

- Policy:**
1. The Town of Canton 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 deceit, financial or other benefits at the expense of the taxpayers.
  2. Town Officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny. It is the policy of the Town to prevent and deter all forms of fraud that could threaten the security of the Town’s assets or its reputation. The Town is committed to prevention, detection, investigation and corrective action relative to fraud.
  3. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

**Scope:** This policy and procedure applies to all Town of Canton employees, agents, elected and appointed officials, members of multiple member bodies, consultants, volunteers and any person conducting business with or on behalf of the Town of Canton.

- Definitions:**
1. Fraud is a violation of trust that is defined as a deception deliberately practiced to secure unfair or unlawful gain. The term includes but is not limited to such acts as deception, bribery, forgery, extortion theft, embezzlement, misappropriation of money or assets, false representation, the concealment of material facts relating to any of the above and collusion or conspiracy to commit any or all the above.
  2. Occupational fraud is defined by the Association of Certified Fraud Examiners as the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets. There are three major categories of occupational fraud.
    - 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 card/sheets, expense reimbursement schemes, check tampering, etc.)

- 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 – Misuse of an organization’s inventory or assets for personal use (e.g. Town vehicles, computers, supplies, etc.)
  - Larceny – Inventory or other assets are stolen from an organization.
- Corruption – Wrongfully use influence in a business transaction in order to procure some benefit for 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 who benefits from an official act or a business decision gives 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” are defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or government employees, that put government revenue, property, information and other assets at risk of waste or abuse.

### **General Policy and Responsibility**

1. The Town shall fully investigate any suspected act of fraud or other similar irregularity. An objective and impartial investigation will be

conducted regardless of the position, title, length of service or relationship with the government of any party who is or may be the subject of such investigation.

2. Each supervisor, department head and manager is responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other similar 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.
3. The Department of Human Resource (HR) in conjunction with The Office of the Town Administrator (OTA) have the primary responsibility for the investigation of all activity defined in this policy.
4. OTA will notify the Board of Selectmen (BOS) of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation to the extent practical. Throughout the investigation the OTA shall inform the BOS of pertinent investigative findings.
5. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the OTA, subject to the advice of Town Counsel, will contact the office of the District Attorney and/or the Canton Police.
6. Upon conclusion of the investigation, the results will be reported to the members of the BOS, and others as determined necessary.
7. The OTA will pursue every reasonable effort, including without limitation court ordered restitution, to obtain recovery of the Town/Town's losses from the offender, or other appropriate source.

**Procedures**

1. All Employees
  - A. Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify HR.
  - B. Employees have a duty to cooperate during an investigation.

C. Employees who knowingly make false allegations will be subject to discipline and possible termination of employment.

2. Town/Town Management/Elected Officials

The OTA, elected and appointed officials, members of multiple member bodies, consultants, volunteers and other persons conducting business with or on behalf of the Town of Canton shall immediately notify HR if any of these parties is informed of or learns of suspected fraud.

3. Office of the Town Administrator (“OTA”)

Upon notification or discovery of a suspected fraud from HR, the OTA will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, OTA will inform the BOS. Subject to the advice of the Town Counsel, the OTA will contact the Office of the District Attorney and/or the Canton Police.

4. Contacts/Protocols

After an initial review and a determination that the suspected fraud warrants additional investigation, the OTA will notify the BOS. The HR department and OTA will coordinate the investigation with the BOS and appropriate law enforcement officials.

5. Security of Evidence

Once a suspected fraud is reported, HR, OTA, in consultation with Town Counsel, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions may include, but are not necessarily 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 OTA obtains the records to begin the investigation.

6. Personnel Actions

If a suspicion of fraud is substantiated by the investigation, disciplinary action shall be taken by the BOS, in consultation with HR and the OTA.

7. Whistle-Blower Protection

Under Massachusetts General Law Chapter 149, Section 185, no employer or person acting on behalf of an employer shall:

- A. dismiss or threaten to dismiss an employee;
- B. discipline or suspend, or threaten to discipline or suspend, an employee;
- C. impose any penalty upon an employee; or
- D. intimidate or coerce an employee,

because the employee has acted in accordance with the requirements of this policy. The violation of this section will result in discipline up to an including dismissal in accordance with applicable federal, state, and local administrative laws.

8. Media Issues

- A. Any Town employee or elected official contacted by the media with respect to an investigation shall refer the media to the OTA. The alleged fraud investigation shall not be discussed with the media by any person other than the OTA.
- B. If the HR or OTA is contacted by the media regarding an alleged fraud or audit investigation, the HR or OTA shall consult with the BOS before responding to a media request.
- C. HR, OTA, or the BOS shall not discuss the details of any ongoing fraud investigation with the media if it may compromise the integrity of the investigation.

9. Confidentiality

All participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential, unless otherwise required by law.

No Town Official or employee, including without limitation the HR, OTA and BOS, shall reveal the identity of an employee who has notified his/her supervisor or HR of an occurrence of fraud or

irregular conduct unless required by law or to avoid compromising the integrity of the investigation.

10. Documentation

At the conclusion of the investigation, the results of the investigation shall be reported to the BOS, and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the District Attorney and/or the Canton Police.

11. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel action, any records, documents and other evidentiary material will be returned by the OTA to the appropriate department.

12. Training

New employees shall be trained at the time of hiring about the Town's Policy on Workplace Conduct and Anti-Fraud Policy. This training covers expectations of all employees regarding:

- A. Their duty to communicate certain matters;
- B. A list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples;  
and
- C. Information on how to communicate those matters.