



OFFICE OF THE CITY AUDITOR
Long Beach, California

R-26

LAURA L. DOUD, CPA
City Auditor

November 13, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Request City Council to consider adopting the attached Fraud Prevention and Reporting Policy as an addition to the Ethics Guide for Long Beach City Officials & Employees.

DISCUSSION:

There is currently no policy that addresses the reporting procedures for fraud, waste and abuse in the City of Long Beach (City). Without a defined Fraud Policy, there are no clearly defined processes for who is accountable for reporting fraud and how to investigate specific instances of fraud within the City.

The Office of the City Auditor has developed a framework for a fraud policy for the City Council to consider adding to the City's Ethics Guide for Long Beach City Officials & Employees. Establishing a citywide policy would allow the Council to emphasize the importance of identifying and immediately reporting suspected fraud, waste and abuse throughout the City as well as ensuring that all instances are handled appropriately and consistently. A defined policy would also provide clarification of the responsibilities of Department managers, supervisors, employees and the City Auditor's Office surrounding reporting and investigating fraud, waste, and abuse.

This policy would apply to all City employees, consultants, vendors, contractors and officials, as well as members, employees, consultants, vendors and contractors of City Boards and Commissions.

A sample Fraud Prevention and Reporting Policy is outlined in the attachment.

This matter was reviewed by Michael J. Mais, Assistant City Attorney on May 1, 2012.

TIMING CONSIDERATIONS:

City Council action is requested on November 13, 2012.

FISCAL IMPACT:

There is no fiscal impact associated with the recommended action at this time. Future use of the policy could help reduce fraud, waste, and abuse of City resources.

SUGGESTED ACTION:

Approve recommendations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Laura L. Doud".

LAURA L. DOUD, CPA
CITY AUDITOR

Attachment

City of Long Beach

Fraud Prevention and Reporting Policy

Policy and Purpose

The residents of Long Beach expect efficient, honest, lawful, and ethical service from their City government. To meet these expectations, City of Long Beach employees are committed to performing their duties to the public in a manner that is free of fraud, waste, and abuse. Employees are also obligated to report any suspicion of fraud, waste, and abuse by others.

Fraud and theft of City funds, property or materials as well as intentional damage to City property are all criminal activities and constitute unacceptable and intolerable behavior. The purpose of this policy is to provide guidance to City Management and employees on the process to follow when such activities are encountered.

Scope

This policy applies to all City employees in all departments, including boards, commissions and agencies under the direction of the Mayor and City Council, as well as all elected officials.

Enforcement of City Personnel Rules and Guidelines

City personnel rules and guidelines must be clear that these activities are subject to discipline up to and including immediate termination and possible criminal prosecution. It should be made clear that these activities are not only illegal, but also harm the City, its residents and businesses.

Internal Controls

City departments must establish adequate internal controls to prevent fraud, waste, and abuse of City funds, property, and materials. Internal controls are subject to review by the City Auditor at any time.

Reporting and Follow-up

Fraud, waste, and abuse of City funds or City property and materials must be reported to either the Department Director, City Manager, the City Auditor's Office, or anonymously through the City Auditor's Fraud Hotline at 1-888-FRAUD-07 (1-888-372-8307).

Complaints shall be investigated immediately as deemed necessary by the City Auditor's Office, the Police Department, or the Human Resources Department. The City Council shall establish a culture that recognizes the inappropriateness of these activities and encourages an atmosphere of intolerance for these activities, as well as an acceptance of reporting and follow-up on suspected activities.

Conclusion

The City of Long Beach recognizes that the vast majority of employees approach their jobs with integrity and a commitment to serve the public. However, it is important to acknowledge that fraud, waste, and abuse can and does occur. It is expected that all City employees will fully cooperate with relevant department management, the City Auditor's Office, and law enforcement agencies, if warranted, during the course of any potential investigations.