



Town of Sudbury Anti-Fraud Policy and Procedures

Policy & Procedure No. 2011-AF

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Town Manager

1. Purpose

This document establishes Sudbury's policy and procedures to protect the assets and interests of the Town, to increase overall fraud awareness, and to ensure a coordinated approach toward resolution of fraud. It provides guidance to employees when misuse or misappropriation of Town assets is suspected, and describes the responsibility of employees for detecting and reporting fraud or suspected fraud.

2. Policy

The Town of Sudbury is committed to protecting its revenue, property, equipment, confidential information and other interests. The Town will not tolerate any misuse or misappropriation of these assets. Thus, this Policy requires the Town to identify and promptly investigate all instances and allegations of fraudulent activities regarding these assets involving staff, vendors, agencies, or other parties. We believe that it is everyone's responsibility to report any possible fraudulent activity.

The Town will fully investigate any suspected acts of "fraud", as it is defined in this Policy, in an impartial manner regardless of the suspected wrongdoer's length of service, position, title or relationship to the Town. All persons found to have committed fraud relevant to the Town's affairs shall be subject to appropriate disciplinary action by the Town and investigation by law enforcement agencies when warranted. Disciplinary action against employees will be taken up to and including termination of employment. The Town reserves the right to pursue legal remedies available under the law including forwarding information to the appropriate authorities for criminal prosecution. The Town will make every reasonable effort, including court ordered restitution, to recover or receive compensation from any appropriate source for Town assets obtained by fraud.

Great care must be taken in the dealing with suspected dishonest or fraudulent activities to avoid the following:

- Unfounded accusations;
- Alerting suspected individuals that an investigation is underway;
- Treating employees unfairly;
- Violating a person's right to due process;
- Making statements that could lead to claims of false accusations or other offenses.

Individuals who knowingly make false accusations may be subject to disciplinary action.

3. Scope

This policy applies to any fraud, or suspected fraud, against the Town involving employees, consultants, vendors, contractors, outside agencies, and/or any other parties with a business relationship with the Town of Sudbury.

4. Definitions

4.1 Fraud:

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts are included under this policy, including such things as:

- Embezzlement, misappropriation or other financial irregularities;
- Forgery or alteration of documents (checks, time sheets, time cards, contractor agreements, purchase orders, other financial documents, electronic files);
- Improprieties in the handling or reporting of money or financial transactions;
- Theft or misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures or equipment);
- Authorizing or receiving payment for goods not received or services not performed;
- Authorizing or receiving payments for hours not worked;
- Using Town equipment, facilities, supplies or funds for purposes unrelated to Town business;
- Disclosing confidential or proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Town (Exception: Gifts less than \$50 in value);
- Any apparent violation of Federal, State, or local laws related to dishonest activities or fraud.

4.2 Employee:

In this context, the word employee refers to any person who receives compensation, either full or part time, from the Town of Sudbury. The term also includes any volunteer who provides services to the Town through an official arrangement with the Town or a Town organization, including, but not limited to, elected or appointed members of a board, committee, or task force.

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4.3 Reporting Employee:

The Reporting Employee is an employee who knows or has reason to believe that a fraud has occurred and thus has a duty to report such activity to a Management Representative.

4.4 Management Representative:

The Management Representative is normally the Reporting Employee's immediate supervisor; however, if the immediate supervisor is unavailable, or suspected of being involved in the fraud, the Management Representative is the next higher level manager who is available and not suspected of being involved in the fraud.

5. Procedures and Responsibilities

5.1 All employees are responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct, and shall follow the procedures in this document for dealing with such conduct or suspected conduct.

5.1.1 If there is any question as to whether an action constitutes fraud, employees should consult with their supervisor or the Assistant Town Manager/Human Resources Director for guidance.

5.2 All levels of Town management are responsible for establishing and maintaining proper internal controls that provide security and accountability for the resources entrusted to them.

5.3 The Town Manager will promulgate this Policy and Procedure throughout the organization so that all employees become familiar with the types of improprieties that might occur within their area of responsibility and are alert for any indications of improper activities, misappropriation, or dishonest activity that may constitute fraud against the Town.

5.4 A Reporting Employee who knows or has reason to believe that a fraud has occurred is responsible for immediately notifying an appropriate Management Representative (*see paragraph 4.4 for definition*). Employees may remain anonymous when reporting a suspected fraud but must maintain strict confidentiality concerning a reported fraud at all times.

5.4.1 The Reporting Employee shall refrain from further investigation of the incident, confrontation of the alleged violator, demand for restitution, or further discussion of the incident with anyone unless requested to by the Assistant Town Manager/Human Resources Director. Under no circumstances should there be any reference to "what you did," "the crime," "the fraud," "the forgery," "the misappropriation," etc.

5.5 When an improper activity is reported, the Management Representative should quickly make an initial determination as to whether an error or honest mistake has occurred or if there may be dishonest or fraudulent activity. If the situation warrants immediate action – for example, obvious theft has taken place, security is at risk, or immediate recovery is possible – the Management Representative should immediately contact the Sudbury police department and notify the Assistant Town Manager/Human Resources Director.

5.5.1 Responsibilities of the Management Representative in handling dishonest or fraudulent activities include the following:

- Do not contact (unless requested by the Assistant Town Manager/Human Resources Director) the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did," "the crime," "the fraud," "the forgery," "the misappropriation," etc.
- Do not discuss the case, facts, suspicions, or allegations with anyone outside the Town, unless specifically directed to do so by the Assistant Town Manager/Human Resources Director.
- Do not discuss the case with anyone inside the Town other than employees who have a need to know such as members of the Investigative Team (*see paragraph 5.8 below*).
- Direct all inquiries from the suspected individual, or his or her representative, to the Assistant Town Manager/Human Resources Director.
- Take appropriate corrective and disciplinary action after consulting with the Assistant Town Manager/Human Resources Director.

5.6 Upon determination that reported improper activity may be fraud rather than an honest mistake, the Management Representative must immediately inform the Assistant Town Manager/Human Resources Director, who will coordinate all investigations with other affected areas, both internal and external. In the event the Assistant Town Manager/Human Resources Director is the subject of suspected fraud, or is otherwise unavailable, the Town Manager will assume the responsibilities ascribed to the Assistant Town Manager/Human Resources Director in this Policy and Procedure.

5.7 If the Reporting Employee is not satisfied with a Management Representative's determination regarding possible dishonest or fraudulent activity, the Reporting Employee may notify the Assistant Town Manager/Human Resources Director directly.

5.8 For each instance of reported fraud, the Assistant Town Manager/Human Resources Director will conduct an investigation with the support of at least one (and typically more than one) of the following individuals: Finance Director, Town Accountant, Town Counsel, Police Chief and/or the Management Representative for the case, as appropriate to the circumstances.

5.8.1 The Investigative Team (as formed in accordance with paragraph 5.8 above), shall have full and unrestricted access to all necessary records and personnel. All Town furniture and contents, including desks and computers, are open to inspection when there is reasonable suspicion of a dishonest or fraudulent activity which makes such inspection appropriate; there is no assumption of privacy.

5.8.2 A member of the Investigative Team may examine, copy, or remove all or any portion of the contents of files, desks, cabinets, and other Town facilities without prior knowledge or consent of any individual who might use or have custody of any such items when it is within the scope of their investigation.

5.8.3 When the Investigative Team finds an employee has likely committed fraud or other improper activity, the individual will be given notice of the essential particulars of the allegations prior to final disciplinary action. The individual against whom allegations are being made will be given opportunity to respond. This requirement is subject to any collective agreement provisions respecting the rights of employees in the disciplinary process.

5.8.4 Upon conclusion of an investigation, the Assistant Town Manager/Human Resources Director will inform the parties involved of any disciplinary action to be taken. If illegal activity appears to have occurred, a decision to prosecute or refer the investigation results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel.

5.8.5 Upon conclusion of an investigation the Investigative Team will review the results with appropriate management personnel, making recommendations for any corrective actions needed to ensure adequate controls exist to prevent reoccurrence of reported improper activity. Management personnel are responsible for implementing the appropriate controls and any changes in procedures intended to prevent reoccurrence.

6. Accounting for Loss, Restitution, and Recovery

6.1 The department incurring the loss from a dishonest or fraudulent act will suffer the loss until the monies can be recovered through insurance or restitution. The Town Manager has discretion to make the final determination on this. The Town Accountant will set up a receivable from the amount owed to the Town.

6.2 The Town will pursue every reasonable effort to effect recovery of losses from responsible parties or through the Town's insurance coverage. At fiscal year end, the department account established in paragraph 6.1 will be credited with any amounts collected, pursuant to the state laws regarding insurance recovery.

7. Confidentiality

7.1 The Assistant Town Manager/Human Resources Director and all participants in a fraud investigation shall treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. To the extent possible by law, the identity of individuals involved in an investigation including the identity of an individual alleging fraud and the identity of an individual alleged to have committed fraud will be protected.

7.2 Any employee contacted by the media with respect to a fraud investigation shall refer the media person to the Assistant Town Manager/Human Resources Director.

7.3 Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Town from potential civil liability.

7.4 Whistle-Blower Protection

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No person covered by this policy shall:

- dismiss or threaten to dismiss an employee;
- discipline or suspend or threaten to discipline or suspend an employee;
- impose any penalty upon an employee; or
- intimidate or coerce an employee,

because the employee has acted in accordance with the requirements of the policy.

8. Related Policies

This Anti-Fraud Policy is designed to augment other Town policies and procedures and is not intended to replace or preclude them. Should an overlap arise between the application of this policy and any other policy, the policy and procedures most specific to the situation will apply.