

FRAUD POLICY

Section 1: Purpose

The City of Minot Fraud Policy is established to facilitate development of controls which aid in the detection and prevention of fraud, waste, and abuse against the City of Minot. It is the intent of the City of Minot to promote consistent organizational behavior by establishing appropriate guidance, development of internal controls, and emphasis on personal accountability.

Section 2: Introduction

1. Executive Order 13520 mandates “Federal awarding agencies making payments to individuals and businesses as program beneficiaries, grantees, or contractors ... must make every effort to confirm the right recipient is receiving the right payment for the right reason at the right time.” The order’s purpose is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major programs administered by the Federal Government.
2. The Office of Management and Budget (OMB) passed the requirement on to grantees of Federal funds by the regulations found in 2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Part 200).
 - a. Mandatory disclosures are required by 2 CFR 200.113. The City must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.
 - b. Additional requirements to report certain civil, criminal, or administrative proceedings to the System for Award Management (SAM) could be included in award terms.
 - c. Failures to make the required disclosures can result in remedies for noncompliance, including suspension or debarment.
3. Additionally, the City of Minot received Community Development Block Grant Disaster Funds (CDBG-DR) from the Department of Housing and Urban Development (HUD). The City of Minot has used, and will continue to use, these funds to carry out activities that address long-term recovery needs resulting from the June 2011 flood. Activities include: repair, reconstruction, and new construction of public infrastructure and public facilities; planning studies; and economic development activities as approved by HUD. The nature of these grants require additional specific fraud prevention measures which are outlined in section 6.2.

Section 3: Definitions

Section 3.1. Actions Constituting Fraud:

1. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.
2. The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:
 - a. Any dishonest or fraudulent act.
 - b. Misappropriation of funds, securities, supplies, or other assets.
 - c. Impropriety in the handling or reporting of money or financial transactions.
 - d. Profiteering as a result of insider knowledge of City activities.
 - e. Disclosing confidential and proprietary information to outside parties.
 - f. Disclosing to others, securities activities engaged in or contemplated by the City.
 - g. Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the City. Exception: Gifts of food that may be shared by all.
 - h. Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or any other asset.
 - i. Any similar or related irregularity.

Section 3.2 Other Irregularities:

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and the Human Resources department.

Section 3.3 Questions Regarding Actions Constituting Fraud

Questions regarding whether an action constitutes fraud may be directed to the Finance Director and City Attorney. Police department consultation may also be required.

Section 4: Responsibilities

1. All employees are responsible for the detection and prevention of fraud, waste, abuse, misappropriations, and other irregularities. Supervisors shall work with employees to ensure familiarity with the types of improprieties that might occur within his or her area of responsibility, and all employees will be alert for any indication of irregularity.

The City of Minot has developed Framework of Internal Controls and Risk Management System policies as well as other specific policies to help ensure City compliance with statutes, regulations, and the terms and conditions of Federal awards. Employees are expected to review and understand these policies to help mitigate chances of fraud, waste, or abuse in administration of any City funds to include Federal Grants and State Grants.
2. The Finance Department, in conjunction with the Legal Department, has primary responsibility for investigation of all suspected fraudulent acts as defined in this policy. If

- the investigation substantiates that fraudulent activities occurred, the Finance Department will issue reports to appropriately designated personnel and, if appropriate, to the City Council and Federal or State Agency
3. The Director of Finance is responsible for the administration, revision, interpretation, and application of this policy.

Section 5: Scope of the Policy

1. This policy applies to any or suspected irregularity, involving employees, as well as consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or other parties having a business relationship with the City of Minot.
2. This policy supplements the City employee's ethics guidance outlined in the Employee Manual, provided upon initial orientation.

Section 6: Reporting Procedure

Section 6.1. Employee Reporting

1. An employee who discovers or suspects fraudulent activity will contact their supervision as soon as possible. Coordinate with Finance, City Attorney, and Police as appropriate.
2. The employee / complainant may remain anonymous.
3. The reporting individual should be informed of the following:
 - a. Do not contact the suspected individual and attempt to investigate further or demand restitution.
 - b. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Legal Department.
4. All inquiries (internal and external) concerning the activity under investigation, including the suspected individual, his or her attorney or representative, supervision, or media, should be directed to the Legal Department.
5. The proper response to **any** inquiry is: "I am not at liberty to discuss the matter." Then refer the requesting agency or individual to the Legal Department.
6. Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

Section 6.2 Reporting Procedures for Disaster Recovery:

1. A toll-free Fraud Hot Line (866) 450-7937 extension 1, was established for calls from concerned residents, City of Minot employees, or others regarding potential waste, fraud, or abuse of CDBG-DR funds.
 - a. Disaster Program staff will check the hotline voicemail account each workday.
 - b. All voicemail messages will be transcribed and summarized into the Anti-Fraud, Waste, and Abuse (AFWA) Received Phone Call Log, along with date/time of receipt, type of complaint, and tracking number in the AFWA Inquiry Log

2. Disaster Program staff will respond to all complaints within three business days following receipt. Anonymous complaints will be investigated in a timely manner, however no response can be provided unless contact information is provided by caller.
3. The Disaster Program Manager will evaluate complaints, summarize any needed information, and forward the package to the City of Minot's Finance Director, or Legal Department and if deemed appropriate, to the HUD Inspector General.
4. The complaints, together with the latest versions of the AFWA Logs are saved electronically and hard copy in secured areas only accessible by the Disaster Program Manager and Project Manager for access control purposes.

Section 7: Investigation

Section 7.1. Authorization for Investigation of Suspected Fraud, Waste, and Abuse

1. Members of the Finance, Legal, and Police Department will have:
 - a. Free and unrestricted access to all City records and premises.
 - b. The authority to examine, copy, and/or remove all or any portion of the contents of files, desk, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of the investigation.
 - c. Sensitivity and discretion in conducting investigative activities to avoid mistaken accusations or alerting suspected individuals an investigation is underway.

Section 7.2. General Standards

1. Suspected irregularity investigations will be coordinated between the Finance Director, Legal Department, other internal/external affected areas, and Police Department.
2. Any fraud, waste or abuse suspected, discovered or reported concerning any aspect of any Federal award or the Minot Disaster Recovery Program will be reviewed and resolution will be recorded and approved by appropriate personnel.
3. Investigations will be conducted without regard to the suspected individual's length of service, position/title, or relationship to the City.
4. Decisions to prosecute or refer investigation results to law enforcement for independent action will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

Section 7.3. Confidentiality

1. All information received regarding fraud allegations shall be treated as confidential.
2. Investigation results will not be disclosed or discussed without legitimate need to know. This is critical for personal privacy and the City of Minot's civil liability.

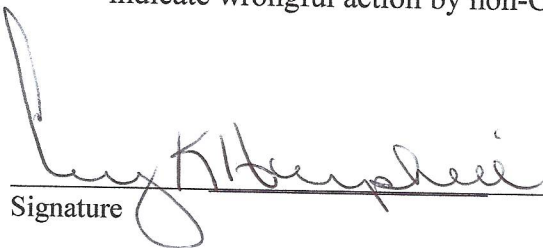
Section 7.4. Termination of City Staff

1. If an investigation results in employment termination recommendation, it shall be reviewed for approval by the Human Resources Director and the Legal Department; and if necessary, by outside counsel, before any such action is taken.
2. The Finance Department does not have authority to terminate an employee, that process is initiated in the employee's work section.

The Finance Department reserves the ability to recommend action to senior City management and/or the City Council if disciplinary action is believed to be inappropriate based upon facts of the investigation.

Section 7.5. External Agencies (as defined in Section 5)

The Legal Department shall address fraud, waste, or abuse investigation results that indicate wrongful action by non-City of Minot employees, based on contract guidelines.



Signature

Cindy Hemphill
Acting City Manager, City of Minot

November 8, 2016
Date