



# City of Rialto

## Legislation Text

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**File #:** CC-19-457, **Version:** 1

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For City Council Meeting [June 11, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Sean Grayson, Interim City Administrator

FROM: Jessica Brown, Finance Director

Request City Council to Adopt a Fraud Policy and Approve  
**Resolution No. 7517.**

### **BACKGROUND:**

Financial policies are essential for ensuring sound financial management practices and establishing internal controls to protect the City's financial resources and assets. Effective financial management requires adequate systems of internal controls to ensure City funds are used for their intended purposes, and to ensure transparency and reliability of financial reporting. For the City's 2017-18 financial audit, the City engaged Teaman, Ramirez & Smith, Inc. Certified Public Accountants (TRS). As part of the City's 2017-18 independent audit internal control testing process, TRS recommended that the City adopt a fraud policy.

### **ANALYSIS/DISCUSSION:**

Government Finance Officers Association (GFOA) developed recommended best practices to provide guidance on sound financial practices and recognized financial policies as an essential part of financial management. One of GFOA's recommendations is that every government establish and formally adopt financial policies including a fraud policy to encourage and facilitate the reporting of fraud or abuse and questionable accounting or auditing practices.

Most fraud, abuse, and questionable practices are identified through reporting by employees or members of the public. The approval of the Fraud Policy formally and practically demonstrates the City's commitment to sound fiscal management and stewardship by adhering to the highest standards of ethics and accountability.

The policy defines fraud, identifies applicability, outlines management and employee responsibilities, and provides a framework of procedures for reporting and investigating fraud. The policy also includes an employee fraud protocol to be disseminated during the new employee onboarding process.

The fraud policy was presented to the Budget Sub-Committee on June 5, 2019.

### **ENVIRONMENTAL IMPACT:**

The requested City Council action is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which

has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

**GENERAL PLAN CONSISTENCY:**

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent and responsive manner that meets the needs of the citizens and is a good place to do business.

**LEGAL REVIEW:**

The City Attorney has reviewed and approved this staff report

**FINANCIAL IMPACT:**

Operating Budget Impact

This item does not impact the operating budget.

Capital Improvement Budget Impact

This item does not impact the capital improvement budget.

Licensing

This item does not meet any business licensing requirement.

**RECOMMENDATION:**

Staff recommends that the City Council:

- Adopt the Fraud Policy
- Approve a Resolution Approving and Adopting a Fraud Policy