

TOWN OF LITCHFIELD

FRAUD POLICY

INTRODUCTION

The Town of Litchfield is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of Town taxpayers.

Town officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

The impact of misconduct and dishonesty may include, but are not limited to:

- The actual financial loss incurred
- Damage to the reputation of our town and our employees
- Negative publicity
- The cost of investigation
- Loss of employees
- Loss of public confidence
- Damaged relationships with our contractors and suppliers
- Litigation
- Damages employee morale

Our goal is to establish and maintain an environment of fairness, ethics and honesty for our employees, our citizens, our suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and manager every day.

Our municipality is committed to the deterrence, detection and correction of fraud, misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

PURPOSE

The purpose of this document is to communicate municipal policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

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DEFINITION OF FRAUD, MISCONDUCT AND DISHONESTY

Occupational fraud is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud.

Asset Misappropriations - Theft or misuse of an organization's assets.

1. Cash

- **Fraudulent Disbursements** - Perpetrator causes organization to disburse funds through some trick or device (e.g. submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.), or prevents the timeliness of the disbursement of funds.
- **Embezzlement** - Perpetrator appropriates monies fraudulently to one's own use, as money or property entrusted to one's care.
- **Skimming** - Cash is stolen from an organization before it is recorded on the organization's books and records.
- **Cash Larceny** - Cash is stolen from an organization after it has been recorded on the organization's books and records.

2. Inventory and all other assets.

- **Misuse** - Misuse, misappropriation, misapplication, destruction, removal, or concealment of an organization's inventory or assets for personal use (e.g. Town vehicles, computers, supplies, etc.)
- **Larceny** - Inventory or other assets are stolen from an organization.

Corruption - Wrongfully use influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.

- **Conflicts of Interest** - An undisclosed economic or personal interest in a transaction that adversely affects the employer.
- **Bribery** - The offering, giving, receiving, or soliciting of anything of value to

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influence an official act or a business decision.

- **Illegal Gratuities** - A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
- **Economic Extortion** - An employee demands that a vendor/contractor/etc pay to influence an official act or a business decision.

Fraudulent Statements - Falsification of an organization's financial statements. Other similar irregularities is defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or Town employees, that put Town revenue, property, information and other assets at risk of waste or abuse.

APPLICABILITY

This policy applies to all applicable individuals, referring to Elected Officials, Elected and/or Appointed Committee Members, District Members, Elected and/or Appointed Commission Members, and employees of the Town of Litchfield. This document may be used as a means of reporting Fraud to the town by any business or individual doing business with or for the Town.

POLICY AND RESPONSIBILITIES

It is the responsibility of all managers, supervisors, and chairpersons to ensure all applicable individuals have read and understand the Town Fraud Policy and understand their responsibilities as related to the prevention, detection, and reporting of suspected fraud, misconduct, and dishonesty. The manager's, supervisor's, or chairperson's signature on the attached "Recognition & Awareness Form" signifies that this process has occurred.

Reporting

- a. It is the responsibility of all applicable individuals to immediately report suspected fraud, misconduct or dishonesty to their supervisor, chairperson, or to those that exercise authority over the supervisor. If the applicable person has reason to believe that their department head or chairperson may be involved, the employee shall notify the Board of Selectmen immediately.
- b. It is also the responsibility of all applicable persons to report to their immediate supervisor, chairperson, or to the Board of Selectmen any unethical practice that will reflect discredit upon the Town.
- c. Supervisors, or chairpersons, when made aware of such potential acts by

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- subordinates, must immediately report such acts to their supervisor and to the Board of Selectmen.
- d. It is the responsibility of the Board of Selectmen to delegate investigative authority to the Chief of Police, County Sheriff, State Police, or Attorney General depending upon the nature of the allegation.
 - e. The investigative authority is responsible for the establishing of an investigative team, and overseeing the investigation of the allegations which have been brought forth.
 - f. Any reprisal against any employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden.
 - g. Due to the important yet sensitive nature of the suspected violations, effective professional follow up is critical, Department heads, while appropriately concerned about “getting to the bottom” of such issues, should not in any circumstances perform and investigative or otherwise follow up on their own. Concerned but uninformed managers represent one of the greatest threats to proper incident handling. All relevant matters, including suspected but unproved matters, should be referred immediately to those with overall responsibility. Department heads, rather, should ensure that those with follow up responsibility are fully informed concerning the suspected violation.

Additional Responsibilities of Supervisors and Chairpersons

- a. All applicable persons have a responsibility to report suspected violations. However, persons with supervisory and review responsibilities at any supervisory level have additional deterrence and detection duties. Specifically, personnel with supervisory or review authority have four additional responsibilities.
 - i. First, you must become aware of what can go wrong in your area of authority.
 - ii. Second, you must put into place and maintain effective monitoring, review and control procedures which will prevent acts of wrongdoing.
 - iii. Third, you must put into place and maintain effective monitoring, review and control procedures which will detect acts of wrongdoing promptly should prevention efforts fail.
 - iv. Fourth, you should ensure that all subordinates are fully aware of

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and understand this policy. This should be confirmed yearly as well as when a new employee is first hired.

- b. Authority to carry out these additional responsibilities is often delegated to subordinates. However, accountability for their effectiveness cannot be delegated and will remain with supervisors and managers.
- c. Assistance in effectively carrying out these responsibilities is available upon request through the Board of Selectmen.

False Allegations

False allegation of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment. This is not to mean that allegations, provided in good faith, that prove to be false will result in disciplinary action against the employee.

NH Whistleblowers' Protection Act (RSA 275-E)

New Hampshire's Whistleblowers' Protection Act was established to protect the rights of employees who report violations of law, or refuse to execute illegal directives, participate in investigations or hearings. For a full explanation of these rights and remedies, employees should review this policy which should be displayed in a prominent location in their place of work.

RESPONSIBILITY AND AUTHORITY FOR FOLLOW UP AND INVESTIGATION

- a. The investigative team has the primary responsibility for all investigations involving the town and all departments. The investigative team may request the assistance of any department or individual in any investigation, including access to periodic examinations and evaluations of internal controls.
- b. Properly designated members of the investigative team will have:
 - i. free and unrestricted access to all municipal records which are related to
 - ii. the investigation, subject to all applicable laws, RSA's, and town procedures.
 - iii. the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities (whether in electronic or other form) without prior knowledge or consent of any individual who might use or have custody of any

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such items or facilities when it is within the scope of investigative or related follow up procedures.

- c. All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and town procedures.

REPORTED INCIDENT FOLLOW UP PROCEDURES

- a. Care must be taken in the follow up of suspected misconduct and dishonesty to avoid acting on incorrect or unsupported accusations, to avoid alerting suspected individuals that follow up and investigation is underway, and to avoid making statements which could adversely affect the town, an employee, or other parties.
- b. Accordingly, the general procedures for follow up and investigation of reported incidents are as follows:
 - i. Employees and others must immediately report all factual details as indicated above under Policy.
 - ii. The investigative team have the responsibility for follow up and, if appropriate, investigation of all reported incidents. Such meetings will be held, when applicable, under the requirements and protections of RSA 91-A:3 II (a) and (c). The initial investigative team will exclude any Town employee or official who has a statutory investigative role.
 - iii. All records related to the reported incident will be retained wherever they reside.
 - iv. Do not communicate with the suspected individuals or organizations about the matter under investigation.
 - v. The investigative team will also determine if the reported incidents should be brought to the attention of the Town's Auditors.
 - vi. The investigative team may also obtain legal advice at any time throughout the course of an investigation or other follow up activity on any matter related to the report, investigation steps, proposed disciplinary action or any anticipated litigation.
 - vii. Neither the existence nor the results of investigations or other follow up activity will be disclosed or discussed with anyone other than those persons who have a legitimate need to know in order to perform their duties and responsibilities effectively.

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viii. All inquiries from an attorney or any other contacts from outside of the municipal government, including those from other law enforcement agencies or from the employee under investigation, should be referred to Board of Selectmen.

c. Investigative or other follow up activity will be carried out without regards to suspected individual's position or level, or relationship with the municipality.

QUESTIONS OR CLARIFICATIONS RELATED TO THIS POLICY

Any questions pertaining to this policy, or clarifications which are required should be addressed to your immediate supervisor or to the Board of Selectmen.

REVIEW

This policy will be reviewed annually by the Board of Selectmen. All applicable individuals (as defined in Applicability section of this document) shall read, understand, and adhere to this policy and will review and accept this policy upon appointment, revisions to policy by the Board of Selectmen or at least every three years if no other events cause a policy reissue.

- Approved April 30, 2012**
- Reviewed April 22, 2013**
- Reviewed May 12, 2014**
- Reviewed May 11, 2015**
- Reviewed April 11, 2016**
- Reviewed May 22, 2017**
- Reviewed July 22, 2019**









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Recognition & Awareness Form

Acknowledgement:

My signature signifies that I have read the Litchfield Town Fraud Policy and that I understand my responsibilities related to the prevention, detection and reporting of suspected fraud, misconduct and dishonesty.

Print Name:

Signature:

Date: _____

Manager/Supervisor/ Chairperson:

Date: _____