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# Fraud Risk Assessment Policy

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## INTRODUCTION

The Town of East Bridgewater is committed to its duty to ensure effective stewardship of public money and other assets and resources for which it is responsible. It is the policy of the Town of East Bridgewater to prevent and deter all forms of fraud that could threaten the security of the Town's assets or its reputation. The Town is committed to prevention, detection, investigation and corrective action relative to fraud. The Town is committed to ensuring that the opportunity to commit fraud is eliminated. It is most important that an ethical environment is created that flows through the entire organization.

## APPLICABILITY

This Policy applies to all employees, appointees and elected officials of the Town of East Bridgewater.

## DEFINITION

Fraud is a violation of trust that is defined as a deception deliberately practiced to secure unfair or unlawful gain. The term includes but is not limited to such acts as deception, bribery, forgery, extortion, theft, embezzlement, misappropriation of money or assets, false representation, the concealment of material facts relating to any of the above and collusion or conspiracy to commit any or all of the above.

### Examples of Fraudulent Activity

Fraud can cover many activities; however, this Policy is directed primarily at financial matters. Fraud may include, but is not limited to:

#### Misappropriation of Assets:

1. Forgery, alteration or misappropriation of checks, drafts, promissory notes or securities
2. Unauthorized use, or disposition of Town funds, property, materials, supplies, and equipment belonging to the Town or to which the Town is responsible
3. Embezzlement
4. Theft
5. Falsifying timesheets or payroll records
6. Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or personal benefit
7. Fictitious reporting of receipt of funds

#### Fraudulent Financial Reporting:



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1. Improper revenue recognition
2. Improper expense/expenditure recognition
3. Overstatement of assets
4. Understatement of liabilities

### Expenditures and Liabilities for Improper Purpose:

1. Payments in money or other property, including but not limited to such things as jobs and discounted or free services in exchange for benefits and other things of value.
2. Bribes and kickbacks.

*Prohibited or improper conduct for municipal employees and municipal officials is more fully defined in Massachusetts General Law Chapter 268A.*

### **GENERAL POLICY AND RESPONSIBILITIES**

The Town will promptly investigate any suspected acts of fraud or misappropriation of property. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any person, group, or organization reasonably believed to have committed fraud. Each Department Head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriation, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

The Town Administrator has the primary responsibility for overseeing the investigation of all suspected fraudulent acts defined in this policy. All Department Heads or individuals, upon discovery of any violation of this policy, must notify the Town Administrator of the alleged violation. If it is determined that corrective action may be provided internally within the department, the Department Head or individual will notify the Town Administrator as to the steps needed to address and remedy the violation.

Upon the conclusion of the investigation, the results will be reported to the Board of Selectmen. Where there are reasonable grounds to believe that a fraud may have occurred, the Town Administrator may report the incident to the appropriate authorities, in addition to the Chairman of the Board of Selectmen, in order to pursue appropriate legal remedies. The Town Administrator will pursue every reasonable effort to obtain recovery of the assets.

### **PROCEDURES FOR REPORTING**



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The Town recognizes there may only be a suspicion of fraud - thus any concerns should be reported to the Town Administrator. If the concern involves the Town Administrator, it should be reported to the Chairman of the Board of Selectmen. The Town Administrator has the primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. All cases of suspected fraud will be investigated, and appropriate action will be taken.

Any employee or municipal official who has knowledge of any occurrence of fraudulent conduct or has reason to suspect that a fraud has occurred shall immediately notify the Town Administrator in writing. The written report should be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. In cases where the employee or municipal official has a reason to believe the Town Administrator may be involved, then the Chairman of the Board of Selectmen should immediately be notified. However, in certain circumstances, it may be appropriate for employees to report suspected instances of fraud or irregularity directly to the Chief of Police.

### **Investigation**

Upon notification or discovery of suspected fraud, the Town Administrator shall immediately investigate the fraud. The Town Administrator, to the extent feasible and/or permitted by law, will make every reasonable effort to keep the investigation confidential.

When deemed necessary, the Town Administrator shall coordinate the investigation with the internal auditor and/or appropriate law enforcement officials. Legal Counsel will be involved in the process, as deemed appropriate.

### **Security of Evidence**

Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records shall be initiated. Such actions may include but are not 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 shall be adequately secured until the investigation is complete.



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## Confidentiality

To the extent permitted by law, all participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy. The individual will be notified of his/her right to inform a representative of the applicable union or counsel of their choice about the findings of the investigation.

## Personnel Actions

If the investigation substantiates an allegation of fraud, disciplinary action, up to and including dismissal and referral for appropriate legal action, shall be taken by the Town Administrator.

## Whistle-Blower Protection

No employee of the Town or person acting on behalf of the Town in attempting to comply with this policy shall:

- be dismissed or threatened with dismissal;
- be disciplined, suspended or threatened with discipline or suspension;
- be penalized or any other retribution imposed, or
- be intimidated or coerced.

Violation of this section of the Policy may result in disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but the investigation fails to substantiate those allegations, no action will be taken against the individual who made the allegation. If, however, the allegations were made in bad faith or without a justifiable basis, appropriate disciplinary action may be taken against the individual making the unsubstantiated allegation.

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William Dowling, Chairman,

*Carole Julius*

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Carole Julius, Vice Chairman

*David Sheedy*

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David Sheedy, Clerk

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Board of Selectmen

Date:

*10-7-19*

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Board of Selectmen

Date:

*10/7/2019*

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Board of Selectmen

Date: