

RESOLUTION 21-A

A RESOLUTION ADOPTING A FRAUD PREVENTION AND DETECTION POLICY

WHEREAS, the City of Sullivan wishes to proactively prevent misappropriation and/or misuse of City funds and other assets; and,

WHEREAS, the City Council also wishes to prevent fraudulent reporting of the City's financial assets and records; and,

WHEREAS, the City Council has determined it advisable, necessary and in the public interest that the City of Sullivan adopt a formal fraud prevention and detection policy.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Sullivan, Moultrie County, Illinois as follows:

SECTION 1: There is hereby adopted and approved a Fraud Prevention and Detection Policy, which policy is attached hereto marked as Exhibit "A"

SECTION 2: The City Clerk is hereby authorized and directed to implement this policy and to cause a copy of this policy to be provided to each current and future City employee. Each such current and future City employee shall acknowledge receipt of the policy, which acknowledgement shall be filed and maintained in the personnel file of each City employee. In addition, a copy of this policy shall be made available to the public upon request.

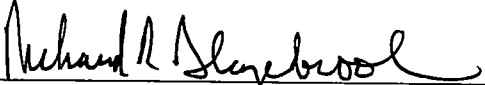
SECTION 3: This Resolution shall be in full force and effect immediately upon its passage and approval in accordance with law.

Passed this 25th day of January, 2021, by the City Council of the City of Sullivan, Moultrie County, Illinois, and deposited and filed in the office of the City Clerk of said City on that date.

	AYE	NAY	ABSTAIN	ABSENT	CONFLICT
Glazebrook	✓				
Sherwood	✓				
Fowler	✓				
Woodworth	✓				
Booker	✓				

Carrie Creek
Carrie Creek, City Clerk

Signed by the Mayor of the City of Sullivan, Moultrie County, Illinois, this 25th day of January, 2021.



Richard Glazebrook, Mayor

ATTEST:



Carrie Creek, City Clerk

FRAUD PREVENTION AND DETECTION POLICY

1. **General Information:** The fraud prevention and detection policy of the City of Sullivan, Illinois (the "City") establishes the City's scope, objectives, authorizations and reporting. In order to assure compliance with the fraud prevention and detection policy, there are certain procedures and internal controls which are required. Neither fraudulent financial reporting nor misappropriation and misuse of assets can occur without a perceived opportunity to commit and conceal the act. To help reduce opportunities, the City should (1) create a culture of honesty and high ethics; (2) evaluate antifraud processes and controls, and (3) develop an appropriate oversight process. It is the intent of the City to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

2. **Scope of Policy:** This policy applies to any irregularity involving employees, management and Council members as well as consultants, vendors, contractors, and/or any other parties with a business relationship with the City.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the City.

3. **Actions Constituting Fraud:** The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Misappropriation of funds, securities, supplies or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of City activities
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the City.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity

4. **Creating a Culture of Honesty and High Ethics:** It is the City's responsibility to create a culture of honesty and high ethics and to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong value system that provides the foundation for employees as to how the City conducts its operations. It also provides the ability to develop an ethical framework that covers (1) fraudulent financial reporting, (2) misappropriation of assets, and (3) corruption and bribery. Creating a culture of honesty and high ethics should include the following:

4.1. *Setting the Tone at the Top:* Council members and management must behave ethically and openly communicate their expectations for ethical behavior to employees of the City. The basis of a strong antifraud program is a culture with a strong values system founded on integrity.

- 4.2. *Creating a Positive Environment:* Without a positive workplace environment, there are more opportunities for poor employee morale, which can affect an employee's attitude about committing fraud. Negative factors include not rewarding appropriate behavior, lack of recognition for job performance, perceived inequities, autocratic management, and unreasonable expectations.
 - 4.3. *Hiring and Promoting Appropriate Employees:* Establishing standards for hiring and promoting the most qualified individuals with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior, demonstrate commitment to competent and trustworthy employees. Proactive procedures may include conducting background investigations and thoroughly checking education, employment history and personal references.
 - 4.4. *Notification and Confirmation:* Management needs to clearly state that all employees will be held accountable to act within the City's code of conduct, per the City's Personnel Policy Handbook. An effective code of conduct is a fundamental element of the control and antifraud program. It must be monitored by both management and outside auditors.
 - 4.5. *Discipline:* There must be a standardized process for responding to allegations or suspicions of fraud. When fraud is alleged or suspected, management must thoroughly investigate the incident and take appropriate and consistent actions against violators. Controls should be assessed and improved as needed.
5. **Evaluating Antifraud Processes and Controls:** Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. Fraud opportunities can be reduced by (1) identifying and measuring fraud risks, (2) taking steps to mitigate identified risks, and (3) implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.
- 5.1. *Identifying and Measuring Fraud Risks:* Management has primary responsibility for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team will be familiar with the types of improprieties that might occur within his or her areas of responsibility, and be alert for any indication of irregularity. Responsibility also includes establishing and monitoring all aspects of the fraud risk-assessment and prevention activities. The fraud risk-assessment process should consider vulnerabilities and exposures to material losses, taking into account the size and complexity of the City's operations.
 - 5.2. *Mitigating Fraud Risks:* Management should conduct an internal risk assessment to identify and prioritize the different types of fraud risks and apply appropriate fraud mitigation strategies. The City could discontinue or reorganize programs or processes to eliminate unacceptable risks.

- 5.3. **Implementing and Monitoring Appropriate Internal Controls:** Some risks are inherent in any environment, but most risks can be mitigated with an appropriate system of internal controls. Once a fraud risk assessment has been performed, the City must identify the ongoing processes, controls, and other monitoring procedures that are needed to identify and/or mitigate those risks. Areas of higher risk should be evaluated to determine if appropriate internal controls have been implemented.
6. **Developing an Appropriate Oversight Process:** To effectively prevent or deter fraud, the City needs to have an appropriate oversight function in place. Oversight can take many forms and can be performed by many within and outside the City, under the overall oversight of the City Council:
- 6.1. **City Council:** The City Council must systematically and periodically evaluate management's identification of fraud risks, the implementation of antifraud prevention and detection measures, and the creation of the appropriate "tone at the top". Active oversight serves as a deterrent to management and employees engaging in fraudulent activity and helps management to fulfill its responsibilities and helps to reinforce the commitment to creating a culture with "zero tolerance" for fraud.
- 6.2. **Management:** Management is responsible for overseeing the activities carried out by employees, and typically does so by implementing and monitoring processes and controls.
- 6.3. **Human Resources:** The Human Resources department will provide fraud training for City employees in the form of printed material or in-person group trainings annually, or a frequency otherwise determined by the department.
- 6.4. **Other Oversight Resources:** External auditors and certified fraud examiners can provide expertise, knowledge, experience and objective, independent input into the fraud risk assessment process.
7. **Reporting Procedures:** Great care must be taken in the reporting and investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.
- 7.1. **Immediate Reporting:** Any irregularity that is detected or suspected fraudulent activity must be reported immediately to the City Administrator, who coordinates all investigations with all affected areas, both internal and external (see **Reporting Unit** section below).

7.2. **Reporting Individual:** The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the City Administrator or the City Attorney. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual shall not contact the suspected individual in an effort to determine facts or demand restitution. The individual should also refrain from discussing the investigation, facts, suspicions, or allegations with anyone unless specifically asked to do so by the City Administrator or City Attorney.

7.3. **Other Irregularities:** Irregularities concerning an employee's moral, ethical or behavioral conduct should be reported and resolved with the City Administrator, respective Commissioner and Human Resources director. If there is any question as to whether an action constitutes as fraud, contact the City Administrator for guidance.

7.4. **Retaliation Protection:** Reporting individuals are protected from retaliation under the law. For more information on whistleblower protection programs, visit <http://www.whistleblowers.gov>. For more information on the Illinois Human Rights Act, visit <http://www.illinois.gov/dhr>.

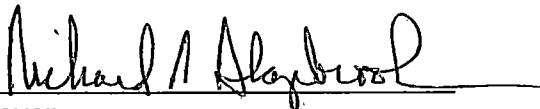
8. **Confidentiality:** All information reported is treated as confidential. Any employee who suspects dishonest or fraudulent activity will notify the City Administrator immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section above). Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging reputations or persons suspected but subsequently found innocent of wrongful conduct and to protect the City from potential civil liability.

9. **Reporting Unit:** The Reporting Unit has the primary responsibility for the investigation of all suspected fraudulent activity as defined in the policy. Members of the Reporting Unit may include the City Administrator, City Council members, City Attorney, City Auditor, Police Chief, and other management personnel when necessary or required.


9.1. **Investigating Suspected Fraud:** The Reporting Unit will have free and unrestricted access to all City records and premises, whether owned or rented. Authorization will also be granted to examine, copy, and/or remove all or any portion of the contents of files, desks, 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 their investigation.

- 9.2. **Reporting:** If the investigation substantiates that fraudulent activities have occurred, the Reporting Unit will issue reports to appropriate designated personnel, City Council and Audit Committee.
- 9.3. **Independent Investigation:** Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, senior management, and City Council, as will final decisions on disposition of the case.
- 10. **Termination:** If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by Human Resources, City Attorney and, if necessary, by outside counsel, before any such action is taken. The decision to terminate an employee is made by senior management and City Council.
- 11. **Administration:** The City Administrator, Treasurer and City Council is responsible for the administration, revision, interpretation and application of this policy. This policy will be reviewed annually and revised as needed.

APPROVAL:



Mayor



City Clerk

25 JAN 2021
Date

1-25-2021
Date

Receipt and Acknowledgement

I have received a copy of the City Fraud Prevention and Detection Policy. I understand that it is my responsibility to read and become familiar with the contents of the policy. I understand this policy may be amended from time to time by the City as allowed by law. I understand these policies and procedures supersede any previously issued verbal or written policies.

Employee Signature

Date

Employee Printed Name