



Administrative Policies and Procedures

Policy Title: Fraud in the Workplace	Policy Number: 513
Effective: 05/20	
Supersedes: 10/18, 6/08	
Approval: <i>Tom Crawford</i>	Page 1 of 4

Introduction

Employees are critical for every service the City provides. To encourage a rewarding and effective workplace, the organization has sought to foster an open and positive work environment for its employees. At times, there are activities that can be detrimental to sustaining this workplace atmosphere. Ultimately, this hurts morale, organizational effectiveness, and the image of the City. This policy seeks to provide guidance for those rare instances when an employee feels fraud or unethical behavior has occurred.

Administrative Policy #513, ***Fraud in the Workplace***, is being implemented to help employees recognize and prevent fraudulent activities. This policy is not intended to replace any established grievance process.

1. Purpose

This policy applies to any fraud, or suspected fraud, involving employees, Council, boards, committees, appointed task forces or positions, consultants, vendors, contractors, or outside agencies doing business with employees and/or any other parties with a business relationship with the City of Ann Arbor.

This policy is being established to protect the City's revenue, property, information and other assets from any attempt, either by members of the public, contractors, subcontractors, agents, or employees, to gain by deceit, financial or other benefits at the expense of City taxpayers. With this in mind, systems and

procedures for the prevention and detection of fraud have been designed and implemented to support and promote a culture and environment that fosters honest and ethical behavior. All employees play a role in the City's system, so this policy outlines the various roles and responsibilities of different employees.

If an employee encounters a situation where they believe a potentially fraudulent activity has occurred, this policy provides specific guidelines an employee should follow.

2. Policy

2.1 Management is responsible for the prevention and detection of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility (as described in Section 3.3 below). Management has the responsibility to implement adequate procedures and analysis which will alert them to any indication of irregularity.

2.2 All employees play a vital role in the prevention and detection of fraud. If an employee suspects fraud, theft, or corruption, it should be reported. The City's personnel policies are intended to enable employees and volunteers to raise good faith concerns of fraudulent behavior.

2.3 For this policy, fraudulent behavior includes, but is not limited to:

- Forgery or alteration of any document or account belonging to the City
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of City activities
- Disclosing confidential and proprietary information for gain to outside parties
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the City contrary to federal, state, or local law or City policy; and/or
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment.

2.4 The City's Internal Auditor, in conjunction with the Chief Financial Officer (CFO) and the City Attorney's office, has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. Any fraud that is detected or suspected must be reported immediately to the confidential employee hotline or the City's Internal Auditor (see Section 3.2 for contact information).

- 2.4.1 The City's Internal Auditor treats all information received as *confidential*. Any employee who suspects dishonest or fraudulent activity should notify the confidential employee hotline or the Internal Auditor immediately, and *should not attempt to personally conduct investigations or interviews/interrogations* related to any suspected fraudulent act (see **Procedure** section below). The City takes such matters seriously and has a legal obligation to investigate and all efforts will be made to maintain confidentiality in connection with the investigation. Information about the investigation will only be released on a need-to-know basis or when required by law.
- 2.4.2 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.
- 2.4.3 Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with the City Attorney and senior management, as will final decisions on the disposition of the case.
- 2.4.4 The Internal Auditor will have: ***To the extent permitted by law***, free and unrestricted access to all City records and premises, whether owned or rented; AND the authority after consultation with the City Attorney's office to examine, copy, and/or remove all or any portions of the contents of files (exclusive of the prosecution, privileged or work product files of the City Attorney), desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such City-owned items or facilities when it is within the scope of their investigation.

3. Procedures

- 3.1 Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations.
- 3.2 An employee who discovers or suspects fraudulent activity should *contact the confidential employee hotline (see Section 3.2.2) or the City's Internal Auditor immediately*. The reporting employee may remain anonymous. No information concerning the status of a potential incidence or investigation will be given out except on a need to know basis or as required by law. If an inquiry is received, the proper response is: "I am not at liberty to discuss this matter." ***Under no circumstances*** should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference to the investigation.

- 3.2.1 Employees can use the attached Fraud Disclosure form to submit their concerns to the Internal Auditor via interoffice mail or via email at InternalAuditor@a2gov.org. Also, this form is available on A2Central at <https://a2central.a2gov.org/departments/Finance/default.aspx>. All efforts will be made to maintain confidentiality of the information submitted.
- 3.2.2 Employees may also call the confidential employee hotline at 877-647-3335, text RFR to 234-231-9005 or visit RedFlagReporting.com to report fraudulent activities. Employees will need to use Client Code “AnnArbor” when making a report. The confidential employee hotline service is a third party, anonymous hotline that employees can use to report suspected fraudulent activity.
- 3.3 The reporting individual should adhere to the following guidelines:
- Do not contact the suspected individual in an effort to determine facts or demand restitution.
 - Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the City’s Internal Auditor.
- 3.4 All inquiries from a suspected individual, his or her attorney or representative, or any other inquirer concerning an activity under investigation should be directed to the Internal Auditor or the City Attorney.
- 3.5 If an investigation results in a finding of misconduct by an individual, or a group of individuals, the discipline, if necessary, will be determined by the Service Area Administrator, Human Resources and the City Attorney’s Office. The Internal Auditor does not have the authority to discipline an employee. Should the Internal Auditor believe the management follow-up actions to be insufficient for the facts presented, the facts will be presented to executive level management for a decision.
- 3.6 The CFO is responsible for the administration, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

Other Related Policies- Please note the following related policies:

- HR Policy and Procedure 2.1- *Employee Standards of Conduct*
- HR Policy and Procedure 2.3- *Conflict of Interest*
- HR Policy and Procedure 2.7- *Whistleblowers Protection Act Compliance*
- HR Policy and Procedure 2.9- *Employee Problem-Solving Process*

**CITY OF ANN ARBOR
FRAUD DISCLOSURE FORM
Confidential**

The City of Ann Arbor is committed to ensuring the opportunity for fraud is reduced to the lowest possible risk and values, open, honest and accountable behavior. In consideration of that commitment, the City encourages employees and others with serious ethics concerns about the City's operations to communicate those concerns. Please complete this form with as much detail and accuracy as you can provide. Return this form to the City's Internal Auditor or submit it via email at InternalAuditor@a2gov.org. Please be assured this information will be treated confidentially.

NAME OF INDIVIDUAL FILING REPORT (Optional):_____

PHONE NUMBER OF INDIVIDUAL FILING REPORT (Optional):_____

NATURE OF CONCERN:

RELATED BACKGROUND INFORMATION:

SPECIFIC DETAILS RELATED TO CONCERN:

NAMES AND POSITIONS OF PEOPLE INVOLVED AND/OR WITNESSES:

DATES AND OCCURENCES:

City of Ann Arbor
APP Fraud Policy #513
July 2008 (revised May 2020)
Frequently Asked Questions

1. Why was this policy implemented?

Administrative Policy #513, ***Fraud in the Workplace***, is being implemented to assist the City in protecting its revenue, property, information and other assets by helping employees to recognize and prevent fraudulent activities. During the 2006 and 2007 audits, the City's auditors issued a management letter recommending the City adopt a fraud policy and program. City Finance staff researched a variety of programs and policies and ultimately recommended this Administrative Policy and Procedure #513, ***Fraud in the Workplace***, to address auditor's comments.

This policy prohibits fraud or misuse of the City of Ann Arbor's assets and sets forth specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of the fraud and other similar irregularities. It is the intent of the City of Ann Arbor to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of control and conduct of investigations.

2. Why has the City never had a Fraud Policy in place before?

Administrative Policy #513, ***Fraud in the Workplace***, is an enhancement to the below related city policies, which do provide a framework and guidelines for workplace safety, ethics and effectiveness. This policy is meant to be a tool to assist employees in recognizing, preventing and notifying management of suspected fraudulent activities. This policy is not intended to replace the grievance process or any other City policy governing employee behavior.

Other Related Policies include:

- HR Policy and Procedure 2.1- *Employee Standards of Conduct*
- HR Policy and Procedure 2.3- *Conflict of Interest*
- HR Policy and Procedure 2.7- *Whistleblowers Protection Act Compliance*
- HR Policy and Procedure 2.9- *Employee Problem-Solving Process*

3. What is Fraud?

Occupational fraud takes on many forms in the workplace. Fraudulent behavior includes, but is not limited to:

- Forgery or alteration of any document or account belonging to the City
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Improper handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of City activities
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the City.

City of Ann Arbor
APP Fraud Policy #513
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- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or any similar or related inappropriate conduct

4. Does the City have any mechanisms in place to detect and prevent fraud?

A common misconception is that the City's external audit looks for fraud and will uncover any such transactions. In reality, in the United States, only 12 percent of reported fraudulent activity is uncovered by external audits. Ultimately, it is the responsibility of the governing body and its management to institute and monitor adequate internal controls over the City's assets and to provide tools to employees to assist them in promoting ethical behavior.

City of Ann Arbor Anti-fraud Measures The following steps have been instituted to reduce fraud risk at the City:

- ❑ The City has developed and implemented a fraud policy for all employees (Administrative Policy #513, **Fraud in the Workplace**).
- ❑ An internal audit program has been developed by Finance that conducts surprise audits of higher risk areas including cash collections sites. The audit program includes disbursement testing of purchasing cards, procurement, payroll and accounts payable.
- ❑ The City has implemented an anonymous fraud tip hotline for employees to report suspected fraudulent behavior. This service is available 24 hours a day, seven days a week and allows employees to communicate concerns without fear of retaliation. Please note that the hotline is staffed by experts who are skilled in interview techniques. They ask the appropriate questions in order to distinguish a legitimate concern versus a complaint from a disgruntled party that may not necessarily constitute fraud.

5. With anti-fraud measures in place, why do City employees need to watch for fraudulent activities?

Fraud Facts- In the Association of Certified Fraud Examiners *Report to the Nations 2020 Global Study on Occupational Fraud and Abuse*, several interesting facts were noted as follows:

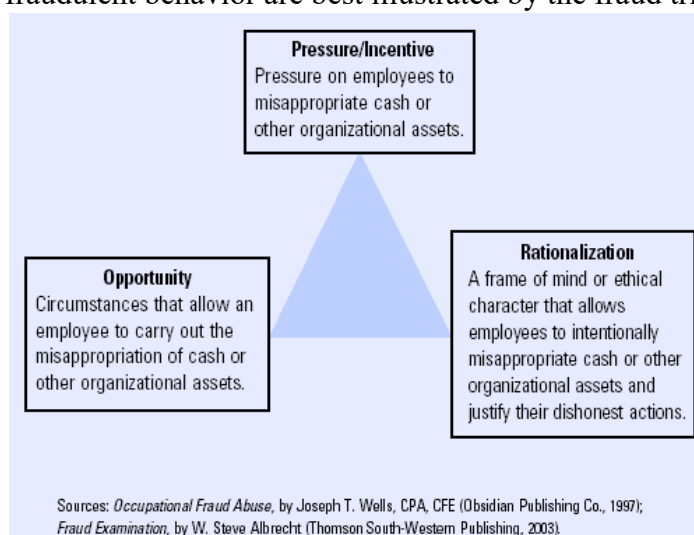
- Governments are the third most-likely industry to become a victim of occupational fraud with an average loss of \$100,000 per incident.
- Asset misappropriation (i.e. payroll fraud, skimming cash receipts, cash larceny or fraudulent invoicing) comprises over 86% of all fraud cases. Of those cases, over 92% involved stealing cash. However, for government, corruption and billing were the most common.
- The median length of time a fraud is carried out is 14 months from the time the fraud begins until the time the fraud is detected.

City of Ann Arbor
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- Fraud is most likely to be detected via a tip than any other means of detection including internal audits, external audits, or internal controls. 43% of all government fraud cases were discovered by tip, followed by 15% of cases discovered by internal audit. Of the cases discovered by tip, half of the tips were received from employees.

6. Why would an employee risk his or her job and commit fraud?

The dynamics of fraudulent behavior are best illustrated by the fraud triangle.



The City's responsibility is to devise ways to lessen the risks outlined above. Designing and enforcing effective internal controls most effectively abate **Opportunity**. **Pressure/Incentive** and **Rationalization** are tied to the employee's mindset and actions. To influence both of these dynamics in a positive manner, effective leadership and the "tone at the top" with respect to ethics and integrity are vitally important. In all instances, fraud education and awareness provide a pivotal role in communicating how occupational fraud affects an organization and resetting/reinforcing expectations that the City of Ann Arbor will not tolerate fraudulent behavior.

7. What should I do if I'm not sure an activity is fraud?

Improper activities concerning an employee's moral, ethical, or behavioral conduct, should be resolved by Service Area management and Human Resources. If there is any question as to whether an action constitutes fraud, contact the City's Internal Auditor for guidance at InternalAuditor@a2gov.org. You also can contact the hotline at 877-647-3335

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8. What should I do if I suspect fraud?

There are several options for employees to report fraud:

- ❑ Speak to your immediate supervisor.
- ❑ Contact the City's internal auditor at InternalAuditor@a2gov.org or employees can fill out a Fraud Disclosure form and confidentially submit their concerns to the Internal Auditor via interoffice mail. The form is available on A2Central at <https://a2central.a2gov.org/departments/Finance/default.aspx>.
- ❑ Call the hotline at 877-647-3335, text RFR to 234-231-9005 or visit RedFlagReporting.com. Use Client Code "AnnArbor" when making a report. The hotline service is a third party, anonymous hotline that employees can use to report suspected fraudulent activity.
- ❑ Do not contact the suspected individual in an effort to determine facts or demand restitution.
- ❑ Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the City's Internal Auditor.

9. What happens when a fraudulent activity is reported?

The City's Internal Auditor in conjunction with the Chief Financial Officer (CFO), have the primary responsibility for the investigation of all suspected fraudulent acts as defined in the Fraud Policy #513. Any fraud that is detected or suspected is investigated by the City's Internal Auditor, who coordinates all investigations with the City Attorney's office and other affected areas, both internal and external. If the investigation substantiates that fraudulent activities have occurred, the City's Internal Auditor will issue reports to appropriate designated personnel and the CFO.