

# **Stanislaus County Employees' Retirement Association**

## **Fraud Prevention Policy**

### **1.0 PURPOSE:**

- 1.1. To formalize the expectations of personal honesty and integrity required by Stanislaus County Employees' Retirement Association (StanCERA) Board, managers and staff in the performance of their responsibilities and/or job duties;
- 1.2. To strengthen the public's confidence in the integrity of (StanCERA) managers and staff, and its operations;
- 1.3. To enhance awareness regarding the prevention and detection of any fraudulent or irregular activity; and,
- 1.4. To formalize and familiarize the process for reporting, investigating and resolving cases of fraud and/ other misuse of StanCERA assets.

### **2.0 APPLICABLE TO:**

- 2.1. All StanCERA managers and staff.

### **3.0 DEFINITIONS:**

- 3.1. Fraud: any act of using dishonesty as a tool for personal gain or convenience including any misuse or attempt to misuse, reckless or negligent use of, blatant waste, or diversion of StanCERA assets, property, supplies, contracts or employee time for personal gain or purposes unrelated to StanCERA business. It also includes any fraudulent claims for benefits including workers' compensation or other StanCERA programs, or fraudulent financial reporting of any financial data.
- 3.2. Other definitions are standard definitions, unless otherwise specified in this policy.
- 3.3. This policy is not intended to supersede or negate any provision in the County Personnel Manual or any collective bargaining agreement.

### **4.0 POLICY:**

- 4.1. The overall goals of this policy are, as follows:
  - 4.1.1. To clarify the expectation of managers and staff honesty and integrity.

4.1.2. To clarify the expectation that abuse or waste involving StanCERA resources or contracts be reported as soon as suspected.

4.1.3. To provide a mechanism to report cases of suspected wrongdoing, misuse, misappropriation of StanCERA assets, resources or contracts.

4.1.4. To emphasize StanCERA will make every reasonable effort, including court-ordered or personal restitution to recover or receive compensation from any appropriate source to recover or receive compensation for the loss of any funds, assets, property or supplies due to fraud.

4.1.5. To create and enhance a working culture that is not tolerant of fraud, encourages the reporting of instances of fraud, is alert to indicators of fraud, and limits attempts and opportunities of fraud.

## **5.0 PROCEDURES:**

5.1. Examples of fraud include, but are not limited to:

5.1.1. Stealing or otherwise taking or giving away StanCERA assets, property, and/or supplies for one's own benefit or convenience or someone else's benefit or convenience (other than minor, specially- marked or other promotional items distributed on behalf of StanCERA).

5.1.2. Using StanCERA assets, property, equipment, facilities, supplies or funds for purposes unrelated to StanCERA business for one's own benefit or convenience or someone else's benefit or convenience.

5.1.3. Obtaining StanCERA funds, property, or compensation through dishonesty for one's own benefit or convenience or someone else's benefit or convenience.

5.1.4. Accepting or seeking anything of material value or gifts from contractors or vendors who provide services or goods to StanCERA (which may appear as a personal pay-off for doing business with StanCERA). Occasional miscellaneous items or meals under \$50 per occasion (T-shirt, pen, holiday gift, etc.) from a vendor, member, or the public are allowable.

5.1.5. Forgery or alteration of any document or account for one's own benefit or someone else's benefit.

5.1.6. Destruction, removal or inappropriate use of records, computers, furniture, fixtures, equipment, vehicles, or supplies. (Disposal of furniture, computers or equipment requires it be turned over to the County Center III purchasing.)

5.1.7. Any claim for reimbursement of expenses that were not made for StanCERA-related purposes or any claim made fraudulently for reimbursement. Using StanCERA

procurement for personal use. Using StanCERA accounts for personal use. Using County credit cards for personal use that is not reimbursed per the StanCERA and/or County credit card policies.

5.1.8. Participating in StanCERA procurement from a business owned or managed by the employee or employee's family, whether or not there was any personal monetary gain. This includes but is not limited to participating in the evaluation for a recommendation for a potential StanCERA contract, acquiring quotes, or approving a purchase requisition or purchase order. Simply entering a requisition or accepting delivery of goods or services does not result in any violation.

5.1.9. Negligently ordering excess supplies that are not needed and go to waste.

5.1.10. Intentional or reckless misuse of or damage to StanCERA equipment.

5.1.11. Requisitioning and/or using supplies for personal or family use.

5.1.12. Use of confidential information for one's own or someone else's actual or anticipated gain or benefit.

5.1.13. Financial reporting which either intentionally or recklessly results in the disclosure of misleading financial statements or the concealment of accurate financial statements.

## 5.2. Managers

5.2.1. Managers are responsible for establishing and maintaining a reasonable system of internal controls to ensure the detection and prevention of fraud, waste, abuse and other irregularities. Management should be reasonably familiar with the types of fraud that might occur with their area of responsibility, be alert for any indication of fraud, and realize the primary defense against fraud is prevention.

5.2.2. Managers have a responsibility to immediately report and handle any instances of fraud.

5.2.3. Managers will support and cooperate with external auditors, internal auditors, law enforcement agencies or other County/StanCERA Manager-appointed investigators.

5.2.4. Indicators of fraud **may** include the following:

5.2.4.1. Poor employee morale

5.2.4.2. Work sites with little management oversight

5.2.4.3. Anonymous letters

5.2.4.4. Sudden change in lifestyle of an employee

5.2.4.5. Unused vacation or reluctance to take time off or reluctance to relinquish certain duties (employee may be covering up for fraud)

5.2.4.6. Unusual, irrational, secretiveness, or inconsistent behavior

5.2.4.7. Missing files or suddenly locked files

5.2.4.8. Unexpected or unusual work- related or personal purchases

5.2.4.9. Personal financial problems (bill collectors calling)

5.3. Employees (including managers)

5.3.1. Any employee, including managers, who knows or has reason to suspect that a fraud has occurred, is responsible to immediately notify his/her immediate manager. If the employee has reason to believe that the employee's immediate manager may be involved (directly or indirectly), the employee shall immediately notify the next level in the chain of command in the division or department or as provided for under Section 5.4.5.

5.3.2. Employees may remain anonymous when reporting a suspected fraud (i.e., anonymous letter to the StanCERA administrator or a manager), however, they must be cognizant that action may be limited if they are not fully willing to report the details or otherwise provide some elements of proof. An employee wishing to remain anonymous should include as much detail as possible with names and dates when making the anonymous report.

5.3.3. Employees reporting a suspected fraud must maintain confidentiality concerning the suspected fraud at all times, other than the reporting detailed above to a supervisor, and the additional testimony to the appropriate parties, as required. It is expected that employees will fully cooperate with the StanCERA investigation and the various agencies listed in section 5.2.3. that may be involved, and will make all reasonable efforts to assist and be available in the investigation.

5.3.4. An employee should not be involved in the procurement of any goods or services for StanCERA with a business in which a family member (mother, father, grandparents, grandchildren, sibling, step sibling, child, stepchild, niece, nephew, aunt, uncle, domestic partner) has a direct financial interest in (owner, partner, officer, the administrator or board member). If the business is one which may be advantageous to the department or StanCERA to do business with, the procurement can be handled by the next level up in the chain of command or can be handled by the Purchasing Office. Procurement includes writing and evaluating bids, writing and evaluation of requests for proposals, the acquisition of quotes, and the entering or approval of subsequent purchase requisitions.

## 5.4. Investigation

5.4.1. Auditors (or other various agencies listed in section 5.2.3.) and other investigators will have full reasonable access to all StanCERA records, employees, and premises within the scope of their investigation. StanCERA's legal counsel shall make the final determination as to the reasonableness of the requests for records or access to employees or premises.

5.4.2. The decision to prosecute or refer the investigation to another law enforcement or regulatory agency will be made by the StanCERA Administrator in consultation, as deemed necessary by the StanCERA Administrator, with the StanCERA legal counsel.

5.4.3. Action should be initiated as soon as possible to secure any documents, premises, desks, computer records or other evidence related to the incident.

5.4.4. Action should be initiated as soon as possible when the information is available to minimize future risk in the affected division or department or other operations StanCERA-wide by implementing appropriate controls to prevent recurrence.

5.4.5. If the employee feels that the StanCERA Administrator is involved in the suspected fraud or if the employee otherwise feels it necessary, the employee may circumvent the chain of command and report the suspected fraud to StanCERA's legal counsel or StanCERA's Board Chair, or other Board member, as may be warranted.

## 5.5. Whistle-blower Protection

5.5.1. If an employee has acted in accordance with the requirements of this policy, he or she shall not be subject to any form of retaliation as the result of reporting.

## 5.6. Disciplinary or Legal Action

5.6.1. Disciplinary action will be taken within the parameters set in applicable County personnel rules and regulations, County collective bargaining contracts, and County, State, and Federal laws.

5.6.2. The employee against whom allegations are made will be given full opportunity to respond. Employees are assumed to be innocent of accusations of fraud until such time it is shown that there is credible proof of the fraud.

5.6.3. The employee against whom allegations are being made may be placed on administrative leave during the investigation.

5.6.4. If determined that the suspected fraud actually occurred, StanCERA will make every reasonable effort, including court-ordered or personal restitution to recover or receive compensation or reimbursement of any loss of any funds, assets, property or supplies.

5.7. This policy shall be distributed and reviewed at all new employee orientations and distributed to all current employees. Additional training shall be done as deemed necessary by the StanCERA Administrator.

Approved 1/13/2010