

Town of New Fairfield
Date of Version: November 17, 2020

Title: **Fraud Policy and Procedures** Adopted by BOS date

Section: **Fraud Policy** Adopted by BOF date

I. **PURPOSE AND SCOPE:**

Fraud Policy and Procedures were created

- To establish policy and procedures for identifying acts that are considered to be fraudulent, describing the steps to be taken when fraud or other related dishonest activities are suspected, and providing procedures to follow in accounting for missing funds, restitution and recoveries;
- To strengthen the public's confidence in the integrity of municipal government employees by establishing a formal process for reporting investigating, and resolving cases of fraud and abuse;
- To raise the awareness of municipal officials/employees to integrity-related issues by initiating integrity-related programs and policies throughout Town Departments; and,
- To provide guidance and assistance to Town Department heads concerning recommendations for specific integrity-related issues that emphasize prevention, detection and correction of fraud, corruption, and abuse within their organizations.

The Town of New Fairfield is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the Town to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the Town and, when appropriate, to pursue legal remedies available under the law.

Definition of Terms

Fraud is understood to mean a deliberate course of action which results in the obtaining of money, property or an advantage to which the recipient or recipients would not normally be entitled. This would include but not be limited to:

- Theft, misuse, or diversion of money, equipment and/or materials;
- Illegitimate Worker's Compensation claim;
- Intentional failure to report damage;
- Intentional failure to provide product or services that are a part of your job;
- Intentional misrepresentation of Town's or governmental policies;
- Payroll falsification (theft of time);
- Misuse of town credit including credit cards and other forms of credit.

EXAMPLES OF FRAUD INCLUDE, BUT ARE NOT LIMITED TO:

- a. A claim for reimbursement of expenses that are not job-related or authorized by the current bargaining agreement.
- b. Forgery or unauthorized alteration or use of documents (checks, time sheets, independent contractor agreements, credit cards, purchase orders, budgets, etc.).
- c. Misappropriation of Town assets (funds, securities, supplies; furniture, equipment, etc.).
- d. Improprieties in the handling or reporting of money transactions.
- e. Authorizing or receiving payment for goods not received or services not performed.

- f. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of Town-owned software.
- g. Misrepresentation of information on documents.
- h. Any apparent violation of Federal, State, or Local laws including but not limited to dishonest activities, deceit, misrepresentation, theft, extortion, or fraud.

Abuse entails the exploitation of "loopholes" to the limits of the law, primarily for personal advantage. For example, an employee abuses a system of travel allowances by intentionally and unnecessarily scheduling meetings in another Town on a Friday afternoon and on the following Monday morning in order to claim per diem over a weekend.

Management - In this context, "management" refers to any administrator, manager, director, supervisor, or other individual who manages or supervises funds, persons or other resources.

II. **POLICY:**

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

Each department of the Town is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. The details of that system should be memorialized in a writing submitted to and approved by the Board of Selectman.

The First Selectman in conjunction with the Board of Selectmen will have the primary responsibility for the investigation of all activity as defined in this policy and for promptly notifying in a timely manner the Board of Finance. This includes the assistance of law enforcement and other professional as determined necessary.

For purposes of this policy, a "whistle-blower" is defined as any person who is acting in accordance with this policy and is not an offender, a conspirator or co-conspirator in any actions in contravention of this policy and, upon becoming aware or developing reasonable suspicion of possible violations of this policy, immediately fully notifies the appropriate authority as delineated herein.

Employees will be granted "whistle-blower protection" when acting in accordance with this policy. Whistle-blower protection does not apply when the would-be whistle-blower is reasonably suspected of either being the offender and/or a co-conspirator, or having had knowledge of the offense and failing to promptly notify the proper authorities as set forth herein.

When informed of a suspected impropriety by a whistle-blower, as defined herein, neither the Town nor any person acting on behalf of the Town shall:

1. Dismiss or threaten to dismiss the whistle-blower;
2. Discipline, suspend, or threaten to discipline or suspend the whistle-blower;
3. Impose any penalty upon the whistle-blower; or,
4. Intimidate or coerce the whistle-blower.

Violations of the whistle-blower protection will result in discipline up to and including dismissal unless the violation is the result of a reasonable belief that the whistle-blower may be or may have been an offender, co-conspirator or might otherwise have been involved in or related to or had undisclosed knowledge of the fraudulent activity.

Upon learning of a problem relating to fraud or suspected fraud, the Board of Selectman shall promptly notify the Board of Finance of the issue and shall continue to brief them on the ongoing status of the matter and/or investigation, until it is fully resolved.

Upon conclusion of the investigation, the results will be reported to the Board of Selectmen and the Board of Finance.

Following review of investigation results, the First Selectman shall take appropriate action regarding employee misconduct. Disciplinary action can include, among other things, termination, and referral of the case to the State's Attorney for possible prosecution.

The Town must pursue every reasonable resource, including court ordered restitution, to obtain recovery of Town losses from the offender, or other appropriate sources.

III. PROCEDURES:

If there is reason to suspect that a fraud has occurred it should be reported to the First Selectman who will notify other appropriate parties, which shall include Town Counsel, The Board of Selectman and the Board of Finance.

Except as otherwise stated herein, the alleged fraud or audit investigation shall not be discussed with the media by any person other than the First Selectman or designee.

Management (Department Head) Responsibilities

Management is responsible for being alert to, and reporting actual or suspected fraudulent or related dishonest activities in their areas of responsibility. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.

When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity and, regardless of his or her conclusion, should immediately report the matter to the First Selectman.

If management determines a suspected activity may involve fraud or related dishonest activity, management shall immediately report this, in writing and in person to the First Selectman.

Management shall NOT—

- Attempt to conduct individual investigations, interviews, or interrogations;
- Make contact (unless requested by the First Selectman) with the suspected individual to determine facts or demand restitution;
- Discuss the case, facts, suspicions, or allegations with anyone other than the First Selectman, unless specifically directed to do so, in writing, by the First Selectman or designee;
- Make unfounded accusations;
- Alert suspected individuals that an investigation is underway;
- Make statements that could lead to claims of false accusations or other offenses.