



**FINANCE
DEPARTMENT**
TOWN *of* FRANKLIN

Policy for Fraudulent Financial Activities

Policy Statement & Principles

This policy is established to protect the assets and interests of the Town of Franklin, to increase overall fraud awareness, and to ensure a coordinated approach toward resolution of financial fraud.

The Town must identify and promptly investigate all instances and allegations of fraudulent activities regarding Town funds, documents, and equipment involving staff, volunteers, elected officials, vendors, agencies or other parties. Good business practice dictates that suspected defalcation, misappropriation or other fiscal irregularities be promptly identified and investigated. We believe that it is everyone's responsibility to report any possible fraudulent activity.

All persons found to have committed fraud relevant to Town financial affairs shall be subject to punitive action by the Town and investigation by law enforcement agencies when warranted.

Fraud in any form will not be tolerated. This policy applies to all Town employees and affiliates and will be enforced without regard to past performance, position held or length of service.

Scope & Definition of Fraud

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts are included under this policy and include such things as:

- Embezzlement, misappropriation or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files)
- Improprieties in the handling or reporting of money or financial transactions

- Misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures and equipment)
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked

General Protocol – Reporting Procedure

Anyone who believes fraud has occurred should report such an incident. Employees are protected under Massachusetts General Law, Chapter 149, section 185, from retaliatory actions by the employer.

Use the channel of communication with which you are most comfortable. Accordingly, you may report your concerns to your immediate Supervisor, Department Head, Committee/Board Chair, Town Administrator or Police Department.

Immediate Supervisors, Committee/Board Chairs and Department heads must report all apparent cases of fraud brought to their attention to the Town Administrator. In the case the fraudulent activity involves the Town Administrator; the individual should report the incident to the Finance Director and the Town Counsel.

Responsibilities

All levels of management are responsible for establishing and maintaining proper internal controls that provide security and accountability for the resources entrusted to them. Managers should be familiar with the risks and exposures inherent in their areas of responsibility and be alert for any indications of improper activities, misappropriation, or dishonest activity.

Responsibilities of management and non-managerial staff for handling fraudulent activities include the following:

- Ensure that notification promptly reaches the Town Administrator, and if, appropriate the Police Department. Refer to "General Protocol – Reporting Procedure".
- If the situation warrants immediate action – for example, obvious theft has taken place, security is at risk, or immediate recovery is possible – management and non-managerial staff receiving reports should immediately contact the police department.

- Do not contact the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the forgery", "the misappropriation", etc.
- Managers should consult with the Town Administrator to determine if any immediate personnel actions are necessary.
- *Do not discuss the case, facts, suspicions, or allegations with anyone, unless specifically directed to do so by the Town Administrator or Police.*
- Direct all inquiries from any suspected individual, his or her representative, or his or her attorney to the Town Administrator. Direct all inquiries from the media to the Town Administrator.

Great care must be taken in the dealing with suspected fraudulent activities to avoid any incorrect accusations, alerting suspected individuals that an investigation is under way, violating any person's right to due process, or making statements that could lead to claims of false accusation or other civil rights violations.

The Town Administrator may coordinate investigation of any suspected dishonest or fraudulent activity, which, in its opinion, may represent risk of significant loss of assets or reputation to the Town. The Town Administrator may work with internal or external departments, such as the Town Counsel, Town Auditors and the Department of Revenue, as circumstances may require. *The Town Administrator is available and receptive to receiving relevant information on a confidential basis and may be contacted directly whenever a fraudulent activity is suspected.*

Town management will support administrative responsibilities and will cooperate with the Auditors and law enforcement agencies in the detection, reporting, and investigation of fraudulent acts, including prosecution of offenders. The administration and auditor has full unrestricted access to all records and personnel of the Town. Every effort should be made to affect recovery of Town losses from responsible parties or through Town insurance coverage.

The Town Administrator will review the results of any investigations with responsible management and administrators as necessary, making recommendations for improvement to the systems of internal control.

Non-Fraud Irregularities

Identification or allegations of acts outside the scope of this policy, such as personal improprieties or irregularities, whether moral, ethical, or behavioral, safety or work environment related, or complaints of discrimination or sexual harassment, should be

resolved by the respective area management in conjunction with Administration. Examples include employee misconduct, sexual harassment, and the MGL Chapter 268A conflict of interest law (this list is not all-inclusive).

Town Counsel may be contacted if guidance is needed to determine if an action might constitute fraud as defined in this policy.