



City of Phoenix

ADMINISTRATIVE REGULATION	A.R. NUMBER 1.2 Revised
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SUBJECT FRAUD PREVENTION AND REPORTING POLICY (INTEGRITY LINE)	EFFECTIVE DATE November 16, 2015

I. PURPOSE

This A.R. is updated and codifies the existence of the Integrity Line and the City's policy on preventing and reporting fraud or unethical activity. Integrity, honesty and professionalism in service to the community are important values of employees at the City of Phoenix. Part of maintaining our high ethical standards includes a way for employees or residents to report wrongdoing or bad behavior. Supervisors, managers and department directors are the first lines of reporting, and the Integrity Line provides a valuable secondary resource in the event that reporting to supervisors, managers or department directors is not possible or desired.

This fraud prevention policy exists because:

- The public entrusts us with resources to be used appropriately.
- We work to serve the public good, not for personal gain.
- Best business practices include a documented fraud prevention policy and an "integrity line" for anonymous reporting.

Though individuals are encouraged to make reports to supervisors, managers or department directors, or to the Police Department about illegal activity, the Integrity Line provides a valuable outlet for an individual to make a complaint, anonymous or otherwise.

The purpose of this policy is to establish guidelines and assign responsibility for the development of controls and conducting of investigations to aid in the prevention and detection of fraud against the City of Phoenix (City).

II. SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving City employees (employees) as well as consultants, vendors, contractors, outside agencies doing business with the City, and/or any other parties with a business relationship with the City. Any investigative activity required will be conducted without regard to the suspected perpetrator's length of service, position/title, or relationship to the City.

III. OVERVIEW

Fraud is an ever-present threat, has many forms, and is always damaging. It takes away valuable resources entrusted to the City. Fraud is not only illegal but it also creates a very real threat to the resources available to the City and its residents.

The City requires all employees to act honestly and with integrity, and to safeguard the resources for which they are responsible. Employees at all levels are encouraged to actively participate in protecting public money and property. All employees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

By identifying areas where the risk of fraud exists, detecting fraud which has already occurred, taking firm action against the perpetrators and designing systems to prevent the occurrence of fraud, this Anti-Fraud Policy aims to develop a culture within the City which raises the awareness of the risks and consequences of fraud. It provides a framework for promoting the City's policies and measures to prevent and detect fraud and it is an important component to the City's system of internal controls.

IV. ACTIONS CONSTITUTING FRAUD

All employees should be familiar with the types of fraud that might occur within their area of responsibility and be alert for any indication of fraud. For the purposes of this statement, *fraud* is defined as the intentional, false representation or concealment of a material fact for the purpose of gaining an advantage, avoiding an obligation, or causing loss to another party. Fraud may include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, and collusion. More specifically, acts of fraud may include, but are not limited to:

- Removal, loss, unauthorized destruction, inappropriate use or waste of funds, supplies, records, furniture, fixtures, equipment, or other City assets
- Impropriety in the handling or reporting of money or financial transactions
- Misuse or misreporting of paid work time or paid time off
- Accepting or seeking anything of value from contractors, vendors, or persons providing services/materials to the City (including vendor kickbacks)
- Use or willful unauthorized disclosure of personal identifying and restricted information for a purpose unrelated to City business
- Violations of laws or regulations
- Contract fraud
- Falsified documents
- Specific danger to public health or safety
- Any similar or related irregularity

V. POLICY

Fraud that is detected or suspected should be immediately reported to appropriate supervisors or managers or through the City's Integrity Line, where investigations are coordinated by the Integrity Committee. The Integrity Committee is comprised of the City Auditor, the City Attorney, and the City Manager or designee. The City recognizes a zero tolerance policy regarding fraud and will investigate any fraud or suspected fraud.

V (1) Responsibilities

a. All Employees

All employees individually have the primary responsibility for the prevention of fraud. Any employee who suspects or detects fraudulent activity must immediately report it to their supervisor, managers, department director, or City Auditor. If reporting to a supervisor, manager, department director or City Auditor is not possible or desired, the employee should report the suspected activity directly to the Integrity Line (see Section V(2)). Employees must not attempt to personally conduct investigations or interviews / interrogations or discuss any details of the suspected fraudulent act with unauthorized personnel. The appropriate law enforcement agency will be involved if illegal activity is being investigated.

Employees will provide unrestricted access to all City records, and property, and provide the necessary assistance, cooperation and support to enable the Integrity Committee and its delegates to properly investigate suspected fraudulent acts. Refusal to cooperate in an investigation may result in disciplinary action, up to and including termination.

b. Management

In addition, Management is also responsible for:

- i. Assessing the types of risk involved in the operations for which they are responsible.
- ii. Developing systems of internal control to minimize the risk of fraud and ensuring that controls are being consistently applied.
- iii. Satisfying themselves that their internal control systems continue to operate effectively.
- iv. Raising fraud awareness amongst staff including knowledge of the City's anti-fraud policy.
- v. Reporting fraudulent or suspected fraudulent activity directly to the City Auditor who will include the report in the Integrity Line process.
- vi. Implementing new internal controls to reduce the risk of similar fraud occurring where frauds have taken place.
- vii. Responding comprehensively in writing to all inquiries made during the course of an investigation, or to recommended corrective actions in connection with the investigation.

c. Integrity Committee

The Integrity Committee is authorized to coordinate the investigation of suspected fraudulent acts as defined in this policy. If the investigation substantiates that fraudulent activities have occurred, the Integrity Committee will notify appropriate designated personnel and, if appropriate, will notify the City Manager, Audit Committee, Mayor, and City Council.

As warranted, the Integrity Committee will coordinate with criminal and regulatory law enforcement agencies in order to facilitate appropriate criminal investigation and prosecution. The law enforcement and/or regulatory agency will make the final decision to investigate a fraudulent act.

V (2) Reporting Fraud to the Integrity Line / Integrity Committee

The City has established the following methods that allow employees to make confidential anonymous reports of fraud, suspicions of fraud, or any other inappropriate action.

- **Telephone:** 602-261-8999 or 602-534-5500 (TDD). The telephone will be answered by the Secretary to the City Manager whenever possible during normal business hours. A recorded message may be left if no one is available.
- **E-mail:** aud.integrity.line@phoenix.gov
- **Integrity Line Webpage:** You may access the Integrity Line Webpage by logging onto the City of Phoenix Internet Webpage (at www.phoenix.gov), then selecting the **Report It** menu bar option toward the top of the Webpage, then selecting the **Report City Employee or City Contractor Violations** menu option to access the Integrity Line Webpage.

Employees should provide as much of the following information as possible when making a report:

- Circumstances of the incident and details of how the fraud / inappropriate action took place
- Names of all persons involved, including division and department
- Date(s), time(s) and location(s) of the event(s) that took place
- If missing funds, identify source of funds and how much
- Identify any evidence or documentation that is available
- Names of witnesses
- A telephone number where the employee can be reached. In order to assist in the investigation, those reporting potential violations are encouraged to identify themselves. Every reasonable effort will be made to keep the identity of an individual reporting potential fraudulent activity confidential. However, anonymous complaints are accepted.
- Any other information that may be helpful in an investigation.

VI. RETALIATION

Retaliation against a person who initiates a complaint or inquiry or participates in fact-finding is prohibited. Persons found to have engaged in retaliation are subject to the full range of disciplinary actions, up to and including termination.

VII. CORRECTIVE ACTION

The City will take the necessary steps, including legal action, to recover any losses arising from fraud or attempted fraud. This may include action against third parties involved in the fraud whose negligence contributed to the fraud. Employees found to be associated with fraudulent activity will be subject to disciplinary action, up to and including termination and legal prosecution, in accordance with City policies and procedures and applicable laws and regulations.

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by designated representatives from the City Human Resources and Law Departments before any such action is taken. The decision to terminate an employee is made by the employee's management and is subject to the regular appeals process.

VIII. CONFIDENTIALITY

The Integrity Committee and its delegates will maintain strict standards of confidentiality, and will not voluntarily release information about an investigation or inquiry except where examination results are referred to law enforcement and/or regulatory agencies for independent investigation or where required by law. After investigations are complete, it is likely that documentation related to the complaint would become a public record and would require disclosure if requested. Complete anonymity cannot be guaranteed due to public records laws.

IX. OTHER IRREGULARITIES

In cases related to employment, harassment and discrimination please refer to the chart below. While the Integrity Line will accept reports of these cases, the Integrity Committee will refer them as noted below.

Issue	Refer issue to
Hiring process, recruitments, employee qualifications, performance evaluations	Department Human Resources Liaison or Human Resources Department at 602-262-6609
Sexual Harassment (A.R. 2.35A) or Protected Category Harassment (A.R. 2.35B)	Department Human Resources Liaison or Equal Opportunity Department's Compliance and Enforcement Division at 602-262-7486
Discrimination / denial of equal employment opportunities (A.R. 2.35)	Equal Opportunity Department's Compliance and Enforcement Division at 602-262-7486

X. RELATED POLICIES

This policy is designed to augment other City policies and external regulatory requirements, and not to replace or preclude them. Other policies and requirements containing related information include, but are not limited to, the following:

- Ethics Handbook
- Employee Manual
- AR 1.90, *Information Privacy and Protection*
- AR 2.61, *Grievance Procedure*
- AR 2.91, *Conflicts in Employment, Supervisory and Contractual Relationships*
- AR 2.93, *City Employee Gift Policy*
- Integrity Line Webpage
- City Charter (various)
- Arizona Revised Statutes (various)

XI. CONCLUSION

Successful fraud prevention involves creating an environment which deters fraud. It is the responsibility of all employees to ensure that such an environment is created. The circumstances of individual frauds will vary; however it is important that all are vigorously and promptly investigated and that appropriate action is taken. An employee who is alert to the possibility of fraud and who acts accordingly is a powerful deterrent against fraud and will serve as an advocate for ethical behavior.

XII. QUESTIONS

Questions regarding this Administrative Regulation (AR) should be directed to the City Auditor Department at 602-262-6641.

Ed Zuercher
City Manager


