

TOWN OF HOLLISTON FINANCIAL PROCEDURES

Fraud Risk Assessment

Applicability

This Procedure applies to all employees of the Town of Holliston.

Fraud

Fraud can cover many activities. However, this Procedure is directed primarily at financial matters. It may include, but is not limited to:

Misappropriation of Assets

- 1) Forgery, alteration or misappropriation of checks, drafts, promissory notes or securities;
- 2) Unauthorized use, or disposition of funds or property (for example, misuse of Town owned computer hardware, software, data and other records; use of Town owned equipment, vehicles or work time for non-Town purposes);
- 3) Embezzlement;
- 4) Theft;
- 5) Falsifying time sheets or payroll records;
- 6) Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or for personal benefit; and
- 7) Fictitious reporting of receipt of funds.

Fraudulent Financial Reporting

- 1) Improper revenue recognition;
- 2) Improper expense/expenditure recognition;
- 3) Overstatement of assets; and
- 4) Understatement of liabilities.

Expenditures and Liabilities for Improper Purpose

Payments in money or other property, including but not limited to such things as jobs for families and friends, discounted or free services in exchange for benefits and other things of value, bribes and kickbacks.

General Policy and Responsibilities

The Town will investigate any suspected acts of fraud or misappropriation of property. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any person, group or organization reasonably believed to have committed fraud. Each department head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriation and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

**Town of Holliston
Financial Procedures
Fraud Risk Assessment
Page 2**

Procedures for Reporting

Any employee who has knowledge of any occurrence of fraudulent conduct, or has reason to suspect that fraud has occurred, shall immediately notify the Town Administrator or the Superintendent of Schools, if school employee, in writing. The written report should be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. In cases where the employee has a reason to believe the Town Administrator is may be involved, then the Chairman of Board of Selectmen should immediately be notified. However, in certain circumstances, it may be appropriate for employees to report suspected instances of fraud or irregularity directly to the Chief of Police. In cases where the employee has a reason to believe the Superintendent of Schools may be involved, the School Committee should immediately be notified.

Investigation

Upon notification or discovery of a suspected fraud, the Town Administrator/Superintendent shall immediately investigate the fraud. The Town Administrator/Superintendent will make every reasonable effort to keep the investigation confidential. When deemed necessary, the Town Administrator/Superintendent shall coordinate the investigation with an independent auditor and/or appropriate law enforcement officials. Legal Counsel will be involved in the process, as deemed appropriate.

Security of Evidence

Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records shall be initiated. Such actions may include, but are not limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records shall be adequately secured until the investigation is complete.

Confidentiality

All participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy. The individual will be notified of his/her right to inform the appropriate union representative, if applicable, about the findings of the investigation.

Conclusion of Investigation

Upon conclusion of an investigation, the results will be reported to the Board of Selectmen or School Committee, Town Accountant, Treasurer/Collector or School Business Manager and the head of the affected department. Where there are reasonable grounds to believe that a fraud may have occurred, the Town Administrator/Superintendent may report the incident to the appropriate

**Town of Holliston
Financial Procedures
Fraud Risk Assessment
Page 3**

authorities, which shall include the Chairman of the Board of Selectmen or School Committee, in order to pursue appropriate legal remedies. The Town Administrator/Superintendent will pursue every reasonable effort to obtain recovery of the assets.

Personnel Actions

If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal and appropriate legal action, shall be taken by the Town Administrator or Superintendent. If it is determined that corrective action may be provided for internally within the department, the department head or individual will notify the Town Administrator/Superintendent as to the steps taken to correct the violation.

Whistle-Blower Protection

No employee of the Town or person acting on behalf of the Town in attempting to comply with this policy shall be:

- dismissed or threatened with dismissal;
- disciplined, suspended, or threatened with discipline or suspension;
- penalized or any other retribution imposed; or
- intimidated or coerced.

Violation of this section of the Procedure may result in a disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, the allegations were made in bad faith or without a justifiable basis, appropriate disciplinary action up to and including termination from employment may be taken against the individual making the erroneous allegation.

Practical Guidelines for Preventing Fraud

- Treat your pay stubs and W-2 forms, which contain personal information about you, as though they were "cash". Do not leave them lying around where others can see them or take them.
- Treat Town records for which you are responsible with the same care you would your own personal records. Any documents containing any sensitive information should be stored in a secure area (a locking file cabinet for example).
- Do not share computer passwords. Keep your passwords to yourself, change them regularly and if you think an unauthorized person has signed into your computer; notify the Town Administrator immediately.

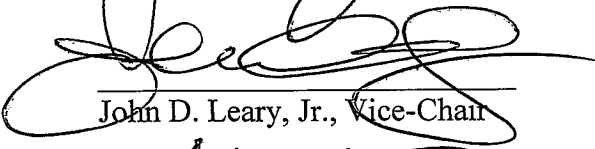
**Town of Holliston
Financial Procedures
Fraud Risk Assessment
Page 4**

- NEVER discuss other employees or citizens' personal information, problems, etc. in the hallways or any other place they could be overheard. This is common courtesy, as well as good common sense.
- For departments that collect revenue, especially those remote sites separate from the Treasury function, the following safeguards should be in place:
 - Duties of authorizing, recording, maintaining records, and reconciliation should be segregated among different employees wherever possible.
 - Daily collections must be reconciled to the deposit and deposits should be made daily with the Treasurer's office.
 - Cash payment from an individual in excess of \$500 will not be accepted at remote sites from the Treasury. If the customer cannot make a check payment, they must be sent to the Treasurer/Collector to complete their cash transaction.
 - Reconciliation of departmental collections with the Town Accountant's office general ledger must be performed in a timely manner.
 - If any checks collected after the daily deposit is made must be held in the off site location overnight, physical security procedures must be followed. These checks, and any record related to their collection, must be kept in a secure, locked location.
 - Collection records should be automated, not manual, wherever possible.


Holliston Board of Selectmen



Joseph P. Marsden, Chair



John D. Leary, Jr., Vice-Chair



Kevin P. Conley, Clerk

Approved: May 27, 2015