



CITY OF LYNWOOD ANTI-FRAUD POLICY

Purpose:

The City of Lynwood is committed to protecting tax payer dollars and assets from fraud and recovering losses as a result of fraudulent activities. This policy establishes steps to combat fraud and to provide procedures to follow when fraudulent acts are suspected.

Policy:

It is the policy of the City of Lynwood to identify, and promptly investigate, any employee behavior that may be considered "fraud" or misuse of City assets. This policy applies to all employees including Elected Officials and contractors of the City of Lynwood.

For the purposes of this policy, fraud is defined as: the intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right. In some instances, intentional fraud may be considered criminal. Behavior considered by the City of Lynwood to be fraudulent includes but is not limited to the following:

- Falsifying job-related expenses.
- Forgery or unauthorized alteration of documents such as checks, promissory notes, time sheets, agreements, purchase orders, etc.
- Misrepresenting facts in order to obtain City equipment including cash, notes, equipment, furniture, etc.
- Knowingly authorizing payments for goods not delivered or receiving payments for services not rendered.
- Knowingly falsifying records of cash or money transactions.
- Misrepresenting accounting/budget numbers/financial statements to conceal employee theft.
- Misrepresenting the cost of a project so that funds may be used otherwise.
- Misrepresenting the cost of uniforms.
- Misrepresenting contractor qualifications to secure an agreement so that the employee receives remuneration from the contractor.

Responsibilities of employees and individual departments:

City Management Responsibilities:

The City's Finance Department is responsible for developing and maintaining an effective system of internal control that safeguards taxpayer assets. As part of this policy, the City Manager will implement administrative regulations that will protect assets from being fraudulently misappropriated. The administrative regulation will include a regular review of fraud risks and the creation of internal controls to combat any perceived risks, a process to control reporting of transactions to

protect against fraudulent reporting and/or accounting, require management to develop adequate internal controls to prevent and detect fraud.

The City Attorney, is responsible for recovering losses from fraudulent activities. Individual departments are responsible for reporting suspected acts of fraud to the Fraud Review Committee described below.

Human Resources is responsible for implementing this policy and providing this policy to all current employees, contractors, and new employees in the future.

Process for Handling Suspected Acts of Fraud:

A Fraud Review Committee will be formed to review suspected acts of fraud. This committee will include a representative from Human Resources, Finance, City Attorney and the Sheriff's Department. This committee will be responsible for reviewing reported suspected acts of fraud. Its primary purpose will be to conduct a preliminary investigation to determine if the suspected act merits further action. If it is determined that the suspected activity warrants further investigation, the Sheriff's Department, and/or City Attorney and Human Resources will conduct the investigation.

Suspected Acts of Fraud Reported or Uncovered by City Employees:

If an employee suspects and reports a suspected act of fraud, the first notification should be made to the employee's immediate supervisor. If the employee suspects that the immediate supervisor is involved, the employee should report their findings directly to the department head. If the employee suspects that the department head is involved, the employee should report their findings directly to the City Manager and the City Attorney.

After a suspected act of fraud is reported the Fraud Review Committee shall be contacted. The Fraud Review committee will meet and determine if the suspected action warrants a further investigation. If the suspected action does not warrant a further investigation, no further action shall be taken. If the suspected act of fraud warrants further investigation, the City Attorney and Sheriff's Department shall determine the appropriate investigation.

Suspected Acts of Fraud Reported or Uncovered by Outside Persons:

If an outside party reports a suspected act of fraud to a City employee the employee shall report this to his or her immediate supervisor. If the outside party reports suspected acts of fraud of a supervisor or department head, to an employee, the employee shall report to the Sheriff Captain or Lieutenant or City Attorney.

Suspected Acts of Fraud Reported by Elected Officials or City Commissioners:

If an elected official or member of a City commission suspects fraud, he or she shall report this act to the City Attorney and City Manager.

Reporting Requirements:

Once an individual has reported alleged fraud, the following three processes will be followed:

Level 1 – After a suspected act of fraud has been reported to the appropriate level of City staff, and then to the Fraud Review Committee, the review Committee will determine whether further action is necessary. If the Committee determines the accusation has no merit, no further action will be taken. At this level, employee confidentiality is maintained.

Level 2 – After a suspected act of fraud has been reported to the appropriate level of City staff, and then to the Fraud Review Committee, and if the suspected act of fraud has been determined to have merit, an appropriate investigation begins. At this level, only the investigating departments, the City Manager, and Human Resources are contacted.

Level 3 – An investigation has determined that fraud has taken place. All appropriate criminal and/or administrative actions are underway.

The Finance Department shall notify the City's external auditors of known acts of fraud that have reached the level 3 status.