

<b>Title: City of Milton Fraud Policy</b>	<b>Page: 1</b>	<b>Policy Number: 9.1</b>
<b>Effective Date: August 13, 2013</b>	<b>Revised Date: 12/8/2015</b>	<b>Next Review Date: 12/1/2017</b>
<b>Approved by City Council: December 8, 2015</b>		
<b>Legal Review:</b>		

**INTRODUCTION:**

The City of Milton (City) recognizes the importance of protecting the organization, its operations, its employees, and its assets against financial risks, operational breaches and unethical activities. It is the intent of the City to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

It is incumbent upon the City of Milton’s Mayor, Council, City Manager, and Division Directors to institute and clearly communicate the fraud prevention policy to both internal and external customers, contractors, agencies, consultants, vendors and/or any other parties with a business relationship with the City.

The City recognizes a zero tolerance policy regarding fraud and corruption. All matters raised by any source will be taken seriously and properly investigated.

This policy covers all of the City’s employees and officers. Additionally, this policy covers all of the City’s vendors, customers, and partners to the extent that any of the City’s resources are involved or impacted.

Fraud is defined as an intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include, but are not limited to:

- ❖ Falsification of expenses and invoices
- ❖ Theft of cash or fixed assets
- ❖ Alteration or falsification of records
- ❖ Failure to account for monies collected
- ❖ Knowingly providing false information on job applications and requests for payment and/or funding.

Corruption is defined as the offering, giving, soliciting, or accepting of an inducement or reward that may improperly influence the action of a person or entity. Some examples of corruption include, but are not limited to:

- ❖ Bribery
- ❖ Conspiracy
- ❖ Extortion

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Each Department Supervisor will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alerted for any indication of irregularities.

**REPORTING OF FRAUD OR CORRUPTION:**

Allegations and concerns about fraudulent or corrupt activity may come from various sources including, but not limited to:

- ❖ Employees
- ❖ Vendors
- ❖ Members of the public
- ❖ Results of internal or external audit reviews
- ❖ Any other interested party

The public, employees and officers have a duty to report concerns they may have or any information provided to them about possible fraudulent or corrupt activity of any officer, employee, vendor or any other party with any association with the City. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately. This information may be reported anonymously and all messages will be forwarded to the City Manager.

Concerns should be reported to any of the following:

- ❖ City Manager
- ❖ Division Director
- ❖ Purchasing Agent / Risk Manager
- ❖ Employee’s immediate supervisor

All reported concerns of possible fraudulent or corrupt actions will be forwarded to City Manager. These reports will be taken seriously and the City Manager will designate appropriate personnel to do the investigation. If deemed necessary, the City Manager will notify and fully cooperate with the appropriate law enforcement agency. All findings of fraudulent or corrupt activities that result in disciplinary action will be reported to the Risk Manager and the HR Coordinator.

Retaliation and retribution will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

*No attempt should be made by anyone other than those authorized to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.*

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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 City from potential civil liability.

**DETERRING FRAUD AND CORRUPTION:**

The City of Milton has established internal controls, policies and procedures in an effort to deter, prevent and detect fraud and corruption.

All new employees, plus temporary and contract employees, are subject to background investigations including a criminal background check. The City, or its designee, will also verify all applicants' employment history, education and personal references prior to making an offer of employment.

All contractual agreements with the City will contain a provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption. Bid packages will put possible vendors on notice of the required non-collusion form requirement.

A copy of this policy shall be posted on the City's website and new employees will receive a copy of the fraud policy as part of the orientation package.

**CORRECTIVE ACTION:**

Offenders at all levels of the Organization will be treated equally regardless of their position, years of service, or relationship with the City. Determinations will be made based on a finding of fact in each case, actual or potential damage to the City, cooperation by the offender and legal requirements.

Depending upon the seriousness of the offense and the facts of each individual case, action against an employee can range from a written reprimand, up to and including termination, and/or legal action – either civil or criminal. In all cases involving monetary losses to the City, the City will pursue recover of losses.

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated Division Director, the representative from Human Resources, and by outside legal counsel, if necessary, before any such action is taken. Final determination regarding action against an employee, vendor, recipient or other person found to have committed fraud or corruption will be reviewed by the City Manager.

The City Manager is responsible for the administration, revision, interpretation, and application of this policy.

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**INTERNAL CONTROL POLICY AND PROCEDURE OUTLINE**

❖ **Accounts Payable/Purchasing Processes:**

- a) The city has a policy that requires the signature of both the City Clerk and the Mayor on all checks issued.
- b) Monthly statements have to be reconciled to canceled checks.
- c) Finance payment receipt and check processing must go through two or more employees to ensure proper posting and prevent fraudulent activities.
- d) Once invoices are processed for payment by the Accounts Payable Clerk the Accounting Clerk III mails the check out to the payees.
- e) Purchasing authorization levels require review and approval at specific spending levels prior to approval of payment to any vendor. The automated use of the Sunguard software system tracks requisition approvals and requires level authorizations before a payment can be processed.
- f) The purchasing program offers requisitions based user initiated requests and also handles the assignment and routing of approvals, in according with the purchasing policy, while providing management visibility.
- g) Purchase orders must have supporting data attached to them prior to processing for payment to verify that order quantities and costs match the received goods and invoices.
- h) No one person is able to complete a requisition/payment transaction or personnel/payroll transaction from beginning to end without appropriate monitoring or oversight.

❖ **Payroll Processing/ Human Resource Processes:**

- a) Payroll submission and preparation activities are conducted by the Human Resource Coordinator and then processed by the Payroll Clerk to ensure accuracy.
- b) Prior to finalization of payroll, the City Clerk shall conduct a review of the check register, verify its accuracy, and initial the final payroll register.
- c) The City Clerk is responsible for approving the final amount of direct deposit funds to be released and shall contact the financial institution once she has conducted a final review of the payroll register presented by the Payroll Clerk.

❖ **Accounts Receivable, Collections & Cash Management Processes:**

- a) Duties have been segregated between those handling cash and deposits, and those who have approval over spending and disbursement.
- b) Security cameras have been installed in the Finance Department to allow for a review of daily activities in the event of discrepancies with cash drawer balances.

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- c) The City has separated responsibilities so that any person having custody of the asset, such as cash, is not solely responsible for accounting for it.
- d) Utility service billing registers shall be reviewed by the Payroll Clerk for errors on re-reads. The Meter Department is required to sign off on a re-read to verify that it has been performed. The Finance Department will maintain one year of utility billing registers.

❖ **General Processes:**

- a) The Council has adopted a policy to have 3 months' worth of operating reserves to cover the operation of the General Fund activities. A review of reserve balances is performed on an annual basis.
- b) The City will strive to identify and segregate functional responsibilities to create a system of checks and balances.
- c) Incompatible duties will be segregated for a check and balance.
- d) Management continually and routinely monitors controls in the process of running the organization operations.
- e) Work closely with auditors to identify and correct procedures to remove the chance of fraudulent activities.
- f) The City has adoption Policy #1.3 "Conflict of Interest" which designates a City Ethics Officer to hear and investigate complaints from any employee regarding the appearance of a conflict of interest.

Approved by: 

Date: 12/07/15