

Internal Policy

Policy Title:	Applies to:	Reference #
Employee Theft and Fraud Policy	This Policy applies to all employees, and some third party contractors.	132-HR-20
Approved by:	Dates:	Total # of Pages
City Manager and the Executive Director, Financial Strategy and Sustainability	Effective:	01-03-2020
	Last Review:	20-11-2019
	Next Review:	01-01-2022
Authority:		
<i>The Cities Act;</i>		
<i>Criminal Code of Canada</i>		

1.0 Purpose

The purpose of this policy is to:

- safeguard the reputation and integrity of the City and its assets; and
- establish, explain and provide for implementation processes dealing with employee obligations in respect of theft, fraud and other unlawful activity concerning the City and its assets.

2.0 Scope

This policy applies to:

- all departments of the City;
- employees of the City, including individuals employed on personal service and fee-for-service contracts with the City;
- clients, suppliers, contractors or other third parties, as more particularly set out later in this policy.

in respect of suspected or confirmed incidents of fraud or similar unlawful acts.

This policy does not apply to acts of negligence or poor performance by employees, which should be addressed through normal human resource management processes.

3.0 Definitions

Assets includes all tangible and intangible property of the City including data and confidential information held by the City;

City - means the municipal corporation of the City of Regina, established pursuant to the provisions of *The Cities Act*, or successor legislation.

Fraud – means the use of deception with the intent of obtaining an advantage, avoiding an obligation or causing a loss to another party. The term is used to describe such acts as theft, false representation, misappropriation, bribery and corruption.

Fraud Detection and Investigation Manager – means the employee designated as the Fraud Detection and Investigation Manager by the City Manager or if there is no such position means the employee or employees designated by the City Manager to undertake the duties and responsibilities of the Fraud Detection and Investigation Manager as outlined in this policy.

4.0 Background

Fraud and similar illegal acts committed against the City are costly. These acts can result in economic losses, misuse of private or confidential information, misuse of City assets and disruption of programs and services. They can reduce employee morale, create recruitment problems, and bring disrepute to the civic service and the City.

No organization is immune from fraud or similar illegal acts and no system of internal controls can provide absolute assurance that such acts will not occur. However, the City is accountable to taxpayers for ensuring effective and efficient programs and services and safeguarding public money, property and information. Safeguarding these assets includes implementing policies and procedures to prevent and detect fraud or similar illegal acts.

5.0 Policy

The City emphasizes an ethical and positive work environment which promotes honesty, integrity, respect, service excellence and accountability.

Departments and managers must maintain adequate systems and controls to prevent and detect fraud and similar illegal acts.

Designated officials appointed for each Department of the City, with the assistance of the People and Organizational Culture Department and the City Solicitor of the City, must investigate all suspected incidents of fraud and similar unlawful acts and take appropriate disciplinary and legal action in all confirmed cases. The Technology and Digital Innovation Department is required to be involved where the fraud relates to or is perpetrated through the City's information technology systems.

6.0 Responsibilities

Employee Responsibilities

Employees are required to act lawfully and in accordance with approved policies and directives. All employees are responsible for fostering an ethical climate and positive workplace, which emphasizes honesty, integrity, respect, service excellence and accountability.

Any employee who has knowledge of a suspicious incident within the City, which may involve fraud or similar unlawful activity, shall report it immediately, as outlined in Appendix "A" of this Policy.

Managers' Responsibilities

Managers have primary responsibility for preventing and detecting fraud and similar unlawful acts.

Fraud and similar unlawful acts occur when individuals are motivated by personal or work pressures, have opportunity to commit the acts and are able to rationalize or provide justification for their behaviour.

Managers reduce the likelihood of fraud and similar illegal acts by developing and maintaining:

- an ethical and positive work environment;
- a sound system of internal controls; and
- proper and consistent oversight.

It is critical that managers take reasonable steps, through training and other communication methods, to ensure that employees are aware of and understand the policies which affect them. This includes internal department policies and City-wide policies on financial, human resources, information technology, legal and procurement matters. Particular emphasis should be placed on fraud awareness training and the policy requirement for employees to report suspicions of fraud or similar illegal acts.

With the assistance of the Fraud Detection and Investigation Manager, managers shall design systems of internal controls to fit their programs and operations. The systems should consider the principal risks, the costs to implement controls and existing City policies and directives. Specific controls which are important to the prevention and detection of fraud include:

- segregation of duties;
- regular and timely accounting reconciliations (ie. bank reconciliations);
- physical safeguards over money and property (ie. safes and locked cabinets, restricted access to inventories);
- effective supervision;
- effective information system security (ie. passwords, encryption, console logs, network security controls, backup);
- appropriate and current delegation of authority; and
- logs for equipment usage

It is not sufficient to develop and document adequate anti-fraud controls and processes. Managers must ensure they are in place and operating as intended. Controls should be monitored through such means as internal audits, review of variance and exception reports and general oversight by senior management. Deficiencies detected should be rectified and controls and processes modified as required.

If incidents of fraud or similar unlawful acts occur, managers may be subject to appropriate discipline if they failed to provide adequate supervision or direction, failed to take appropriate action or condoned improper conduct. Even where fraud has not occurred, managers may be subject to discipline if they failed to provide adequate

supervision or direction or failed to follow processes and internal controls set up to reduce fraud.

When incidents of suspected fraud or similar unlawful acts are identified, managers are responsible for investigating all incidents. Managers, with assistance from the People & Organizational Culture Department, the Financial Services Department and City Solicitor, are expected to:

- take disciplinary action against employees, which may include termination and legal action;
- proceed with legal action against other parties;
- pursue recovery of losses; and
- implement corrective action to reduce the likelihood of similar future incidents.

Managers must comply with all applicable laws, policies, directives and other authorities when investigating, reporting and following up incidents.

7.0 Examples of Fraud and Similar Illegal Activity

Fraud or similar unlawful acts may not necessarily result in an actual loss.

7.1 Employee Examples

Some examples of employee fraud or similar unlawful acts are:

- falsification or alteration of financial records;
- misuse of a City purchase card;
- theft or misuse of City money or property;
- unauthorized use of public resources;
- misuse or corruption of City files or data;
- claiming non-legitimate expenses or unworked hours;
- intentional damage of City property;
- accepting bribes or kickbacks.

7.2 Third Party Examples

Some examples of external third party fraud or similar illegal acts are:

- theft of City money or property;
- misuse or corruption of City files or data;
- deliberate short-shipment by a supplier;
- deliberate substitution of inferior quality or defective goods by a supplier;
- intentional damage of City property; and
- bid-rigging, price fixing, or kickbacks in the contracting process.

8.0 Investigation

The designated official for the department shall work with the People and Organizational Culture Department to determine the next step for every reported allegation of wrongdoing.

All incidents involving losses of money or property greater than \$500 must be reported promptly to the Fraud Detection and Investigation Manager. Other incidents involving losses less than \$500 may be dealt with by the designated official for the department but they are still required to be reported to the Fraud Detection and Investigation Manager. Early consultation with legal advisors and/or human resources personnel is also recommended. The Fraud Detection and Investigation Manager, the City Solicitor and the People and Organizational Culture Department may recommend the retaining of external investigation and security evaluation services.

The City Solicitor shall determine if any incident reported to him or her should be reported to the Police. Managers should consider contacting law enforcement authorities immediately if a police presence is a matter of urgency (such as incidents involving a theft or break-in) or where assistance is required to secure evidence.

All allegations must be investigated to determine if a fraud or similar illegal act has occurred. Managers should exercise discretion, based on the nature and relative size of the incident, to determine the extent of the work to be undertaken.

Where a preliminary investigation determines that there are reasonable grounds for an allegation, further work must be undertaken. Where an employee is involved, it may also be appropriate to consider suspending the employee against whom the allegation has been made. This may be with or without pay depending on the circumstances and should only be done after consultation with appropriate human resources personnel. The People and Organizational Culture Department shall determine the need for any union involvement in the matter.

Department Heads must ensure responsibility for investigations is clear. This is typically done by designating a responsible official. The responsible official shall report to the Director of the Department or an oversight committee if one has been established. Investigations must be objective, regardless of the relationship with a third party or the position, work record or length of service of an employee.

All participants in investigations must keep the details confidential. Correspondence, reports and other documents related to suspected or actual cases of fraud are to be treated as confidential and kept in secure confidential files. Any issues related to confidentiality should be discussed with the City Solicitor.

A record of the investigation should be maintained, including details of pertinent telephone conversations, meetings and interviews, as well as working papers and results of audits and similar reviews.

Where a preliminary investigation fails to substantiate that a fraud or similar unlawful act has taken place, the conclusion should be documented and the Fraud Detection and Investigation Manager shall ensure it is communicated to the parties involved in the investigation (ie. internal auditors, human resources, etc.). No further action is required.

Upon completion of the investigation, a written report should be prepared which includes information such as background (ie. nature of incident and circumstances which permitted it, description and amount of any losses, etc.), a summary of the investigation (ie. work performed, including audits, interviews, police involvement, etc.), the

conclusion and recommended actions (ie. discipline, prosecution, recoveries, changes in operating practices to mitigate risk, etc). The content of this report will depend on the particular circumstances.

The written report shall also be provided to the department head and Executive Director who will determine additional distribution. A copy of this report should be provided to the Risk Manager in the City Solicitor's Office if the investigation concludes that a fraud or similar illegal act has been committed. The Executive Director may decide to report the results of the investigation to members of the Executive Leadership Team or to Executive Committee.

Where employee fraud or similar illegal activity is confirmed, disciplinary action, up to and including dismissal, shall be considered by management, in consultation with appropriate human resources personnel.

8.1 Special Investigations

If a fraud is suspected by a member of the Executive Leadership Team, the Fraud Detection & Investigation Manager will conduct the investigation and report the results to the Executive Director, Citizen Experience, Innovation & Performance or the City Solicitor. Where appropriate the results may be reported to the City Manager.

9.0 Legal Action

The City's general policy is to take appropriate legal action in all cases of unlawful conduct. Legal action should be taken only after consultation with and approval from the City Solicitor. Where an employee is involved, the timing and outcome of the legal action need not coincide with internal disciplinary action.

10.0 Recovery of Losses

If a fraud or similar illegal act has been committed, all reasonable steps, including legal action should be taken to recover any losses incurred by the City.

Where an employee is involved, managers should also pursue recovery under the City's Crime Insurance Policy. For this purpose, managers must co-operate with the Risk Manager in the City Solicitor's Department.

11.0 Prevention of Future Incidents

Where incidents of fraud or similar illegal acts occur, managers are responsible for taking steps to help prevent a similar occurrence in the future. These steps include, but are not limited to, improvement of controls, reinforcement of existing policies and procedures, employee training.

12.0 Communications

Any communications related to an allegation or investigation should be sensitive to any police investigation and comply with the privacy provisions of *The Local Authority Freedom of Information and Protection of Privacy Act*. Managers should consult with the City Solicitor where there are questions.

Media inquiries should be handled by the Director of Citizen Experience of the City, upon consultation with the City Solicitor.

The People and Organizational Culture Department is responsible for communicating this policy to all employees and ensuring a current copy is available for their reference.

13.0 Confidentiality

All participants in a fraud investigation shall treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. To the extent possible by law, the identity of an individual alleging fraud will be protected.

Any staff or elected official contacted by the media with respect to a fraud investigation shall refer the media person to the Director of Citizen Experience or designate. The alleged fraud or investigation shall not be discussed with the media by any person other than the Director of Citizen Experience or designate, in consultation with the People and Organizational Culture Department or the City Solicitor.

14.0 Related Forms

NA

15.0 Reference Material

NA

16.0 Revisions History

To be reviewed every two years.

Date	Description of Change	(Re)-Approval Required (Y/N)

Appendix "A"

EMPLOYEE ONUS TO REPORT SUSPECTED FRAUD OR SIMILAR ILLEGAL ACTS

Objective

The objective is to outline the expectations of employees in the reporting of suspected fraud or similar unlawful acts.

Applicability

This directive applies to all persons covered by the Policy.

This directive does not apply to acts of negligence or poor performance by employees, which should be addressed through normal human resource management processes.

Policy

Any employee who has knowledge of a suspicious incident within the City, which may involve a fraud or similar unlawful act, shall report it immediately. This includes incidents which involve an employee, a client, a supplier, a contractor or other third party.

No employee who has acted in good faith shall be subject to any reprisal for reporting, or proposing to report, a suspected fraud or similar unlawful act.

Employee Responsibilities

- Employees with knowledge of a suspicious incident within the City, which may involve a fraud or similar illegal act, should contact their immediate supervisor. Where there is reason to believe an employee's supervisor may be involved, the employee should contact the Fraud Detection and Investigation Manager directly or Department Head.
- Employees should provide as much relevant, factual detail as possible but should not undertake their own investigation to collect evidence or information.
- Allegations made under this policy are serious. Employees are responsible for respecting the reputations of individuals. Any malicious unfounded reports will be reviewed and considered for appropriate discipline of the reporting employee.
- Employees reporting suspicious incidents under this policy should treat the matter as confidential and not discuss it with anyone other than their immediate supervisor, the designated official or the Fraud Detection and Investigation Manager.

Obligation of Supervisor

The supervisor shall immediately report all incidents to the designated official or the Fraud Detection and Investigation Manager.

Confidentiality

Reasonable measures shall be taken to maintain confidentiality and to protect, to the extent possible, the identity of employees reporting suspected offences under this policy. Departments should consult with the City Solicitor where disclosure is necessary to conduct an effective investigation, for disciplinary or legal proceedings, or where there are questions related to privacy or freedom of information requests.

Employee Protection

- No employee who has acted in good faith shall be subject to any reprisal for reporting, or proposing to report, a suspected fraud or similar illegal act under this policy. Prompt action, including appropriate disciplinary action, will be taken in response to any harassment, discrimination or other retaliation.
- Protection from employer reprisal for individuals reporting unlawful conduct is provided in section 2-42(2) of *The Saskatchewan Employment Act* as well as any Whistleblower policies that the City has enacted.
- Any employee who reasonably believes that he/she is being subjected to retaliation by another employee, including their supervisor, as a result of reporting or proposing to report a suspected offence under this policy, should review and follow any Whistleblower policy the City has enacted or if no policy is in place contact the Fraud Detection and Investigation Manager, the Director of People and Organizational Culture or their union representative.
- Employee questions regarding this policy should be directed to the employee's immediate supervisor or to the Fraud Detection and Investigation Manager.
- Managers are responsible for communicating this policy to all employees and ensuring a current copy is available for their reference.