




Corporate Policy	 Hamilton	Content Updated: 2019-06-20
Work Environment		Supersedes Policy: N/A
Policy No: COH-FRAUD		
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FRAUD POLICY AND PROTOCOL

POLICY STATEMENT	<p>This Policy and Protocol addresses specific guidelines and responsibilities regarding appropriate actions for detecting, reporting and investigating fraud or other similar irregularities.</p> <p>The City of Hamilton will identify and promptly investigate any possibility of fraudulent or related dishonest activities against the City of Hamilton and, when appropriate, pursue legal remedies available under the law.</p> <p>The City of Hamilton will take appropriate disciplinary and legal actions against employees and/or entities including the possibility of termination of employment or contract, restitution, and forwarding information to the appropriate authorities for criminal prosecution, as appropriate.</p> <p>This Policy and Protocol will attempt to clarify acts that are considered to be fraudulent, and describe the steps to be taken when fraud or other related irregularities are suspected or have occurred. This statement also includes the procedures to follow in accounting for missing funds, restitution, and recoveries.</p>
PURPOSE	<p>The City of Hamilton 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 financial or other benefits by deceit. It is also designed to protect its staff from false allegations.</p>
APPLICABILITY	<p>This Policy and Protocol applies to Council members, all employees of the City of Hamilton, and to employees of local boards, agencies and commissions over which Council has authority to require general procedures to be followed.</p>
DEFINITIONS	<p>The following terms referenced in this Policy are defined as:</p>
Fraud	<p>For the purposes of this Policy and Protocol, fraud encompasses any array of irregularities and illegal acts characterized by intentional deception. Dishonest or fraudulent activities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Forgery or alteration of documents (cheques, promissory notes, time sheets, independent contractor agreements, purchase orders, etc.) • Misrepresentation of information by an individual

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	<ul style="list-style-type: none">• Misrepresentation of information on documents• Misappropriation of funds, securities, supplies, or any other asset• Unauthorized use, disappearance, or destruction of City property, equipment, materials or records• Improperities in the handling or reporting of money transactions• Authorization or receipt of payments for goods not received or services not performed• Authorization or receipt of payment for hours not worked• Any claim for reimbursement of expenses that are not made for the exclusive benefit of the City• Any apparent violation of Federal, Provincial or local laws related to dishonest activities or fraud• Any similar or related activity		
INVESTIGATION	<p>The Office of the City Auditor will carry out an initial review. After this review is completed, a determination of whether the suspected fraud warrants additional investigation by the City Auditor will be made. As warranted, the City Auditor will inform Risk Management of a pending investigation.</p> <p>A prompt investigation will be conducted to include detailed analyses of available records. The audit investigation requires the full co-operation of the departmental personnel. The Office of the City Auditor will proceed as follows, if evidence is uncovered showing possible dishonest or fraudulent activities:</p> <ul style="list-style-type: none">• Office of the City Auditor will discuss the findings and recommendations for prevention of future similar occurrences with management and appropriate administrators. Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.• Office of the City Auditor will advise management, if the case involves staff members, to meet with the Executive Director of Human Resources (or his/her designated representative) to determine if disciplinary actions should be taken.• Office of the City Auditor will notify the City Manager.• Office of the City Auditor will notify the Audit, Finance and Administration Committee, as appropriate.• If illegal activity appears to have occurred, the City Auditor, in consultation with Legal Services and Risk Management, will report the particulars, including any findings, to the Hamilton Police Service.		

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	<ul style="list-style-type: none"> • Office of the City Auditor will contact Risk Management to co-ordinate the notification of insurers and the filing of insurance claims. • The City Auditor will report to the external auditors of the City all information relating to investigations of actual frauds. <p>Office of the City Auditor is available and receptive to receiving relevant information on a confidential basis to the extent allowed by law. Individuals have the right to contact Office of the City Auditor directly whenever a dishonest or fraudulent activity is suspected. This includes making a complaint via the City of Hamilton's Fraud and Waste Hotline.</p>	
ACCOUNTING FOR LOSS, RESTITUTION AND RECOVERY	The department incurring the loss from a dishonest or fraudulent act will normally suffer the loss until the monies can be recovered through insurance or restitution. Finance will set up a receivable for the amount owed to the City. At fiscal year end, the department account will be credited with any amounts collected.	
COST OF RECOVERING FUNDS	If the incident is an insured loss, then the investigation costs may be covered under the City's self insurance. Otherwise, there is no special fund to cover the costs of recovery and expenses such as hiring special investigators will be allocated from existing operating budgets.	
RESPONSIBILITIES	<p><u>Management Responsibility</u></p> <p>The following positions and/or departments are responsible for fulfilling the responsibilities detailed in this Policy and Protocol as follows:</p> <p>Each General Manager/Executive Director is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities.</p> <p>Management should be familiar with the types of improprieties that might occur in their area and be alert to any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her operational area.</p> <p>Upon notification from an employee of suspected fraud or if management has reason to suspect that a fraud has occurred, he/she will contact their immediate supervisor and the department head. The department head will contact the City Auditor at the earliest convenience and Human Resources (if the situation involves staff members). The department head will also immediately contact the Hamilton Police Service if he/she feels the situation warrants such action (for example, obvious theft has taken place, security is at risk, or immediate recovery is possible).</p>	

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	<p>After informing the City Auditor of the matter, management will not attempt to conduct individual investigations, interviews, or interrogations.</p> <p>Management will support and co-operate with the Office of the City Auditor, other involved departments, and law enforcement agencies in the detection, reporting and investigation of criminal acts, including prosecution of offenders.</p> <p>The Office of the City Auditor will have full and unrestricted access to all necessary City records and personnel. Upon completion of the investigation, including all legal and personnel actions, any records, documents and other evidentiary material will be returned by the City Auditor to the appropriate department(s).</p> <p>All furniture and contents, including employee desks and computers, are open to inspection when there is reasonable suspicion of a dishonest or fraudulent activity which makes such inspection appropriate. There is no assumption of privacy in such cases. Every effort will be made to effect recovery of City losses.</p> <p>Great care must be taken in the dealing with suspected dishonest or fraudulent activities to avoid the following:</p> <ul style="list-style-type: none"> • Incorrect accusations; • Alerting suspected individuals/companies that an investigation is underway; • Treating employees/third parties unfairly; or • Making statements that could lead to claims of false accusations or other offences. Employees who knowingly or negligently make false accusations may be subject to disciplinary action. <p>All participants in a fraud investigation will keep the details and results of the investigation confidential. However, the City Auditor, in consultation with Legal Services and Risk Management and the Hamilton Police Service (if appropriate), may disclose particulars of the investigation with potential witnesses/personnel if such disclosure would further the investigation.</p> <p>Responsibilities of the manager in handling dishonest or fraudulent activities include the following:</p> <ul style="list-style-type: none"> • Do not contact the suspected individual to determine facts or demand restitution. • Do not discuss the case, facts, suspicions, or allegations with 	

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	<p>anyone outside the City, unless specifically directed to do so by Legal Services and Risk Management or Office of the City Auditor.</p> <ul style="list-style-type: none">• Do not discuss the case with anyone inside the City other than employees who have a need to know, such as the City Auditor, Legal Services and Risk Management and/or Human Resources.• Direct all inquiries from the suspected individual/company or his/her/its representative/attorney to Legal Services and Risk Management.• Direct all inquiries from the media to City Manager’s Office. A proper response to such an inquiry might be, “I’m not at liberty to discuss this matter. Let me refer you to the City Manager”. The City Manager, in consultation with Communications, will determine the appropriate media messages and identify an appropriate City spokesperson, as required.• Take appropriate corrective and disciplinary action after consulting with Human Resources. <p>Employee Responsibilities When suspected fraudulent incidents or practices are observed by or made known to an employee, the following will be done:</p> <ul style="list-style-type: none">• The incident or practice must be reported to his/her supervisor for reporting to the proper management official. When the employee believes the supervisor may be involved in the inappropriate activity, the employee will make the report directly to a higher level of management and/or the City Auditor.• The reporting employee will refrain from the further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone other than his/her supervisor, the General Manager/Executive Director, the City Auditor, Risk Management and/or law enforcement personnel.		
COMPLIANCE	Failure of staff to comply with this Fraud Policy and Protocol could result in disciplinary action.		
RELATED DOCUMENTS	This Policy and Protocol is designed to augment any other corporate policies containing related information. It does not replace or preclude them. To the extent that this Policy and Protocol may conflict with any other corporate policies containing related information, this Policy and Protocol will take precedence to the extent only of such conflict.		

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HISTORY	<p>This policy was initially approved by the Audit Sub-Committee on April 10, 2003.</p> <p>Administrative revisions approved by the City Auditor on June 20, 2019 in consultation with Human Resources.</p>		