

# Town of Meredith – Administrative Regulation

Effective Date: April 1, 2012

Regulation No: 38

Revision Date: April 1, 2012

Supersedes:

Approved by: Phillip L. Warren, Jr., Town Manager

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## Subject: Fraud Policy

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### I. PURPOSE:

- A. The Town of Meredith 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.
- B. 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.
- C. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

### II. DEFINITIONS:

- A. 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.
  - 1. Asset Misappropriations – Theft or misuse of an organization’s assets.
    - a. Cash.
      - i. Fraudulent Disbursements – Causing the Town to disburse funds through some trick or device (e.g. submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.).
      - ii. Skimming – Cash is stolen before it is recorded on the Town’s books and records.
      - iii. Cash Larceny – Cash is stolen after it has been recorded on the Town’s books or records.
    - b. Inventory and all other assets.
      - i. Misuse – Misuse of the Town’s inventory or assets for personal use (e.g. Town vehicles and equipment, computers, materials, supplies, etc.).
      - ii. Larceny – Inventory or other assets are stolen.
  - 2. Corruption – Wrongful use of 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.

- a. Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the Town.
  - b. Bribery – The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.
  - c. 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.
  - d. Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. Fraudulent Statements – Falsification of the Town’s financial statements.
  4. 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.

### **III. APPLICABILITY:**

- A. This policy applies to all Board Members, the Town Manager, employees/volunteers of the Town, and to all Committees over which the Board of Selectmen has authority to require general policies to be followed. This policy is also applicable to companies doing business with the Town of Meredith (contractors, vendors, agents, etc.).

### **IV. GENERAL POLICY AND RESPONSIBILITIES:**

- A. It is the Town’s intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any party who might be or become involved in the subject of such investigation.
- B. The Board of Selectmen and Town Manager are responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of fraud, misappropriations 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.
- C. The Town Manager has the primary responsibility for the investigation of all activity defined in this policy.
- D. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Manager, with the advice of the Board of Selectmen, will contact the Meredith Police Department.
- E. Upon conclusion of the investigation, the results will be reported to the Town Manager and others as determined necessary.
- F. The Town will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the Town’s losses for the offender, or other appropriate source.

**V. PROCEDURES:****A. All Employees**

1. Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Town Manager.
2. Employees have a duty to cooperate during an investigation.
3. Employees who knowingly make fake allegations will be subject to discipline in accordance with Personnel policy and procedures.

**B. Town Management/Elected Officials**

Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Manager.

**C. Town Manager**

Upon notification or discovery of a suspected fraud, the Town Manager will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Town Manager will inform the Board of Selectmen and the Town's Counsel. Subject to the advice of Town Counsel, the Town Manager will contact the Meredith Police Department.

**D. Contacts/Protocol**

After an initial review and a determination that the suspected fraud warrants additional investigation, The Town Manager will coordinate the investigation with Town Counsel and appropriate law enforcement officials.

**E. Security of Evidence**

Once a suspected fraud is reported, the Town Manager, in consultation with Town Counsel, 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 Town Manager obtains the records to begin the investigation.

**F. Confidentiality**

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, the Town Manager, in consultation with Town Counsel and/or police department, may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.

**G. Personnel Actions**

1. If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal shall be taken by the Town Manager.
2. Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary action being taken.
3. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Town Manager no later than seven calendar days after the notice is received.

#### H. Whistle-Blower Protection

1. Under New Hampshire Statute Title XXIII Labor, Chapter 275-E of the Whistleblowers' Protection Act – Protection of employees reporting violations – No employer shall discharge, threaten, or otherwise discriminate against any employee regarding such employee's compensation, terms, conditions, location, or privileges of employment because:
  - a. The employee, in good faith, reports or causes to be reported, verbally or in writing, what the employee has reasonable cause to believe is a violation of any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States; or
  - b. The employee, in good faith, participates, verbally or in writing, in an investigation, hearing, or inquiry conducted by any governmental entity, including a court action, which concerns allegations that the employer has violated any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States.
2. Paragraph I of this section shall not apply to any employee unless the employee first brought the alleged violation to the attention of a person having supervisory authority with the employer, and then allowed the employer a reasonable opportunity to correct that violation, unless the employee had specific reason to believe that reporting such a violation to his employer would not result in promptly remedying the violation.

#### I. Media Issues

Any Town employee or elected official contacted by the media with respect to an audit investigation shall refer the media to the Town Manager. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Town Manager.

#### J. Documentation

At the conclusion of the investigation, the results will be reported to the Town Manager, whom in turn will report to the Board of Selectmen and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the Attorney General and/or the Police Department.

#### K. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel actions, any records, documents and other evidentiary material will be returned by the Town Manager to the appropriate department.

#### L. Reporting to External Auditors

The Town Manager will report to the external auditors of the Town all information relating to investigations.

#### M. Training

1. Employees of the Town may review this policy on the Town's website, under the Employee Resource Center and shall be required to understand the requirements as listed below.
2. New employees are trained at the time of hiring about the Town's Personnel Plan and Administrative Regulations.
3. Training explicitly covers expectations of all employees regarding:
  - a. Their duty to communicate certain matters;
  - b. A list of types of matters, including actual or suspected fraud, to be communicated along with specific examples; and
  - c. Information on how to communicate those matters.

#### N. Annual Report

As directed by the Board of Selectmen, the Town Auditor will report, on an annual basis, information related to investigations conducted during the year.