial interest in, or participating in, the management of a firm, from which the City makes purchases.~~
- ~~3. Borrowing money from customers or firms, other than recognized loan institutions, from which the City buys services, materials, equipment or supplies.~~
- ~~4. Accepting substantial gifts or excessive entertainment from an outside organization or agency.~~
- ~~5. Speculating or dealing in materials, equipment, supplies, services, or property purchased by the City.~~
- ~~6. Misusing privileged information or revealing confidential data to outsiders.~~
- ~~7. Using one's position in the City or knowledge of its affairs for outside personal gain.~~

~~Employment with the City carries a responsibility to be constantly aware of the importance of ethical conduct. Employees must refrain from taking part in, or exerting influence in, any transaction in which their own interests may conflict with the best interests of the City.~~