

Fraud Prevention and Detection Policy

Approved by: The Town of Monterey
Effective: September 2, 2020

PURPOSE:

The Town of Monterey Fraud Prevention and Detection Policy (Policy) is established to facilitate the development of controls, which will aid in the prevention and detection of fraud against the Town of Monterey (Town). It is the intent of the Town to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Furthermore, the purpose of this document is to confirm that the Town supports and fosters a culture of zero tolerance towards fraud in all of its forms.

APPLICABILITY:

This Policy applies to the Selectboard, and all other elected town officials; their appointees; all employees of the Town of Monterey, including all enterprise operations and all members of its boards, committees or commissions.

This Policy also applies to any other persons “acting on behalf of the Town,” vendors and contractors, consultants, volunteers, temporary and casual employees and grant sub-recipients.

SCOPE:

This Policy applies to any suspected fraud, abuse, or similar irregularity against the Town.

OBJECTIVE:

This Policy is set forth to communicate the town’s intentions regarding prevention, reporting and investigating suspected fraud, abuse and similar irregularities. The Town desires to create an environment in which employees and/or citizens can report any suspicions of fraud.

Further, this Policy is set forth to communicate the town’s desire to protect the assets, resources and reputation of Monterey. It is through this policy that the Town also seeks to protect all officials, employees and associated parties from false or erroneous allegations by providing them with sufficient knowledge and training relative to the town’s fraud prevention policies and procedures to ensure that they fully understand the culture of the environment they are operating within.

This Policy provides management with specific guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties.

DEFINITIONS:

Abuse refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records or other resources
- Waste of public funds, or
- Any similar or related irregularity.

Abuse can occur in financial or non-financial settings. When considering if an event or action might be construed as being abusive, one should consider if it would pass public scrutiny.

Any Other Persons “Acting on behalf of the Town” shall mean all persons responsible for or to the municipal government and/or the town’s enterprises placed in that position by some official relationship with the Town of Monterey.

Appointed Officials shall mean all persons responsible for or to the municipal government and/or the town’s enterprises placed in that position via an appointment.

Consultants shall mean all individuals and organizations conducting business with or on behalf of the municipal government and/or the enterprises of the Town.

Elected Officials shall mean all persons responsible for or to the municipal government and/or the town’s enterprises placed in that position by the voters of Monterey via a town ballot.

Fraud or other irregularity refers to, but is not limited to: (See Sample Fraud Risk Policy)

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential and/or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors or persons providing services or materials to the Town

- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses that are not made for the exclusive benefit of the Town
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or
- Any similar or related irregularity.

Grant Sub-recipients shall mean all individuals and/or organizations that receive any programmatic funding or “in-kind assistance” from the municipal government and/or the town’s enterprises.

Management shall mean those individuals who have been placed in a position of trust by a lawful Town of Monterey appointing authority to assist in carrying out the objectives of that department of the Town for which they are employed.

Town Selectboard shall mean the highest-ranking persons responsible for the municipal government and the town’s enterprises.

Town Employee shall mean all employees of the municipal government and all of the enterprises of the Town. This definition is inclusive of all employees regardless of the designations full-time, part-time, temporary or casual.

Town of Monterey is a Massachusetts municipal corporation managed as provided under the Town of Monterey Home Rule Charter, the Town of Monterey Administrative Code and the Town of Monterey Code of Bylaws and shall include all its enterprise activities, as well as all boards, committees, and commissions elected or appointed by the Selectboard and other appointing authorities.

Vendors and Contractors shall mean all individuals and organizations conducting business with or on behalf of the municipal government and/or the enterprises of the Town.

Volunteers shall mean all contributors of unpaid personal services to the municipal government and/or the enterprises of the Town.

POLICY:

It is the policy of the Town to investigate and report to appropriate governmental authorities, as required, any violations of compliance with town policy, state and federal laws and regulations, internal accounting controls and questionable accounting matters.

Responsibilities

The Town of Monterey’s management is responsible for establishing and maintaining policies and controls that provide security and accountability for the resources entrusted to them. Internal controls are intended to aid in preventing and detecting instances of fraud and related misconduct. Management is also expected to recognize risks and exposures inherent in their area of responsibility and be aware

of indications of fraud or related misconduct. Responses to such allegations or indicators should be consistent.

Every employee has the responsibility to assist the Town in complying with policies and legal and regulatory requirements, and in reporting known violations. It is the policy of the Town to encourage the support and cooperation of all employees in meeting the Town's commitment and responsibility to such compliance.

Reporting

Employees shall report suspected instances of fraud or irregularity to their immediate supervisor or their next appropriate management level. However, in certain circumstances, it may be appropriate for employees to report suspected instances of fraud or irregularity directly to the town Selectboard. (For example, if the alleged fraud has been committed by the employee's supervisor).

It is the responsibility of a supervisor or relevant manager to ensure that the suspicion of fraud and/or irregularity that is reported to them is reported as soon as practical to the town Selectboard. The written or verbal report shall be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. In the event that the town Selectboard is the subject of, or otherwise identified as involved in the acts underlying such report, the person making the report shall notify the Chief of Police and Auditor.

Town employees are not to initiate investigations on their own. However, anyone may report suspected violations or concerns by letter to the town Selectboard and shall indicate that he or she is an employee of the Town. The report shall be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. Mark the envelope "Confidential and Private." It is the policy of the Town that anyone who reports a violation may make such report confidentially and offsite.

There shall be no retaliation by the town's employees against any employee who makes a report pursuant to this policy even if, after investigation, the town Selectboard determines that there has not been a violation of any applicable town policy, state or federal laws and regulations or internal accounting controls. However, employees who make reports or provide evidence which they know to be false or, without a reasonable belief in the truth and accuracy of such information, may be subject to disciplinary action.

Anonymous Allegations

The Town encourages individuals to put their names to allegations. Concerns expressed anonymously are difficult to investigate; nevertheless, they will be followed up at the discretion of management. This discretion will be applied by taking into account the following:

- Seriousness of the issue raised
- Credibility of the concern
- Likelihood of confirming the allegation.

False Allegations

Employees or other parties must understand the implications (resources and costs) of undertaking investigations, and shall therefore guard against making allegations, which are false and made with malicious intent. Evidence of malicious intent will result in disciplinary action, and may include termination.

Training, Education and Awareness

In order for the Policy to be sustainable, it must be supported by a structured education, communication and awareness program.

It is the responsibility of management to ensure that all employees and other parties, are made aware of, and receive appropriate training and education with regard to this Policy, and the related policies and procedures of the Town.

Investigation

It is the town Selectboard's intent to fully investigate any suspected acts of fraud, abuse, or similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service, or relationship with the Town of any party involved in such an investigation. In conducting investigations, the town Selectboard will consult with and receive guidance from the town attorney, the Monterey Police Department and others they identify.

Security of Evidence

Once a suspected fraud is reported, the Selectboard 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 Selectboard obtains the records to begin the audit investigation.

Media Issues

Any staff person contacted by the media with respect to an audit investigation is encouraged to refer the media to the Town Administrator or in his or her absence the Administrative Assistant. The alleged fraud or audit investigation shall not be discussed with the media by any person other than those trained to do so. The town Selectboard will consult with the management of the department involved and assist them in responding to any media requests for information or

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interview.

Reporting to External Auditors

The Select Board will report to the external auditors of the Town all information relating to fraud investigations.

Whistleblower Protection

In addition to whistleblower protections provided by federal and state laws, this Policy provides that retaliation against employees is prohibited.

A. Except as provided in Subsection B of this section, no appointing authority or supervisor shall initiate or administer any disciplinary action, deny a promotional opportunity, write an adverse job performance evaluation or in any way adversely affect an employee on account of the employee's disclosure of information. This section shall not apply to:

1. An employee who discloses information that the employee knows to be false, or who discloses information with disregard for the truth or falsity of the information.
2. An employee who discloses information from public records that are closed to public inspection pursuant to the Massachusetts Public Records Law.
3. An employee who discloses information that is confidential under any other provision of law.

B. It shall be the obligation of an employee who discloses information under this part to make a good faith effort to provide to their supervisor, or appointing authority or the town Selectboard, the information to be disclosed prior to its public disclosure.

Security and Confidentiality

All work products of the town Selectboard's investigations, including but not limited to working papers, notes, interviews, and other information relating to investigations will not be shared, discussed, or given to anyone without an absolute need to know or pursuant to court order. The town Selectboard will provide a secure environment for the storage of all work-in-process regarding investigations, subject to law.

