

POLICY NO. 2019-5
FRAUD POLICY FOR THE VILLAGE OF INNSBROOK, MISSOURI

PURPOSE. The purpose of this policy is to provide a mechanism for the employees and the elected officials to bring to the attention of the Village's auditors any complaints regarding the integrity of the Village's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Village's financial statements and reports.

REPORTS OF IRREGULARITY. Any employee, elected official, or appointed committee/board member who has a complaint regarding the integrity of the Village's internal financial controls or the accuracy or completeness of financial or other information used in or related to the Village's financial statements and reports, or who observes any questionable accounting practices or fraudulent conduct, should report such complaint to the Village's attorney and/or the Village's current independent auditor.

The report should include examples of the matter or irregularity, the period of time during which the employee observed the matter or irregularity, and any steps that the employee has taken to investigate the matter or irregularity, including reporting it to the elected officials and the reaction.

FRAUDULENT CONDUCT. Fraudulent Conduct is defined as the use of one's occupation or position for personal enrichment through the deliberate misuse or misappropriation of the Village's resources or assets, or for the personal enrichment of others.

1. Asset Misappropriations.

Theft or misuse of the Village's assets.

2. Cash.

Fraudulent Disbursements – Perpetrator causes the Village to disburse funds through some trick or device (e.g., submitting false invoices/time cards, expense reimbursement scheme, 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 in one's care.

Skimming – Cash is stolen from the Village before it is recorded on the organization's books and records.

Cash Larceny – Cash is stolen from the Village after it has been recorded on the Village's books and records.

3. Inventory and all other assets.

Misuse – Improper use, misappropriation, misapplication, destruction, removal or concealment of the Village's inventory or assets for personal use (e.g., computers, supplies, etc.)

Larceny – Inventory or other assets are stolen from the Village.

4. Corruption. Wrongful use of influence in a business transaction in order to procure some benefit from themselves or another person, contrary to duty to the Village or the rights of another.

Conflicts of Interest – An undisclosed economic or personal interest in a transaction that affects the Village.

Bribery – The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.

Illegal Gratuities – A party that benefits from an official act or a 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.

5. Fraudulent Statements. Falsification of the Village’s financial statements.

6. 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 and abuse.

RESPONSIBILITIES. Each elected official and employee has defined responsibilities and procedures to follow when there is knowledge or suspicion of an act committed in violation of this policy:

Board of Trustee Responsibilities:

1. If a member of the Board of Trustees has reason to suspect that an incident of fraudulent conduct has occurred, he/she shall immediately contact the Village Attorney.
2. The Board of Trustees shall not attempt to investigate the suspected incident of fraudulent conduct or discuss the matter with anyone other than the Village Attorney.
3. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Chairman of the Board of Trustees in consultation with the Village Attorney and the Village’s contracted financial advisor.
4. If a fraud allegation involves the Chairman or the Board of Trustees, the Village’s contracted financial advisor shall investigate the allegation and report the results thereof after consultation with the Village Attorney.
5. If a violation of this policy is determined, the Board of Trustees will take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the Village Attorney.
6. The Board of Trustees 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 during an investigation.
7. In dealing with suspected dishonest or fraudulent activities, great care must be exercised. Management should avoid the following: Incorrect accusation, alerting suspected individuals that an investigation is underway, unfair treatment of employees, and making statements that could lead to claims of false accusations or other offenses.

Employee Responsibilities:

1. A suspected fraudulent incident or practice observed by, or made known to, an employee shall be reported to the proper management official, or member of the Board of Trustees.
2. When the employee believes the Chairman or Board of Trustees may be involved in the inappropriate activity, the employee shall make the report directly to the Village Attorney.
3. 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 request by the Village Attorney.

Village's Contracted Financial Advisor:

1. Upon execution of an engagement letter by the Board of Trustees and/or Village Attorney, the Financial Advisor shall promptly investigate the fraud.
2. The Financial Advisor shall not respond to a media request for information or interview.
3. At the conclusion of the investigation, the Financial Advisor shall document the results in a confidential memorandum report to the Board of Trustees.

WHISTLE-BLOWER PROTECTION. Employees who observe and, in good faith, report a violation of the Village's fraud policy shall be granted the protections contain 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:

1. Dismiss or threaten to dismiss the reporting employee;
2. Discipline, suspend or threaten to discipline or suspend the reporting employee;
3. Impose any penalty upon the reporting employee;
4. Intimidate or coerce the reporting employee.

DISCIPLINE. Violations of this policy by an employee will be handled in accordance with the decision of the Board of Trustees. All other persons or entities that are found to have violated this policy will be either moved from the applicable board or committee or subject to suspension by the Village from future business transactions for a specified period of time.

The foregoing policy is hereby approved and adopted by the Board of Trustees of the Village of Innsbrook, Missouri this 11th day of June, 2019 and effective immediately.

Jeffry S. Thomsen, Chairman
Village of Innsbrook Board of Trustees

Attest:

Carla Ayala
Village Administrator/Clerk

(seal)