

FRAUD POLICY CITY OF CLEAR LAKE

The Clear Lake City Council expects all contractors, consultants, council members, employees, vendors, volunteers and other parties that maintain a relationship with the City to act with due diligence, integrity, and in accordance with law in their duties involving City resources. The Council is entrusted with public funds, and no one connected with the City shall do anything to erode that trust.

Fraud is defined as the intentional false representation or concealment of a material fact. Actions constituting fraud include misappropriation and other fiscal wrongdoings but are not limited to:

- a. Any dishonest or fraudulent act
- b. Forgery or alteration of a document or account belonging to the City
- c. Forgery or alteration of a bank draft, check, or any other financial transaction
- d. Misappropriation of funds, securities, supplies or other assets
- e. Impropriety in the handling or reporting of money or financial transactions
- f. Profiteering as a result of insider knowledge of City activities
- g. Disclosing of confidential and proprietary information to outside parties
- h. Accepting or seeking anything of material value from contractors, persons or vendors with the exception of gifts less than \$150.00 in value
- i. Destruction, removal or inappropriate use of equipment, fixtures, furniture or records

To prevent fraud, the City Council directs that a system of internal controls be followed that includes but are not limited to the following:

- a. Segregation of duties – Where possible, more than one (1) person will be involved in pieces of financial transactions. No one (1) person shall be responsible for an entire financial transaction.
- b. Payments – Payments shall be made by check. No cash transactions shall be permitted except for amounts under \$20.00 handled through the City petty cash system.
- c. Bank reconciliation – Bank statements and cancelled checks shall be reconciled.

Anyone who suspects fraud, impropriety or irregularity shall immediately report his/her suspicions to the Mayor and/or Finance Officer. The Mayor and Finance Officer have the primary responsibility for conducting an investigation regarding the alleged fraudulent activity. Based on their judgment, the Mayor and Finance Officer shall coordinate the investigation with law enforcement or other resources such as an auditor or attorney. The City Council shall be kept

informed on the matter and consulted with for determination of appropriate disposition of the matter.

The Mayor and Finance Officer shall investigate reports of fraudulent activity in a manner that protects the confidentiality of the individuals and facts. Results of an investigation are not to be disclosed or discussed with anyone other than those individuals with a legitimate right to know, until the results are made public.

If the Mayor or Finance Officer is involved in the complaint, then the City Attorney or Council President shall have the investigation responsibility of the individual in the complaint.

Individuals found to have altered or destroyed records shall be subject to disciplinary action.

Effective May 6, 2013