



City Manager's Approval: _____

THE CITY OF POMONA

ADMINISTRATIVE POLICIES AND PROCEDURES

FRAUD PREVENTION

I. PURPOSE

To establish policy and procedures for clarifying 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.

II. APPLICABILITY

This Policy applies to City of Pomona officials, officers, consultants, vendors, contractors, outside agencies, volunteers, all employees, and/or any other parties with an employment or business relationship with the City.

III. POLICY

- A. The City of Pomona is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the City of Pomona to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the City and, when appropriate, to pursue legal remedies available under the law.
- B. It is the City's intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the City of any party who might be, become involved in, or becomes the subject of such investigation.
- C. All employees are responsible for the detection, reporting and prevention of fraud, misappropriations, and other irregularities.
- D. Each department of the City is responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. Management should be familiar with the types of

FRAUD PREVENTION *(Continued)*:

improprieties that might occur within their area of responsibility and be alert for any indications of such misconduct.

- E. The Investigator, in conjunction with the City Attorney, has the primary responsibility for the investigation of all activity as defined in this Policy.
- F. Throughout the investigation, the Investigator will inform the City Manager of pertinent investigative findings.
- G. When informed of a suspected impropriety by an employee, neither the City nor any person acting on behalf of the City shall:
 - 1. Dismiss or threaten to dismiss that employee,
 - 2. Discipline, suspend, or threaten to discipline or suspend that employee,
 - 3. Impose any penalty upon that employee, or
 - 4. Intimidate or coerce that employee.
- H. Upon conclusion of the investigation, the results will be reported to the City Manager by the Department Director and Finance Director.
- I. The City Manager, or designee, following review of investigation results, may take appropriate action regarding employee misconduct. Disciplinary action may include termination of employment, and referral of the case to an appropriate Law Enforcement Agency and District Attorney's Office for possible arrest and prosecution.
- J. The City will pursue every reasonable effort, including court ordered restitution, to obtain recovery of City losses from the offender, or other appropriate sources.

IV. DEFINITIONS

- A. "*Fraud*" is the intentional false representation, or concealment of material fact for the purpose of personal gain for oneself or others; or inducing another to act similarly. Fraud and other similar irregularities include, but are not limited to:
 - 1. Claim for reimbursement of expenses that are not job-related or knowingly not authorized by the current Memorandum of Understanding, Executive Management Group A & B Rules and Regulations, or Personnel Rules.
 - 2. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.) related to City activities.

FRAUD PREVENTION *(Continued)*:

3. Misappropriation of City assets (e.g. funds, securities, supplies, furniture, equipment, etc.).
 4. Improprieties in handling or reporting of money transactions related to City activities.
 5. Authorizing or receiving payment from the City, or related to City business, for goods not received or services not performed.
 6. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of documents, data, or misappropriation of City-owned software.
 7. Misrepresentation of information on documents related to employment or City activities.
 8. Any apparent violation of Federal, State, or Local laws related to dishonest activities or fraud.
 9. Conditioning business with the City upon gifts or other favors including from employees, vendors, consultants, contractors, lessees, applicants, and grantees. This is covered in more detail in the Administrative Policies and Procedures - Policy Number 10 – Gifts and Gratuities.
- B. *“Employee”* refers to any individual or group of individuals who are employed with the City of Pomona as a full-time, hourly/part-time, or temporary basis. The term also includes any volunteer who provides services to the City through an official arrangement with the City or a City organization, as well as consultants, vendors, contractors, outside agencies and/or any other parties with a business relationship with the City of Pomona.
- C. *“Management”* refers to any director, manager, supervisor, or other individual who manages or supervises funds or other resources, including human resources.
- D. *“Investigator”* refers to any person or persons assigned by the Department Director, Human Resources Director, Finance Director and City Manager to investigate any fraud or similar activity.
- E. *“External Auditor”* refers to independent audit professionals who perform annual audits of the City’s financial statements.

FRAUD PREVENTION (Continued):

V. PROCEDURES

A. Mayor, City Council and Commissioner Responsibilities:

1. If the Mayor, a City Council member, or a Commissioner has reason to suspect that fraud has occurred, he or she shall immediately contact the City Manager or City Attorney.
2. The Mayor, City Councilmember, or Commissioner shall not attempt to investigate the suspected fraud or discuss the matter with anyone other than the City Manager or City Attorney.
3. The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the City Manager in consultation with the City Attorney.

B. Management Responsibilities:

1. Management is responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
2. Each manager should be familiar with the types of improprieties that might occur in his or her department/division and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her department/division.
3. 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.
4. If management determines a suspected activity may involve fraud or related dishonest activity, they should contact their next immediate supervisor not involved in the alleged misconduct and together with that supervisor inform their Department Director (unless the Department Director is alleged to have involvement in the alleged misconduct), and the Human Resources Director. If the alleged misconduct is believed to involve the Department Director and/or Finance Director, the City Attorney and Human Resources Director shall be notified.
5. The Department Director and the Human Resources Director, or the City Attorney if appropriate as under #4 above, shall inform the City Manager and Finance Director. If the City Manager is herself/himself the subject of the alleged misconduct, the City Attorney and either one of the above, shall inform the Mayor.

FRAUD PREVENTION (Continued):

6. Management should not attempt to conduct individual investigations, interviews, or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.
7. Management should support the City's responsibilities and cooperate fully with the Investigator, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
8. Management must give full and unrestricted access to all necessary records and personnel involved. All City furniture and contents, including desks and computers, are open to inspection at any time. There is no assumption of privacy. This is covered in more detail in the Administrative Policies and Procedures - Policy Number 13 – Inspection, Search, and Monitoring.
9. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:
 - a. Incorrect or unsupported accusations.
 - b. Alerting suspected individuals that an investigation is underway.
 - c. Treating employees unfairly.
 - d. Making statements that could lead to claims of false accusations or other offenses.
10. In handling dishonest or fraudulent activities, management has the responsibility to:
 - a. Avoid initiating contact (unless requested by the Investigator) with 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 misappropriation", etc.
 - b. Avoid discussing the case, facts, suspicions, or allegations with anyone outside the City, unless specifically directed to do so by the City Attorney.
 - c. Avoid discussing the case, facts, suspicions, or allegations with anyone other than employees who have a need to know such as the City Manager, Department Director, Human

FRAUD PREVENTION (Continued):

Resources Director, Finance Director, Investigator, City Attorney or law enforcement personnel. Any City Council inquiries should be directed to the City Manager or City Attorney.

- d. Direct all inquiries from the suspected individual, or his or her representative, to City Manager or City Attorney. All inquiries from the media should be directed to the City Manager or the City Attorney.
- e. Take appropriate corrective and disciplinary action, up to and including termination of employment, after consulting with the Human Resource Director or City Attorney, in conformance with the City's Personnel Policies and Procedures or the appropriate Memorandum of Understanding.

C. Employee Responsibilities:

1. A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.
2. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the City Manager, or designee.
3. The reporting employee shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone, unless requested by the City Manager, or designee, Investigator, City Attorney or law enforcement personnel.

D. Investigator Responsibilities:

1. Upon assignment by the Department Director or Human Resources Director (or the City Manager or City Attorney, as necessary), the Investigator will promptly investigate the suspected fraudulent activity.
2. Employees shall cooperate with the Investigator. Refusal, or the conveyance of inaccuracies, may subject an employee to disciplinary action up to and including termination of employment.
3. In all circumstances where there appears to be reasonable grounds for suspecting that fraud has taken place, the Investigator, in

FRAUD PREVENTION (Continued):

- consultation with the City Attorney, or the Human Resources Director will contact an appropriate Law Enforcement Agency.
4. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
 5. If evidence is uncovered showing possible dishonest or fraudulent activities, the Investigator will proceed as follows:
 - a. Discuss the findings with the Department Director and Human Resources Director – who will in turn inform the City Manager, City Attorney and Finance Director.
 - b. Meet with the Human Resources Director (or his/her designated representative) to determine if any disciplinary actions should be taken.
 - c. Report to the External Auditor such activities in order to assess the effect of the illegal activity on the City's financial statements.
 - d. Request that the Risk Manager, if not the subject of the alleged misconduct, to notify insurers and coordinate the filing of insurance claims, if appropriate.
 - e. Take immediate action, in consultation with the City Attorney, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:
 - i. Removing the records and placing them in a secure location, or limiting access to the records.
 - ii. Preventing the individual suspected of committing the fraud from having access to the records.
 6. In consultation with the City Attorney and the appropriate Law Enforcement Agency, the Investigator may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.
 7. If the Investigator is contacted by the media regarding an alleged fraud or audit investigation, the Investigator will consult with the City Manager, or designee, and the City Attorney, and the City Manager, or designee, will determine the appropriate person to respond to the media request for the information or interview.

FRAUD PREVENTION *(Continued)*:

8. At the conclusion of the investigation, the Investigator will document the results in a confidential memorandum report to the Human Resources Director who will inform the appropriate management employees. If the report concludes that the allegations are founded, the report will be forwarded to the appropriate Law Enforcement Agency.
9. Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of essential particulars of the allegations following the conclusions of the audit. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Investigator no later than seven (7) calendar days after notice is received.
10. The Investigator will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.
11. Upon completion of the investigation, including all legal and personnel actions, all records, documents, and other evidentiary material, obtained from the department under investigation will be returned by the Investigator to the Human Resources Department.

VI. EXCEPTIONS

Exceptions to this Policy must be approved in writing by the City Manager and the City Attorney. No exception will be valid if the person authorizing the exception is himself/herself the subject of the related allegation.

VII. ACTION

This Policy is effective this date.