

**CITY OF CULVER CITY
COUNCIL POLICY STATEMENT**

Policy Number: 4210

General Subject: Employees and City Officials

Date Issued: 06/28/2010

Specific Subject: Fraud Prevention

Effective Date: 06/28/2010

Resolution No: 2010-R049

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. POLICY:

- A. The City of Culver City ("City") is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the City 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. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and/or any other parties with a business relationship with the City.
- C. Any investigative activity required will be conducted in an objective and impartial manner without regard to the suspected wrongdoer's length of service, position, title, or relationship to the City.
- D. All Council Members and employees are responsible for the detection, reporting and prevention of fraud, misappropriations, and other irregularities.

III. DEFINITIONS:

- A. Fraud – 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 authorized by City policy.

2. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).
 3. Misappropriation of City assets (funds, securities, supplies, furniture, equipment, etc.).
 4. Improprieties in handling or reporting of money transactions.
 5. Authorizing or receiving payment for goods not received or services not performed.
 6. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of City-owned software.
 7. Misrepresentation of information on documents.
 8. Any apparent violation of Federal, State, or Local laws related to dishonest activities or fraud.
 9. Seeking or accepting anything of material value from those doing business with the City including vendors, consultants, contractors, lessees, applicants, and grantees. The City's Ethics Policy determines materiality.
- B. Employee – Refers to any individual or group of individuals who receive compensation, either full- or part-time, from the City. The term also includes any volunteer who provides services to the City through an official arrangement with the City, as well as consultants, vendors, contractors, outside agencies and/or any other parties with a business relationship with the City.
- C. Management – Management refers to any administrator, manager, director, supervisor, or other individual who manages or supervises funds or other resources, including human resources.
- D. Investigator –Investigator refers to any person or persons assigned by the City Manager or the City Attorney to investigate any fraud or similar activity.
- E. External Auditor –External Auditor refers to independent audit professionals who perform annual audits of the City's financial statements.

IV. INVESTIGATION AND PROTECTION:

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.

The Investigator, in conjunction with the City Attorney, has the primary responsibility for the investigation of all activity as defined in this policy.

Employees will be granted whistle-blower protection when acting in accordance with this policy. When informed of a suspected impropriety, neither the City nor any person acting on behalf of the City shall:

1. Dismiss or threaten to dismiss the employee,
2. Discipline, suspend, or threaten to discipline or suspend the employee,
3. Impose any penalty upon the employee, or
4. Intimidate or coerce the employee.

Violations of the whistle-blower protection will result in discipline up to and including termination.

The City Manager, following review of investigation results, will take appropriate action regarding employee misconduct. Disciplinary action can include termination, and referral of the case to an appropriate law enforcement agency and City Attorney's Office for possible arrest and prosecution.

The City will pursue every reasonable effort, including court ordered restitution, to obtain recovery of City losses from the offender, or other appropriate sources.

V. PROCEDURES:

A. 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 area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.
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

- the City Manager (unless the City Manager is alleged to have involvement in the alleged misconduct). Council Members shall report such activity to the City Manager. If the alleged misconduct is said to involve the City Manager, report of such misconduct shall be made to the City Attorney.
5. 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.
 6. 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.
 7. Management must give full and unrestricted access to all necessary records and personnel. All City property, including desks and computers and their contents, shall be open to inspection at any time. By receipt of a copy of this Policy, Employees shall be on notice that they have no expectation of privacy in these areas.
 8. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:
 - a. Incorrect 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.
 9. In handling dishonest or fraudulent activities, Management has the responsibility to:
 - a. Make no contact (unless requested) 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.

- d. Direct all inquiries from the suspected individual, or his or her representative, to the Investigator. All inquiries from the media should be directed to the City Manager or designee.
- e. Take appropriate corrective and disciplinary action, up to and including termination, in conformance with the City's Civil Service Rules, after consulting with Human Resources and the City Attorney's Office.

B. Employee Responsibilities

All employees are responsible for the detection, reporting and prevention of fraud, misappropriations, and other irregularities, and to fully cooperate with any investigation relating thereto.

C. Investigation

1. In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the Investigator, in consultation with the City Attorney, will contact an appropriate law enforcement agency.
2. If evidence is uncovered showing possible dishonest or fraudulent activities, the Investigator will proceed as follows:
 - a. Discuss the findings with the City Manager who will in turn inform the City Attorney.
 - b. The City Manager (or his/her designated representative) will:
 - 1) Determine if disciplinary actions should be taken.
 - 2) Notify insurers and coordinate the filing of insurance claims.
 - c. 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:
 - 1) Removing the records and placing them in a secure location, or limiting access to the records.
 - 2) Preventing the individual suspected of committing the fraud from having access to the records.
3. The Investigator will make recommendations to the City Manager for assistance in the prevention of future similar occurrences.