

Date: 10-05-16

City of Holland, Michigan Fraud and Financial Misuse Policy

Policy Adoption Date: 10/17/2016 (HBPW)

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HBPW Action No. 17.054

Council Action No. 16.543

Introduction

For many years, one of the top priorities of the City of Holland has been to provide a government that serves with honesty and integrity. The purpose of this policy is to establish a system to prevent, discourage, detect, document, investigate and report existing or potential fraud and financial misuse within the City of Holland organization. This framework should be proactive, fair, consistent and informative.

This policy recognizes that the tone set by top management greatly influences the environment that prevents and detects fraud and financial misuse. Adoption of this policy reflects the strong commitment of the governing body of the City of Holland and the designated Audit Committee to initiate procedures to prevent fraud and financial misuse and encourage early reporting and action.

This policy is developed to work in tandem with the strong existing foundation of internal controls continually enhanced and monitored by the City and HBPW (Holland Board of Public Works) Finance Departments and the independent auditing firm. These controls include approvals, authorizations, verifications, reconciliations, security of assets and segregation of duties when possible.

Expectations of the policy include:

- Protect City funds and property.
- Protect the City's public image and reputation.
- Raise awareness and provide a supporting atmosphere of honesty within all City operations.
- Encourage accountability.
- Guarantee confidentiality and protection of persons making allegations.
- Determine responsibility for detection and investigation.
- Provide assurance that all allegations will be handled professionally and without fear of retribution.
- Reduce potential legal liability and litigation.
- Promote organization wide use of good internal control procedures.

Definitions and Examples

Fraud – any type of intentional and willful deception, misrepresentation, illegal action for personal financial or other beneficial gain or act that constitutes fraud under applicable federal, state or local laws.

Financial Misuse – theft of City property or funds, misuse or misdirection of information or City property, practices that result in an unnecessary cost to the City, misconduct within applicable employee handbook guidelines or within federal, state or local law, wrongful solicitation or acceptance of any illegally obtained personal gain or benefit.

Examples of fraud and financial misuse (but not limited to):

- Violations of federal, state or local laws.
- Theft, embezzlement, unauthorized use, impropriety or misappropriation of City funds, investments, supplies or tangible or intangible assets.
- Fraudulent alteration or misrepresentation of information on any City documents, accounting records, timesheets, assessments, public safety records or computer records.
- Authorization of payment for goods and services not received or hours not worked.
- Excessive waste or use of supplies for a vendor's financial gain.
- Acceptance of vendor bribes or kickbacks.
- Acceptance of citizen payments without receipting into the City's accounting system.
- Payments to fictitious vendors.
- Misrepresentation of travel expenses.
- Willful damage or neglect to City property.
- Coercion or conspiracy to defraud.
- Unauthorized access or sharing of City records.
- Intentional withholding of financial information requested by the City's auditors or Finance Office.
- Falsifying credentials.
- Intentionally denying or limiting access to services and benefits.
- Awareness of ongoing fraud and financial misuse without reporting the information to the proper authority.
- Use of information provided to the City or information from City files for personal gain or other personal benefit before the information is generally available to the public, or at any time.

Promoting Awareness

Every new employee of the City will be provided a copy of the City of Holland's Fraud and Financial Misuse Policy upon hire, and shall acknowledge receipt of the Policy. The City and the HBPW shall implement procedures to educate existing employees of the terms and conditions of this Policy and shall obtain acknowledgments of the receipt of the policy. Staff responsible for hiring will make a point when providing the policy to the new employee to stress the importance and priority of this issue. The policy will eventually be included in the Employee Handbook and employees are responsible to comply.

Human Resources will take advantage of training and publication opportunities to educate and encourage City and HBPW employees concerning prevention of fraud and financial misuse and promote a climate of freedom to submit allegations without fear of retribution.

The policy, along with a fraud and financial misuse reporting form, will be posted on the City's and HBPW's websites for access by the general public as well as employees.

At least annually a notice will be published informing the public of the City's commitment to preventing and detecting fraud and financial misuse and outlining steps the public can take to report fraud. Both online and manual formats of reporting will be made available.

The City recognizes that an environment of upholding honesty and integrity starts at the top. All supervisory and management personnel are responsible to review and uphold this policy and should be able to direct any subordinates in proper reporting procedures when asked. Supervisory and management personnel are held to the highest standard of ethics and should set a strict example of conformance with the policy. Supervisory personnel are instructed to make it their job to be familiar with the types of improprieties that might occur in their area of responsibility and be alert to any hint of fraud or financial

misuse. In the event upper management is suspected of inappropriate actions, mid-level management personnel should feel free to bypass upper level management, even in their own particular area, and make use of the standard reporting options without fear of retribution.

Reporting Options

Online Reporting

The City's and HBPW's websites will provide a confidential reporting form from which the submitter can choose to report to any one or any combination of the following persons:

- The Mayor or any City Council Member
- Any HBPW Board Member
- Director of Public Safety
- City Attorney
- City Manager
- General Manager of HBPW

The online submitter will be encouraged to provide their identification to aid investigative follow-up, but (as much as possible) anonymous filing will be an option provided. The claimant will be directed to submit the form to two (2) recipients concurrently. The recipients will know which other recipient concurrently received the form. The recipients will report the claim of alleged fraud and financial misuse to at least two (2) of the investigation team members delineated below within five business days.

Manual Reporting

Reporting forms with confidential submission envelopes will be available at the following locations. The named employees will be responsible to document receipt of the form and then distribute the claim to at least two (2) members of the investigation team delineated below within five business days.

- Human Relations Office (Community/Human Relations Coordinator)
- Holland Police Department
- HBPW Human Resources Manager

The identity of the person making a report will be kept confidential to the extent allowed by law, unless disclosure is necessary to establish the allegations of the Freedom of Information Act or other law.

Investigation and Research

Upon receiving a complain concerning an employee, the City Manager will be responsible to determine and take appropriate action relating to an employee's employment status, such a suspension or termination (subject to restrictions imposed by Charter or ordinance or other law). If the employee is an employee of the HBPW, the HBPW General Manager will be responsible to determine and take appropriate action (subject to restrictions imposed by Charter or ordinance or other law).

The investigation team will be comprised of the following persons (unless any such person is implicated):

- City Manager (or designee)
- Director of Public Safety (or designee)
- HBPW General Manager (only in those cases that the HBPW is implicated) (or designee)

- One Elected Council Member Who Is Also An Audit Committee Member
- One HBPW Audit Committee Member (only in cases that the HBPW is implicated)
- City Attorney
- County Sheriff (only in cases where the Director of Public Safety is implicated)

The investigation team will be called together immediately to review the allegations in a confidential manner and determine what investigative actions are needed. All reportings shall be referred to the City Attorney (unless the City Attorney is implicated) and shall be subject to the attorney/client privilege during the course of and upon completion of the investigation. The City Manager (or designee) will be the team coordinator (or City Attorney if the City Manager is implicated). Team actions and communication will be documented case by case. A summary of investigations and their outcomes will be provided at fiscal year end to the City/HBPW auditing firm for their information.

The investigation team will determine what other individuals should become involved and if the City/HBPW auditing firm should be consulted. Criminal investigations will be coordinated by the Director of Public Safety when necessary. If the allegations are directed at any one of the investigation team, then that person will be excluded from that particular investigation. If the report is filed online it will automatically go into the named recipient's email in-box and the Technology Services Department will arrange for confirmation that the named recipient(s) has received and reviewed the report.

The City Manager and Director of Public Safety will determine if the City Finance Officer/Treasurer (or designee) or HBPW Finance Director (or designee) should be immediately involved in investigations regarding alleged misappropriation of City funds or property. Careful steps will be taken to avoid compromising the investigation by alerting the suspected party(ies) or by mishandling.

If the investigation team determines that there is insufficient evidence provided by the report and investigation to support allegations, this will be documented and the case will be closed. There must be probable cause indicating fraud or financial misuse exists before the investigation team begins a full blown investigation.

In all cases, a plan will be developed by the team (or their designee in the affected department) to prevent any future reoccurrence of fraud or financial misuse. The investigation team will determine when, and in what manner, the Mayor and City Council (and HBPW Board in cases involving the HBPW) will be informed of an ongoing or closed investigation. It is the intent of this policy that any significant fraud and financial misuse that is confirmed and recommended for further action and investigation will be ultimately communicated formally to the governing body of the City, taking into account the following factors:

- Legal action when necessitated by the facts.
- Protection of the innocent.
- Prudent risk management and litigation handling.
- Cooperation with the news media to keep the general public informed on significant cases in conjunction with confidentiality measures directed by the City's legal counsel.

The filer of the original report alleging fraud and financial misuse will indicate on the form if a response is requested. If so indicated, immediate acknowledgement of the receipt of the report will be returned stating that the investigation team will make every effort to communicate in writing back to the original filer within 6 weeks as to the status of the investigation. This communication will be documented.