



March 26, 2009

TO: Sacramento Public Library Authority Board Members

FROM: Vicki Johnson, Director of Finance

RE: Fraud Prevention Policy

RECOMMENDED ACTION

1. **ADOPT** the Fraud Prevention Policy for the Sacramento Public Library Authority.

BACKGROUND

As part of the ongoing development of policies and procedures, and in response to audit recommendations, staff has developed a formal Fraud Prevention Policy to document that the Sacramento Public Library Authority does not tolerate fraud in any form. This includes fraud due to theft or abuse of Library funds, securities, supplies, assets, or other resources. The policy outlines key processes and procedures for fraud prevention to enforce controls and assure the protection of valuable Library resources.

The Authority recognizes that every employee bears some responsibility for assuring that Library resources are safeguarded against fraud, theft or abuse from any source, whether it be internal to Library staff or external from other persons or agencies who engage in business with the Authority. Staff is charged with reporting fraud whenever they become aware of it and managers are charged with implementing control mechanisms to detect and prevent fraud.

The policy provides instructions, information and guidelines for recognizing fraud and provides definitions and examples to assist staff in determining if a reportable condition of fraud may have occurred. It includes a warning of potential legal or disciplinary action for substantiated cases of fraud and for potential disciplinary action for employees who fail to report suspected incidences of fraud when they become aware of it.

There are provisions for periodic Fraud Awareness Training to ensure that staff understands what fraud is and what their responsibilities are in relation to this policy.

The Library Director or Authority Counsel is charged with following up on all reports of suspected fraud, conducting investigations, documenting suspected cases of fraud, and with determining if further investigative action is warranted.

FISCAL IMPACT

Minimal costs associated with Fraud Prevention training to be assumed within the budget approved for training programs currently in place.

ATTACHMENT

Exhibit A: Fraud Prevention Policy for Sacramento Public Library Authority

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Sacramento Public Library

Policy and Procedure Manual

SUBJECT: <i>Fraud Prevention Policy</i>		POLICY No. FORMERLY: None
FUNCTIONAL ACCOUNTABILITY: <i>Organization-Wide</i>	SECTION:	PAGE 1 OF 5
ORIGINAL ISSUE DATE: <i>March 26, 2009</i>	REVISION No:	REVISION DATE:

I. PURPOSE

The purpose of this policy is to provide guidelines for the enforcement of internal controls and to aid in the prevention and detection of fraud, theft, or abuse against the Sacramento Public Library Authority (“Authority”).

II. POLICY

A. STATEMENT

The Sacramento Public Library Authority does not tolerate fraud, theft, or abuse of Library funds, securities, supplies, assets, or other resources. Management is responsible for implementing control mechanisms to detect and prevent fraud, theft or abuse. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Each employee is responsible for reporting to a manager, the Library Director, or Authority Counsel any fraud, theft or abuse or suspected fraud, theft or abuse of Authority funds, securities, supplies, assets, or other resources that comes to the employee’s attention.

B. SCOPE

This policy applies to any fraud, theft, or abuse or suspected fraud, theft, or abuse involving employees at all levels of the organization, consultants, vendors, contractors, outside agencies, or persons doing business with the Authority or in any other relationship with the Authority.

The Authority’s policy promotes consistent, legal, and ethical organizational behavior by:

- Assigning responsibility for reporting fraud, theft, or abuse;
- Providing guidelines to conduct investigations of suspected fraudulent behavior;
- Requiring each employee to receive periodic fraud awareness training.

Failure to comply with this policy will subject employees to disciplinary action, up to and including termination. Failure to comply with this policy by a consultant, vendor,



Sacramento Public Library

Policy and Procedure Manual

contractor, outside agency, or person doing business with the Authority or in any other relationship with the Authority could result in cancellation of the business or other relationship between the entity and the Authority.

The Sacramento Public Library Authority will pursue prosecution if the results of an investigation indicate the possibility of criminal activity.

C. DEFINITIONS AND EXAMPLES OF FRAUD, AND ABUSE

For purposes of this policy the term **manager** includes directors, managers, supervisors and any other employee who has authority to sign another employee's performance evaluation.

Fraud is defined as an intentional deception designed to obtain a benefit or advantage or to cause some benefit that is due to be denied. Examples of fraud include, but are not limited to:

- Forgery or alteration of a check, bank draft, or any other financial document;
- Theft of a check or other diversion of a payment;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Selling or giving away confidential Authority information;
- Using confidential Authority information for personal gain;

Theft is defined as the act of taking something from someone unlawfully. Examples of theft include, but are not limited to:

- taking home equipment belonging to the Authority and keeping it for personal use;
- Obtaining or copying confidential employee or vendor information for personal use.

Abuse is the intentional, wrongful, or improper use of resources or misuse of position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc. Examples of abuse include, but are not limited to:

- Using Authority equipment or supplies to conduct personal business;
- Using or selling non-confidential vendor or customer information to get new customers for outside business;
- Disclosing procurement information from sealed bids to another bidder for personal gain or favors.



Sacramento Public Library

Policy and Procedure Manual

D. RESPONSIBILITY TO REPORT SUSPECTED FRAUD

Each employee is required to report any suspected fraud, theft, or abuse or other dishonest conduct to a manager or to the Library Director or to Authority Counsel.

Any manager receiving a report of suspected fraud, theft, or abuse or other dishonest conduct, including reports from employees or other individuals, is required to inform the Library Director or Authority Counsel.

Managers do not have the authority to determine the merits of a report of suspected fraud. The Library Director or Authority Counsel makes this determination.

The identity of an employee or complainant who reports suspected fraud will be protected to the full extent allowed by law.

GUIDELINES FOR HANDLING A REPORT OF SUSPECTED FRAUD, THEFT OR ABUSE

Whether the initial report is made to a manager or to the Library Director or Authority Counsel, the reporting individual should receive the following instructions and information:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Allow the Library Director or Authority Counsel to conduct the investigation. Do not further investigate the allegations.
- Observe strict confidentiality. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Library Director or Authority Counsel.
- Retaliation will not be tolerated. The Authority will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. Anyone experiencing retaliation shall inform the Library Director or Authority Counsel.
- Every effort will be made to protect the rights and the reputations of everyone involved, including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s). (See: *Disciplinary Action* for the consequences of making a report of fraud in bad faith.)
- The identity of an employee or other individual who reports a suspected act of fraud will be protected to the extent permitted by law. (See: *Responsibility to Report Suspected Fraud*.)

E. RESPONSIBILITY OF LIBRARY DIRECTOR AND AUTHORITY COUNSEL

The Library Director or Authority Counsel is responsible for the full investigation and documentation of suspected fraud.



Sacramento Public Library

Policy and Procedure Manual

On receiving a report of suspected fraud, the Library Director or Authority Counsel will conduct a preliminary investigation to determine if further investigation is warranted. If so, the Library Director or Authority Counsel shall follow the investigation guidelines provided in the Sacramento Public Library Policy and Procedure Manual.

The Library Director or Authority Counsel shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s).

GUIDELINES FOR THE INVESTIGATION OF SUSPECTED FRAUD

The Sacramento Public Library will conduct investigations pursuant to the Internal Investigation Policy and Procedure.

F. DISCIPLINARY ACTION

Failure to comply with any part of this policy is grounds for disciplinary action.

An employee who does the following is subject to disciplinary action:

- has engaged in any form of fraud, theft or abuse;
- suspects or discovers fraudulent activity and fails to report his or her suspicions as required by this policy (See: *Responsibility to Report Suspected Fraud*); or
- intentionally reports false or misleading information.

Managers are strictly obligated to forward all reports of suspected fraud to the Library Director or Authority Counsel. Failure to do so will subject them to disciplinary action.

G. FRAUD AWARENESS TRAINING

Each employee is required to receive this policy and sign a form indicating he or she understands its content.

Fraud training will be provided to all new employees as part of employee orientation.

All staff will be required to attend periodic refresher workshops on fraud awareness as a component of the Authority's Ethics Training.

After attending the training, the employee will sign a form indicating that he or she has attended the training and understood its content.