

# IRMO FIRE DISTRICT

Serving since 1963



Financial Policy and Procedure #: 1.1.2  
Effective Date: July 1, 2020  
Approving Authority: Chairman, Board of  
Fire Control

SUBJECT: **Fraud Prevention and Detection**

PURPOSE:

To communicate district policy regarding the deterrence, reporting, and investigation of suspected fraudulent conduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

POLICIES:

- A. The Irmofire District 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 fraudulent conduct, financial or other benefits at the expense of the District and the taxpayers.
- B. District employees must, at all times, comply with all applicable laws and regulations, and act within the District's Code of Conduct. The District shall not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The District does not permit any activity that fails to stand the closest possible public scrutiny.
- C. The district is committed to the deterrence, detection and correction of fraudulent conduct, misconduct and dishonesty. All supervisors should be aware of the types of fraudulent activity that could occur within their sphere of influence, and take steps to identify employee misconduct.
- D. All employees, associate members, committee or board members of the district, as well as any individual or entity doing business with the district are:
  - 1. prohibited from engaging in fraudulent conduct in the course of their employment, duties or business relations with the district.
  - 2. responsible for understanding and adhering to these policies.
- E. The district shall publish these policies on its website.

APPLICABILITY:

These policies apply to all district employees, associate members, volunteers, independent contractors, committee and board members, as well as any individual or entity doing business with the district.

GOAL:

To establish and maintain an environment of fairness, ethics and honesty for District employees, the citizens we serve, vendors and anyone else with whom the district has a relationship. To maintain such an environment requires the diligence of each district employee and Board member in the performance of their duties.

DEFINITIONS:

- A. Fraudulent conduct is defined as the use of one's occupation or position for personal enrichment, or for the personal enrichment of others, through the deliberate misuse or misapplication of the district's resources or assets. The following definitions and examples are not all-inclusive and do not represent all types of fraud that could occur.
  - 1. Asset misappropriations: Theft or misuse of the district's assets
    - a. Cash
      - 1) Fraudulent Disbursements. To cause the district to disburse funds through trick or device (e.g., submitting false invoices, timesheets, expense reimbursement requests, check tampering, etc.) or prevents the timeliness of the disbursement of funds.
      - 2) Embezzlement. To appropriate monies fraudulently to one's own use, as money or property entrusted in one's care.
      - 3) Skimming. To steal cash from the district before it is recorded on the District's books and records.
      - 4) Cash Larceny. To steal cash from the district after it has been recorded on the district's books and records.
    - b. Inventory and other assets.
      - 1) Misuse: To improperly use, misappropriate, misapply, destroy, remove or conceal the district's inventory or assets (vehicles, computers, supplies, tools, etc.)
      - 2) Larceny: Steal inventory or other assets belonging to the district.

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 district.
    - b. Bribery: The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.
    - c. Gratuities: Accepting a gift from a party which benefits from an official act or a business decision.
    - d. Economic Extortion: To demand that a vendor/contractor pay to influence an official act or a business decision
  3. Fraudulent Statements: Falsification of the district's financial statements. Misrepresenting revenue, assets, profits and liabilities, to deceive, for example, investors, creditors, government agencies/departments, grantors.
  4. Forgery: Altering any document or account belonging to the District. (Examples: checks, timesheets, invoices, contractor agreements, bid documents, purchase orders, electronic files)
  5. Waste and Abuse: Any activity involving questionable behavior or business dealings by the public, contractors, vendors, employees, or board members that puts district's reputation, revenue, property, information and other assets at risk.
- B. The impact of fraudulent conduct and dishonesty may include, but are not limited to:
- The actual financial loss incurred
  - Damage to the reputation of the District and its employees
  - Negative publicity
  - The cost of investigation
  - Loss of employees
  - Loss of public confidence
  - Damaged relationships with District contractors and suppliers
  - Litigation
  - Damage to employee morale

#### REPORTING FRAUD:

All employees, board and committee members, and volunteers are responsible for reporting any suspected fraudulent activity as outlined in the "definitions" herein. Vendors or others with a business relationship with the district should contact the Fire Chief to report any inappropriate behavior or contact with any employee of the district.

The reporting mechanisms are as follows:

1. Complete the "Fraud Report Form" (attached) completely and fully. Describe the alleged incident or activity as clearly as possible, including names of all individuals, including potential witnesses, dates, locations, and any other facts which would assist in the investigation of the suspected fraud. Submit the completed form to the Fire Chief.
2. Refrain from any investigation of a suspected fraudulent incident, confrontation with the alleged violator, or discussion of the incident with anyone unless specifically requested to do so as part of a formal investigation by the Chief, an auditor, or law enforcement personnel.
4. Do not divulge the circumstances of the allegation, the fact of the report made, or the name, rank, or any other information of the persons involved in the alleged fraud, to anyone inside or outside the district.

#### INVESTIGATING FRAUD:

Great care must be exercised when investigating any allegation of fraud to ensure that the initiator and the alleged violator's identities remain confidential. Relating any information about the allegation should be on a "need to know" basis, or when the sharing of information may further the investigation. The investigation shall be conducted regardless of the position, title, length of service or relationship with the District of any party who is, or becomes, involved in such investigation.

#### A. Fire Chief:

1. Review the "Fraud Report Form" carefully and fully to determine if the information is sufficient for investigating the suspected fraud. When the form is signed by the initiator, schedule a confidential interview to obtain additional details if necessary.
  - a. When an error or mistake is deemed to be the cause for the fraud report, the Chief should take whatever corrective or disciplinary action he deems appropriate.
  - b. If the information on the "Fraud Report Form" is insufficient to make a determination of error or mistake, and the initiator did not sign the form, the Chief shall determine whether or not any additional action is warranted.
  - c. When dishonest or fraudulent activity is suspected, the Fire Chief should do one of the following:
    - 1) With approval of the Board, initiate an internal, district investigation of the allegations, when appropriate, by appointing an investigative committee.
    - 2) Request from the Board of Fire Control an investigation by the Internal Auditors for an independent investigation.

- d. Provide to investigators, full and unrestricted access to all necessary records and personnel.
- e. Take immediate action, when deemed necessary, to prevent the theft, alteration or destruction of evidentiary records.

B. Internal Investigating Committee:

As thoroughly as possible, investigate the report of suspected fraud, and report to the Fire Chief, in writing, your findings.

C. Internal Auditors:

Meet with the Fire Chief and the Board of Fire Control to review the fraud report. Determine the scope of the review necessary, and list the documents and records required for the investigation. Upon completion, file a written report with the Chairman of the Board of Fire Control.

D. The Board of Fire Control shall review the written report and all related documents. Additional action shall be taken as follows:

1. Referral to local law enforcement.
2. The person or entity under investigation shall be afforded the opportunity to provide a written explanation to the Board within 10 days of being notified that he/she is the subject of an investigation. The Board, upon receipt of the explanation, shall make its final determination.

PROTECTING IDENTITIES:

Employees, or others, who observe, and in good faith, report a violation of these fraud policies, shall be afforded the following protections:

1. Signing a fraud report is not required; however, if the reporter signs the fraud report, he/she agrees to be interviewed by any investigator authorized by the Board of Fire Control.
2. No disciplinary action shall be used as a threat, or taken against a reporter, if the fraud report is made "in good faith."
3. While confidentiality cannot be guaranteed, every effort shall be taken to keep secret the identities of the reporter and alleged violator throughout an investigation. The investigative process itself, however, may reveal the source of the report and/or the identity of the suspected violator.
4. Any harassment of any kind against anyone involved in a fraud investigation will not be tolerated, and disciplinary action, up to and including termination, will be used to punish the harassers.

## DETECTING FRAUD

### A. The Board of Fire Control:

1. Maintain a system of internal controls, to a degree of reasonable assurance, to provide for the prevention and detection of fraudulent conduct, and other similar irregularities.
2. Remain alert for any indications of the types of improprieties that might occur within their area of responsibility.
3. Provide for regular audits to ensure the integrity of the financial records of the District.
4. Take appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.

### B. IFD Management:

1. Maintain up-to-date Policies and Procedures, SOPs and SOGs.
2. Ensure all supervisors are knowledgeable regarding their supervisory responsibilities.
3. Background check all new hires, volunteers, and board members.
4. Require periodic equipment and inventory audits.

IRMO FIRE DISTRICT

Fraud Report Form

Select from the definitions below, the type of fraudulent activity or inappropriate action, that best describes your allegation (full definitions are included in the Fraud Policy):

- \_\_\_ Asset misappropriation (theft or misuse of the district's assets)
- \_\_\_ Corruption (wrongful influence in a business transaction, conspiring with others to gain a personal benefit)
- \_\_\_ Fraudulent statements (falsification of documents, including forgery, or alteration)
- \_\_\_ Waste and abuse (any questionable behavior or business dealings that puts the District's reputation, revenue, property, information or other assets at risk)

With as much detail as possible, describe the actions that you believe to be violations of the District's Fraud Policy. Include dates, forms and document names, persons involved, locations, witnesses, and any facts which will assist in an investigation.

You do not have to sign this report. If you decide to sign this report, you may be contacted for an interview with the Chief or the Chairman of the Board of Fire Control, to clarify your allegation. Your identity will not be disclosed during any investigation.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Contact Information: \_\_\_\_\_