

RESOLUTION 2014-11

A RESOLUTION ADOPTING A FRAUD PREVENTION AND DETECTION POLICY FOR THE VILLAGE OF WEST DUNDEE, ILLINOIS

WHEREAS, the Village President and Village Board of the Village of West Dundee desires to establish and maintain an environment of fairness, ethics, and honesty for all employees, officials, suppliers, and anyone else with whom the Village has a relationship; and

WHEREAS, the Village recognizes the importance of protecting the organization, its taxpayers, its employees, its officials, and its assets against financial risks, operational breaches, and unethical activities; and

WHEREAS, the Village is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, or by its own employees or officials to gain by deceit financial or other benefit; and

WHEREAS, the purpose of such "fraud policy" would be to communicate municipal policy regarding the deterrence 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;

NOW, THEREFORE, BE IT RESOLVED, that the Village hereby adopts the attached "Fraud Prevention and Detection Policy".

PASSED by the Board of Trustees of the Village of West Dundee, Kane County, Illinois, and approved by the President of said Village this 8th day of September, 2014.

AYES: Trustees Kembitzky, Price, Hanley, Yuscka, Pflanz and Wilbrandt  
NAYS: None  
ABSENT: None



Christopher Nelson, Village President

ATTEST:



Barbara Traver, Village Clerk

## Village of West Dundee

### Fraud Prevention and Detection Policy

The purpose of this document is to communicate Village policy regarding the deterrence and investigation of suspected fraudulent conduct and dishonesty by employees, elected officials, and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

#### Introduction

The Village of West Dundee 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 Village taxpayers.

Village officials and employees must, at all times, comply with all applicable laws and regulations. The Village shall not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Village does not permit any activity that fails to stand the closest possible public scrutiny.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraudulent content and other irregularities.

The impact of fraudulent conduct and dishonesty may include, but is not limited to:

- The actual financial loss incurred
- Damage to the reputation of the Village and its employees
- Negative publicity
- The cost of investigation
- Loss of employees
- Loss of public confidence
- Damaged relationships with Village contractors and suppliers
- Litigation
- Damaged employee morale

The goal of this policy is to establish and maintain an environment of fairness, ethics, and honesty for Village employees, the citizens, Village vendors, and anyone else with whom the Village has a relationship. To maintain such an environment requires the diligence of all Village employees and officials while in the performance of their duties.

The Village of West Dundee is committed to the deterrence, detection, and correction of fraudulent conduct, misconduct, and dishonesty. The discovery, reporting and documentation of such acts provide a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by facts and the recovery of assets.

#### Applicability

This policy applies to all elected officials, appointed committee/board members, and employees of the Village of West Dundee, as well as any individual or entity doing business with or for the Village.

## Prohibition

All elected officials, appointed committee/board members, and employees of the Village of West Dundee, as well as any individual or entity doing business with the Village are prohibited from engaging in fraudulent conduct in the course of their employment, duties, or business relations with or for the Village.

## Definitions

Fraudulent Conduct is defined as the use of one's occupation or position for personal enrichment through the deliberate misuse or misapplication of the Village's resources or assets, or for the personal enrichment of others. There are three major categories of fraudulent conduct.

- *Asset misappropriations.* Theft or misuse of an organization's assets.
  - Cash.
    - Fraudulent Disbursements. Perpetrator causes organization to disburse funds through some trick or device (e.g., submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.) or prevents the timeliness of the disbursement of funds.
    - Embezzlement. Perpetrator appropriates monies fraudulently to one's own use, as money or property entrusted to one's care.
    - Skimming. Cash is stolen from an organization before it is recorded on the organization's books and records.
    - Cash Larceny. Cash is stolen from an organization after it has been recorded on the organization's books and records.
  - Inventory and all other assets
    - Misuse. Improper use, misappropriation, misapplication, destruction, removal or concealment of the organization's inventory or assets for personal use or any use not consistent with the Village's purpose.
    - Larceny. Inventory or other assets are stolen from an organization.
- *Corruption.* Wrongful use of influence in a business transaction in order to procure some benefit from themselves or another person, contrary to duty to employer or the rights of another.
  - Conflicts of interest. An undisclosed economic or personal interest in a transaction that adversely affects the employer.
  - Bribery. The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision.
  - Illegal gratuities. A party that benefits from an official act or business decision in giving of a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
  - Economic extortion. An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
- *Fraudulent Statements.* Falsification of an organization's financial statements.

**Other similar Irregularities:** Any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents, or Village employees, that put Village revenue, property, information, and other assets at risk of waste or abuse.

Fraud Investigator: In this context, reference to any person or persons assigned by the Village Manager in consultation with the Village Board (whether a Village employee or an individual or firm retained by the Village on a contract basis) to investigate any fraud or similar activity.

### Policy Acknowledgement

All Village Board, appointed committee/board members, and employees of the Village of West Dundee shall be responsible for understanding and adherence to this policy. These individuals are required to review the current Village Fraud Policy and acknowledge their understanding of it by signing the Fraud Recognition and Understanding Form found at the end of this document.

It is the responsibility of the Village Board, the Village Manager, managers/supervisors, and chairpersons to ensure all applicable individuals have read and understand the Village Fraud Policy and understand their responsibilities as related to the prevention, detection, and reporting of suspected fraud, misconduct, and dishonesty. The Village Board's, Village Manager's, managers/supervisors' or chairperson's signature on the attached Fraud Recognition and Understanding Form signifies that this process has occurred.

### Responsibilities

Each Village Board Member, Village Manager, manager/supervisor, and employee has defined responsibilities and procedures to follow when there is knowledge or suspicion of an act committed in violation of this policy.

- Village President and Village Board Responsibilities:
  - If the Village President or Board Member has reason to suspect that an incident of fraudulent conduct has occurred, he/she shall immediately contact the Village Manager and/or the Village Attorney.
  - The Village President or Village Board shall not attempt to investigate the suspected incident or fraudulent conduct or discuss the matter with anyone other than the Village Manager and/or Attorney.
  - The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the Village Manager in consultation with the Village Attorney and the Fraud Investigator.
  - If a fraud allegation involves the Village Manager, the Village President and Village Board shall select a Fraud Investigator for the purpose of investigating the allegation and reporting the results thereof. The Village Board shall select a professional services firm or individual to act as the Fraud Investigator. In this situation, the Fraud Investigator shall inform the Village Board of pertinent investigative findings and results.
  - If a violation of this policy is determined, the Village Board will take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the Village Attorney.
- Management Responsibilities:
  - Each manager/supervisor of the Village is responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of fraudulent conduct, and other similar irregularities.
  - Each manager/supervisor should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of such conduct.

- Management is responsible for being alert to, and reporting fraudulent or related dishonest activities in their area of responsibility
- When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.
- Upon receipt of any allegation of fraud, the Village Manager shall notify the Village Board of such allegation.
- In notifying the Village Board, the Village Manager shall exercise care to ensure that the Village Board is fully aware of the nature of the allegation presented while ensuring the rights and identity of any Village employee involved are duly protected.
- Based upon consultation with the Village Board, the Village Manager shall elect a Fraud Investigator for the purpose of investigating the allegation and reporting the results thereof.
- The selection of a Fraud Investigator shall be based upon careful consideration as to whether Village staff has the necessary degree of independence and competence as well as sufficient time available to ascertain the validity of the allegation that has been brought forth. If these qualifications are not met by the internal staff, the Village Manager in consultation with the Village President shall select a professional services firm or individual to act as the Fraud Investigator.
- If any member of management determines a suspected activity may involve fraud or related dishonest activity, their immediate supervisor shall be informed. Department managers shall contact the Village Manager.
- If any member of management suspects that the Village Manager may be engaging in fraudulent or dishonest activity, he/she shall report this activity to the Village President.
- Management shall not attempt to conduct individual investigations, interviews, or interrogations. However, management is responsible for taking appropriate actions to ensure adequate controls exist to prevent reoccurrence of improper actions. Management shall support the Village's responsibilities and cooperate fully with the Fraud Investigator, other involved departments and law enforcement agencies in the detection, reporting and investigation of criminal acts, including the prosecution of offenders.
- Management shall give full and unrestricted access to all necessary records and personnel. All Village property is open to inspection at any time and there is no assumption of privacy.
- In dealing with the suspected dishonest or fraudulent activities, great care must be exercised. Management should avoid the following:
  - Incorrect accusations
  - Alerting suspected individuals that an investigation is underway
  - Unfair treatment of employees
  - Making of statements that could lead to claims of false accusations or other offenses.
- In handling dishonest or fraudulent activities, management shall:
  - Make no contact (unless requested) with the suspected individual to determine the facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.

- Avoid discussion of the case, facts, suspicions, or allegations with anyone outside the Village government, unless specifically directed to do so by the Village attorney.
  - Avoid discussion of the case with anyone inside the Village government other than employees who have a need to know such as the Village Manager, Fraud Investigator, Village Attorney, or Law Enforcement personnel.
  - Direct all inquiries from the suspected individual, or representative, to the Village Manager or Village Attorney. All inquiries by an attorney of the suspected individual shall be directed to the Village Attorney. All inquiries of from the media shall be directed to the Village Manager.
  - Take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the Village Attorney or labor relations representative, in conformance with the Village's personnel policies.
- **Employee Responsibilities:**
- A suspected fraudulent incident or practice observed by, or made known to, an employee shall be reported to the employee's supervisor for reporting to the proper management official.
  - When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the Village Manager and/or the Village President and/or the Village Board.
  - The reporting employee shall refrain from further investigation of the incident, confrontation with the alleged violator or further discussion of the incident with anyone, unless specifically requested by the Village Manager, Fraud Investigator, Village Attorney, or law enforcement personnel.
- **Fraud Investigator Responsibilities:**
- Upon assignment by the Village Manager, the Fraud Investigator shall promptly investigate the fraud.
  - In all circumstances where there appears to be reasonable ground for suspecting that a fraud has taken place, the Fraud Investigator, in consultation with the Village Attorney, shall contact the West Dundee Police Department or other appropriate law enforcement authorities.
  - The Fraud Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by the law.
  - If evidence is uncovered showing possible dishonest or fraudulent activities, the Fraud Investigator shall proceed as follows:
    - Discuss the findings with management and the department management and the department manager, if appropriate.
    - Advise management, if the case involves safe members, to meet with the Village Manager (or designated representative) to determine if and the extent of disciplinary actions to be taken.
    - Report to the Village's external auditor of such activities in order to assess the effect of the illegal activity on the Village's financial statements.
    - Coordinate with the Village's Risk Manager regarding notifications to insurers and filing of insurance claims.
    - Take immediate action, in consultation with the Village Attorney, to prevent theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:

- Removal of records to place in a secure location or limit access to the location where the records currently exist.
- Prevent the individual suspected of committing the fraud from having access to the records.
- In consultation with the Village Attorney and the West Dundee Police Department, the Fraud Investigator may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation
- If the Fraud Investigator is contacted by the media regarding an alleged fraud or audit investigation, the Fraud Investigator shall consult with the Village Manager and the Village Attorney, as appropriate, before responding to a media request for information or interview.
- At the conclusion of the investigation, the Fraud Investigator shall document the results in a confidential memorandum report to the Village Manager and Village Attorney. If the report concludes that the allegations are founded, the report shall be forwarded to the West Dundee Police Department and the Village Board.
- Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of essential particulars of the allegations following the conclusion of the audit. Where notice is given, the person against who allegations are being made may submit a written explanation to the Fraud Investigator no later than seven (7) calendar days after notice is received.
- The Fraud Investigator shall be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences
- Upon completion of the investigation, including all legal and personnel actions, all records, documents, and other evidentiary material obtained from the department under investigation shall be returned by the Fraud Investigator to that department.

#### Authority and Investigation

It is the Village's intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. An objective and impartial investigation shall be conducted regardless of the position, title, length of service, or relationship with the Village or any party who might be or becomes involved in or becomes/is the subject of such investigation.

- The Fraud Investigator has the primary responsibility for the investigation of all activity as defined in this policy.
- Throughout the investigation, the Fraud Investigator shall inform the Village Manager of pertinent investigative findings.
- Upon conclusion of the investigation, the results shall be reported to the Village Manager
- The Village Manager, following review of investigation results, shall take appropriate action regarding employee misconduct. Disciplinary action can include termination and referral of the case for possible prosecution.
- The Village shall pursue every reasonable effort, including court-order restitution, to obtain recovery of Village losses from the offender or other appropriate sources.

### Whistleblower Protection

Employees who observe and in good faith report a violation of the Village's fraud policy shall be granted the protections contained herein. However, such protection shall not be afforded to employees on a retroactive basis to those employees who are the subject of pending disciplinary action. When informed of a suspected impropriety, neither the Village nor any person acting on behalf of the Village shall

- Dismiss or threaten to dismiss the reporting employee
- Discipline, suspend, or threaten to discipline or suspend the reporting employee
- Impose any penalty upon the reporting employee
- Intimidate or coerce the reporting employee

Violation of this section shall result in discipline up to and including dismissal in accordance with applicable federal, state, and local administrative laws.

### Discipline

Violations of this policy by an employee will be handled in accordance with the Village's Administrative Policy Manual. All other persons or entities that are found to have violated this policy will be either removed from the applicable board or committee or subject to suspension by the Village from future business transactions for a specified period of time.

### Exceptions

There shall be no exceptions to this policy unless provided and approved by the Village Board.



## Village of West Dundee

### Fraud Recognition and Understanding Form

My signature signifies that I have read the Village of West Dundee Fraud Prevention and Detection Policy and that I understand my responsibilities related to the prevention, detection, and reporting of suspected fraud, misconduct, dishonesty, and other similar irregularities.

Print Name:

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Signature:

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Date:

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Manager/Supervisor/Chairperson:

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Date:

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