



POLICY

Fraud and Other Similar Irregularities

POLICY: FRAUD AND OTHER SIMILAR IRREGULARITIES

Statement of Policy Principles

The City of Toronto is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub contractors, agents, intermediaries or its own employees, to gain by deceit, financial or other benefits.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

Definitions

Fraud and other similar irregularities includes, but is not limited to:

1. Forgery or alteration of cheques, drafts, promissory notes and securities.
2. Any misappropriation of funds, securities, supplies or any other asset.
3. Any irregularity in the handling or reporting of money transactions.
4. Misappropriation of furniture, fixtures and equipment.
5. Seeking or accepting anything of material value from vendors, consultants or contractors doing business with the City in violation of the City's Conflict of Interest policy.
6. Unauthorized use or misuse of City property, equipment, materials or records.
7. Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of City-owned software.
8. Any claim for reimbursement of expenses that are not made for the exclusive benefit of the City.
9. Any similar or related irregularity.

Applicability

This policy applies to Council Members, all employees of the City of Toronto and to employees of local Boards, Agencies and Commissions over which Council has authority to require general policies to be followed.

General Policy and Responsibilities

1. It is the City's intent to fully investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the City of any party who might be or becomes involved in or becomes/is the subject of such investigation.

2. Each Commissioner is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other 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 City Auditor, in consultation with the City Solicitor, has the primary responsibility for the investigation of all activity as defined in this policy.
4. The City Auditor will notify the Chair of the Audit Committee and the Chief Administrative Officer of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation to the extent practical. Throughout the investigation these officials should be informed of pertinent investigative findings.
5. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the City Auditor, subject to the advice of the City Solicitor, will contact the Toronto Police Service.
6. Upon conclusion of the investigation, the results will be reported to the Chair of the Audit Committee, the Chief Administrative Officer and the Commissioner.
7. The City will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the City losses from the offender, or other appropriate source(s).

Procedures

1. All Employees

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 the employee's supervisor may be involved, the employee shall immediately notify the Commissioner and the City Auditor.

The employee shall not discuss the matter with anyone other than his/her supervisor, the Commissioner, the City Auditor and the police. Employees who knowingly make false allegations will be subject to discipline up to and including dismissal.

2. Managers

Upon notification from an employee of suspected fraud, or if the manager has reason to suspect that a fraud has occurred, the manager shall immediately notify the Commissioner and the City Auditor. The manager shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the person to whom the fraud was reported, the City Auditor and the police.

3. Commissioner

Upon notification from an employee or manager of suspected fraud, or if the Commissioner has reason to suspect that a fraud has occurred, the Commissioner shall immediately contact the City Auditor. The Commissioner shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than the City Auditor, City Solicitor and the police.

4. City Auditor

Upon notification or discovery of a suspected fraud, the City Auditor will promptly investigate the fraud. In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the City Auditor, in consultation with the City Solicitor, will contact the Toronto Police Service.

5. Contacts/Protocols

After an initial review and a determination that the suspected fraud warrants additional investigation, the City Auditor will notify the Chief Administrative Officer, the City Solicitor and the Chair of the Audit Committee of the allegations. The City Auditor shall coordinate the investigation with the appropriate law enforcement officials.

6. Security of Evidence

Once a suspected fraud is reported, the City Auditor, in consultation with the City Solicitor, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions 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 must be adequately secured until the City Auditor obtains the records to begin the audit investigation.

7. Confidentiality

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, the City Auditor, in consultation with the Corporate Access and Privacy Office of the City and the Toronto Police Service, may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.

8. Personnel Actions

If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal, shall be taken by the appropriate level of management, in consultation with the Human Resources Division, the City Auditor and the City Solicitor, in conformance with the City's Personnel Policies and Procedures.

Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary action being taken. Where notice is given, the person against whom allegations are being made may submit a written explanation to the City Auditor no later than seven calendar days after the notice is received. This requirement is subject to any collective agreement provisions respecting the rights of employees during disciplinary proceedings.

9. Whistle-Blower Protection

No employer or person acting on behalf of an employer shall:

- dismiss or threaten to dismiss an employee;
- discipline or suspend or threaten to discipline or suspend an employee;
- impose any penalty upon an employee; or
- intimidate or coerce an employee,

because the employee has acted in accordance with the requirements of the policy. The violation of this section will result in discipline up to and including dismissal.

10. Media Issues

Any staff person or elected official contacted by the media with respect to an audit investigation shall refer the media to the Director of Corporate Communications or designate. The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the Director of Corporate Communications or designate, in consultation with the City Auditor.

If the City Auditor's office is contacted by the media regarding an alleged fraud or audit investigation, the City Auditor or designate will consult with the Director of Corporate Communications or designate, as appropriate, before responding to a media request for information or interview.

The City Auditor and Director of Corporate Communications will determine media messages and identify an appropriate City spokesperson, as required.

11. Documentation

At the conclusion of the investigation, the City Auditor will document the results in a confidential memorandum report to the Chair of the Audit Committee with a copy to the Chief Administrative Officer and the Commissioner. If the report concludes that the allegations are founded, the report will be forwarded to the Toronto Police Service.

The City Auditor will also be required to make recommendations to the appropriate Commissioner which will assist in the prevention of future similar occurrences.

12. Completion of Investigation

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

13. Reporting to External Auditors

The City Auditor will report to the external auditors of the City all information relating to investigations.

14. Annual Report

As directed by Council, the City Auditor will report, on an annual basis, information related to investigations conducted during the year.

Approved by City Council at the meeting of May 21, 2002.