

Fraud Policy Set by Board of Selectmen
At a Board of Selectmen Meeting
November 5, 2013

The Town of Heath (“Town”) 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 deceit, financial or other benefits at the expense of the taxpayers.

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

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

Definitions

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it. Occupational **fraud** is defined as the intentional use of one’s occupation for personal enrichment through the deliberate misuse or misappropriation of the Town’s resources and/or assets. There are three major categories of occupational fraud:

- **Asset Misappropriations** – Theft or misuse of the Town’s assets.
 - Cash
 - Fraudulent Disbursements – The perpetrator causes the Town to disburse funds through some trick or device (e.g. submitting false invoices/time card/sheets, expense reimbursement schemes, check tampering, etc.)
 - Skimming – Cash is stolen from the Town before it is recorded on the Town’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 – Misuse of the Town’s inventory or assets for personal use (e.g. Town vehicles, computers, supplies, etc.)
 - Larceny – Inventory or other assets are stolen from the Town.
- **Corruption** – Wrongfully use influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.
 - Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the Town.

- Bribery – The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision.
- Illegal Gratuities – A party who benefits from an official act or a business decision gives 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.
- **Fraudulent Statements** – Falsification of an organization’s financial statements.

Other similar irregularities is defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or government employees, that put government revenue, property, information and other assets at risk of waste or abuse.

Applicability

This policy applies to all elected officials, appointed officials, committee members, board members, volunteers, interns, and all employees (full-time, part-time, seasonal, and/or casual) of the Town. This policy also applies to any business or individual doing business with the Town.

General Policy and Responsibility

1. It is the Town’s intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the government of any party who might be or becomes involved in or becomes/is the subject of such investigation.
2. Elected Officials, appointed officials, committee members, board members, department heads, and managers are 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 within their respective committee, board, or department. Management 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.
3. The Heath Selectboard has the primary responsibility for the investigation of all reported cases of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected fraud activity defined in this policy. Initial reporting should be through the Town Coordinator or the Selectboard.
4. The Town Coordinator will notify the Heath Selectboard of a reported allegation of fraudulent or irregular conduct upon receipt of the allegation.

5. In circumstances where an investigation finds that there are reasonable grounds to indicate that a fraud may have occurred, decisions to prosecute or refer the investigation to the appropriate law enforcement and/or regulatory agencies for an independent investigation will be made by the Heath Selectboard, subject to the advice of Town Counsel.
6. The Town will take appropriate and timely action against those proven to have committed asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or fraud, including, but not limited to, the following: immediate termination of employment with the Town; seeking restitution for all losses, including investigation expenses and legal expenses, to the fullest extent of the law; and initiating civil action to recover losses. The Town reserves the right to take disciplinary action without awaiting the resolution of civil or criminal proceedings arising from the asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or fraud.
7. All elected officials, appointed officials, committee members, board members, volunteers, interns, and all employees shall read and understand this policy.

Procedures

1. All Employees

Any employee who has knowledge of an occurrence of asset misappropriation, corruption, commission of a fraudulent statement(s), or irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify the Town Coordinator or Heath Selectboard.

An employee who reports such an occurrence has a duty to cooperate during an investigation. All investigations shall be conducted in confidence in so far as reasonably possible. The name or names of those individuals communicating information about a fraudulent act or the name or names of those suspected of a fraudulent act will only be revealed when required by law.

Employees who knowingly make false allegations of asset misappropriation, corruption, commission of a fraudulent statement(s) or irregular conduct as those terms are defined herein, or fail to report such an occurrence when they know of the same, will be subject to discipline up to and including termination of employment.

2. Town/Town Management/Elected Officials

Upon notification from an employee of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected fraud, or if management has reason to suspect that any of the above have occurred, they shall immediately notify the Town Coordinator.

3. Contacts/Protocols

After an initial review and a determination that the suspected incident of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected fraud warrants investigation, the Heath Selectboard will coordinate the investigation.

4. Security of Evidence

Once a suspected incident of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected fraud is reported, the Heath Selectboard shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records, including placing the individual suspected of fraud on administrative leave status. The records must be adequately secured until the Heath Selectboard obtains the records to begin the investigation.

5. Personnel Actions

If a suspicion of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected fraud is substantiated by the investigation, disciplinary action shall be taken by the Heath Selectboard.

6. Whistle-Blower Protection

Under Massachusetts General Law Chapter 149, paragraphs 148A, 185 and 187, no employer or person acting on behalf of an employer 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 this policy.

The violation of this section will result in discipline up to and including dismissal in accordance with the applicable federal, state, and local administrative laws.

7. Media Issues

Any Town employee or elected official contacted by the media with respect to an investigation shall refer the media to the Chair of the Heath Selectboard. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Heath Selectboard.

If the Town Coordinator is contacted by the media regarding an alleged fraud or audit investigation, the Heath Selectboard will be consulted before responding to any inquiries.

Neither the Town Coordinator nor the Heath Selectboard will discuss the details of any ongoing fraud investigation with the media that may compromise the integrity of the investigation.

8. Documentation

At the conclusion of the investigation by the Heath Selectboard, the results of the investigation will be reported to others as determined necessary. If the report concludes that the allegations of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, or suspected are substantiated, the report may be forwarded to the appropriate law enforcement agency or regulatory agency as set out above.

9. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel action, any records, documents and other evidentiary material related to the investigation will be retained by the Heath Selectboard in a separate file with copies of the retained documents provided to the appropriate department from which the document(s) originated.

10. Dissemination and Sign Off of Fraud Policy for All Employees

All employees shall be provided a copy of this policy. A sign-off of the policy acknowledging that the policy has been read and the provisions have been understood is required of all employees.

For new employees, the policy and required sign-off will be included in the new employee packet. The sign-off of the policy by new employees will be considered a condition of employment.

ACKNOWLEDGEMENT OF RECEIPT & AWARENESS

FRAUD POLICY

TOWN OF HEATH

I hereby acknowledge receipt of the Town of Heath Fraud Policy. My signature signifies that I have read and understand its provisions and understand my responsibilities related to the prevention, detection, and reporting of asset misappropriation, corruption, commission of a fraudulent statement, irregular conduct, and/or suspected fraud.

Signature

Name of Individual Receiving Policy

Department Head

Date: _____

Please return this signed receipt to the Selectboard's office.