

CITY OF RIALTO FRAUD POLICY

Adopted: 06/11/2019

Effective: 06/12/2019

PURPOSE

The City of Rialto 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 financial or other benefits by deceit at the expense of City taxpayers. City officials, commission members, and staff must, at all times, comply with all applicable laws and regulations. The City will not condone the activities of officials, city commissioners, or employees who achieve results through violation of the law or unethical business dealings. The City does not permit any activity that fails to stand the closest possible public scrutiny.

The Fraud Policy establishes specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

DEFINITIONS

“Occupational fraud” or **“Fraud”** is defined by the Association of Certified Fraud Examiners as the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets. For purposes of this Policy, there are three major categories of occupational fraud:

1. **Asset Misappropriations** – Theft or misuse of the City’s assets:
 - a. **Fraudulent Disbursements** – Perpetrator causes the City to disburse funds through some trick or device (e.g. submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.).
 - b. **Skimming** – Cash is stolen from the City before it is recorded on the City’s books and records.
 - c. **Cash Larceny** – Cash is stolen from the City after it has been recorded on the City’s books and records.
 - d. **Misuse** – Any use of the City’s inventory or assets for personal use that is contrary to policy or authorization (e.g. City vehicles, computers, computer software, copier equipment, cell phone, maintenance equipment, supplies, etc.). Any use of a City discount for personal gain.
 - e. **Larceny** – Inventory or other assets are stolen from the City.
2. **Corruption** Wrongful use of influence in a business transaction in order to procure some benefit for self or another person, contrary to the duty to the City or the rights of another.
 - a. **Conflicts of Interest** – An undisclosed economic or personal interest in a transaction that adversely affects the City.
 - b. **Bribery** – The offering, giving, receiving, or soliciting of anything of value to influence an official act or a business decision.
 - c. **Economic Extortion** – An employee, official, or agent demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. **Fraudulent Statements** – Falsification of an organization’s financial statements

“Other similar irregularity (-ies)” is defined as any activity involving behavior or business dealings by members of the public, contractors, vendors, agents or City employees, that puts City revenue, property, information and other assets at risk of waste or abuse.

APPLICABILITY

This policy applies to all Elected Officials, Commissioners, all employees of the City, as well as City volunteers, independent contractors, businesses or individuals doing business with the City.

GENERAL POLICY

It is the policy of the City to identify and promptly investigate any suspected acts of fraud or misuse of City assets. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the City of any party who might be, or becomes involved in, or is, or becomes, the subject of such investigation.

The City of Rialto will take all appropriate disciplinary and legal actions against employees and/or entities to include the possibility of termination of employment or contract, restitution, and forwarding information to the appropriate authorities for criminal prosecution, as appropriate.

MANAGEMENT RESPONSIBILITY

- The City Administrator and each Department Director 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.
- The Finance Department has the primary responsibility for developing and maintaining an effective system of internal controls that safeguard taxpayer assets. As part of this Policy, the Finance Director will implement administrative procedures that will protect assets from being fraudulently misappropriated. The administrative procedures will include a regular review of fraud risks and the creation of internal controls to combat perceived risks, a process to control reporting of transactions to protect against fraudulent reporting and/or accounting, and a requirement for management to develop adequate internal controls to prevent and detect fraud.
- The City Attorney is responsible for taking legal actions to recover losses from fraudulent activities.
- Individual departments are responsible for reporting suspected acts of fraud to the Human Resources and Risk Management Director.
- The Human Resources Department has the primary responsibility for providing this Policy to current and all new employees, officials, and commissioners. The Human Resources Department conducts background checks with the specific objective of assuring that persons with inappropriate records or characters inconsistent with the City’s business culture and ethics are identified and eliminated from the hiring process.
- The Human Resources Department has the primary responsibility for the investigation of all activity defined in the Policy. Investigation will be conducted by the Human Resources and Risk Management Director.
- The Human Resources and Risk Management Director will notify the City Administrator of a reported allegation of fraud or other similar irregularity upon the commencement of the investigation to the extent practical. The City Administrator may decide to hire an independent investigator to conduct the investigation if deemed appropriate. Throughout

the investigation the City Administrator will be informed of pertinent investigative findings.

- In all circumstances where there are reasonable grounds to indicate that fraud or other similar irregularity may have occurred, the Human Resources and Risk Management Director, with the approval of the City Administrator, and in consultation with the City Attorney, may make a referral to the San Bernardino County District Attorney, or law enforcement agency, as appropriate.
- Upon conclusion of the investigation, the Human Resources and Risk Management Director will report the results or a summary thereof to the City Administrator.
- The City of Rialto at its discretion will make reasonable efforts, including court ordered restitution, to obtain recovery of the City's losses from the offender, or other appropriate source.

EMPLOYEE RESPONSIBILITY

When suspected fraudulent incidents, or practices are observed by or made known to an employee, that employee shall be responsible for the following:

1. The incident or practice must be reported to his/her supervisor for reporting to the proper management official as soon as possible, but no more than two (2) working days after the incident. Any supervisor or manager who becomes aware of possible fraud (from an employee report or their own observation) is required to immediately report it to the person responsible for investigating fraud allegations. When the employee believes the supervisor may be involved in the inappropriate activity, the employee will make the report directly to the Human Resources and Risk Management Director or a higher level of management.
2. The reporting employee will refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone other than his/her supervisor, the Human Resources and Risk Management Director, the City Administrator, and/or law enforcement personnel, as appropriate.
3. Employees have a duty to cooperate during an investigation. Employees who knowingly make false allegations will be subject to disciplinary action, up to and including termination.

PROCEDURES

1. Contacts/Protocols

Upon notification or discovery of a suspected fraud or other similar irregularity, the Human Resources and Risk Management Director will promptly investigate, or cause to be investigated either by another internal or external investigator, the suspected fraud. After an initial review and a determination that the suspected fraud or other similar irregularity warrants additional investigation, the Human Resources and Risk Management Director will notify the City Administrator. In all circumstances, where there are reasonable grounds to indicate that fraud or other similar irregularity may have occurred, the Human Resources and Risk Management Director, with the approval of the City Administrator, will inform the City Attorney. The affected Department will coordinate the investigation with the City Attorney and appropriate law enforcement officials, and/or all appropriate parties will cooperate with another internal or external investigator that is authorized to complete the investigation. If necessary, upon consultation with the City Attorney, the Human Resources

and Risk Management Director will contact the San Bernardino County District Attorney, law enforcement agency, or outside investigator, as appropriate.

2. *Security of Evidence*

Once a suspected fraud is reported, the Human Resources Department, in consultation with the City Attorney, 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. The records must be adequately secured until the investigator obtains the records to begin the investigation.

3. *Human Resources*

If a suspicion of fraud is substantiated by the investigation, the Human Resources and Risk Management Director will provide guidance within the Personnel Rules relative to any proposed disciplinary action, and will initiate disciplinary action in coordination with the appropriate Department Director.

4. *Whistleblower Protection*

Whistle-blower protections including confidentiality and protection against retaliation will be provided in compliance with State and Federal law. However, any reported information may be used and shared on a need-to-know basis as necessary to further an investigation. Any whistle-blower, who believes he/she is being retaliated against, should follow the Grievance Policy contained in the Personnel Rules / Policy Manual. The right of a whistleblower for protection against retaliation does not include immunity for any personal wrongdoing that is alleged and investigated.

5. *Documentation*

At the conclusion of the investigation, the results will be reported to the City Administrator, the City Attorney, and others as deemed necessary. If the report concludes that the allegations are founded, and with the concurrence of the City Administrator and the City Attorney, the Human Resources and Risk Management Director will contact the San Bernardino County District Attorney and/or law enforcement agency, as appropriate.

6. *Completion of the Investigation*

Upon completion of the investigation, including all legal and personnel actions, any records, documents and other evidentiary material will be retained by the Human Resources Department.

7. *Reporting to External Auditors*

The Finance Department will report to the external auditors known acts of fraud.

This Policy is intended to augment other policies addressing the same or similar matters and will only supersede those policies where directly in conflict with them. It is not intended to be administered in a manner to interfere with whistleblower rights or other fraud reporting policies or with constitutionally protected free speech rights.

**Fraud Policy and Protocol
Acknowledgement**

By signing below, I acknowledge that I have received a copy of the City's Fraud Policy and Protocol.

Employee Signature

Employee Name (Please Print)

Date Received: _____