ADMINISTRATIVE PROCEDURES

Procedure Number: 22-83

Effective Date: 06/11/2018
Revision Date:

County Administrator

SUBJECT: **FRAUD, WASTE AND ABUSE HOTLINE PROCEDURES**

DEPARTMENT RESPONSIBLE: **FINANCE AND RISK MANAGEMENT**

1. STATEMENT

The purpose of this procedure is to outline Pima County's process for handling fraud, waste and abuse hotline calls and complaints. The procedure provides a consistent framework for all relevant parties to manage and investigate complaints.

The procedure's primary objective is to provide County employees with a method to report unfair, unethical, and dishonest business practices.

This procedure applies to any suspected fraud, waste, and abuse, involving Elected Officials, Appointing Authorities, employees, consultants, vendors, contractors, and all others who have a business relationship with Pima County.

2. BACKGROUND

Pima County is an organization that values responsibility and integrity. Our Code of Conduct, Board of Supervisor's Policies, Administrative Procedures, and Personnel Policies contain general guidelines for conducting business with the highest ethical standards.

Pima County is committed to creating an environment where open, honest communication is the expectation, not the exception. This includes encouraging employees to report instances where violations of policies or standards have occurred.

Every County employee is a steward of public trust and for this reason, every employee of Pima County must share in this commitment. County employees, especially supervisors, department heads and elected officials, must be aware of the circumstances or Red Flags that may potentially lead to fraud.

3. DUTY TO REPORT

Appointing Authorities and County employees have a duty to report violations of this policy and to cooperate in investigations, inquiries, and hearings conducted by the County.

A person making false reports shall be subject to disciplinary action up to and including termination, if he or she reports information which he or she knows to be false, or which he or she discloses with reckless disregard for its truth.

4. DEFINITIONS

Fraud: Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception or misrepresentation. The Institute of Internal Auditor's, *International Professional Practice of Internal Auditing* defines fraud as:

> "Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage."

Fraud can be perpetrated for the benefit of, or to the detriment of, the County; and by persons outside or within the County.

Waste: The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use of, or squandering of, resources owned or operated by the County. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.

Abuse: The excessive or improper use of something, in a manner contrary to the natural or legal rules for its use; the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources owned or operated by the County; or the extravagant or excessive abuse of one's position or authority.

Deterrence: Deterrence consists of management's actions to discourage the perpetration of fraud, waste, and abuse and limit its exposure should it occur.

Fraud Hotline: The hotline managed by an independent third party and accessible as shown on the County intranet site.

Red Flags: Red flags are warning indicators that fraud, waste and abuse may be taking place. Individually, they may not mean anything, but the more present, the greater potential for fraud, waste, and abuse to occur.

Common Red Flags include, but are not limited to:

- Changes in an employee's lifestyle, spending habits or behavior
- Inappropriate combination of job duties
- Irregular/ unexplained variances in financial information
- Inventory shortages
- Excessive or unjustifiable use of sole-source procurement

5. PROCEDURE

A. Internal Audit Responsibilities

1. The Pima County Internal Audit section is part of the Finance and Risk Management Department. Internal Audit is responsible for assisting in the deterrence of fraud, waste, and abuse by evaluating the adequacy and effectiveness of the County's internal controls. Internal Audit is also responsible for performing any investigations that may be assigned to them.

2. The Internal Audit Supervisor is responsible for managing all aspects of the Fraud Hotline. The Internal Audit Supervisor receives all of the complaint notifications reported to the Fraud Hotline.

B. Prevention

The following internal controls minimize the risk of fraud, waste, and abuse:

1. Creating and enforcing detailed, written, policies and procedures especially for processes involving the documentation and authorization of transactions.

2. Physically securing and controlling access to assets, including locking doors and restricting access to certain areas.

3. Providing fraud, waste, and abuse training to employees.

4. Encouraging or requiring Department supervisors to independently review and monitor tasks.

5. Separating duties so that an employee is not responsible for a transaction from start to finish.

6. Establishing clear lines of authority.

7. Developing and enforcing Conflict of Interest statements.

8. Rotating employee duties in positions where fraud, waste, and abuse is more likely to occur.

9. Encouraging or requiring employees to use vacation leave each year.

10. Monitoring areas and duties susceptible to fraud, waste, and abuse regularly.

C. **Reporting**

If fraud, waste, and abuse is suspected by any County employee, the following reporting options are available. The Fraud Hotline (option 5 below) is recommended for those who wish to report anonymously.

1. Report fraud, waste, and abuse to the immediate supervisor, unless the supervisor is involved. Employees are encouraged to report fraud, waste, and abuse through their department's existing reporting structure whenever possible.

2. Report fraud, waste, and abuse to the Appointing Authority or Elected Official, unless the Appointing Authority or Elected Official is involved.

3. Report fraud, waste, and abuse to the Internal Audit Supervisor, unless the Internal Audit Supervisor is involved.

4. All reports of fraud, waste and abuse submitted to supervisors, Appointing Authorities, and Elected Officials shall be submitted to Internal Audit immediately. Internal Audit will make every attempt to protect the employee's identity and confidentiality to the extent allowed by law. All information obtained or gleaned from an investigation is confidential and not subject to release, except as required by law, including Arizona's public-records laws, or order of a court of competent jurisdiction.

5. Report fraud, waste, and abuse through the Fraud Hotline. Employees reporting fraud, waste, and abuse through the Fraud Hotline can remain anonymous by not disclosing their identity.

6. The County may refer potential crimes to the appropriate law enforcement agency.

7. Concerns related to personnel matters, benefits, harassment or other employee related issues, should not be reported to the Fraud Hotline. Concerns of this nature should be reported in accordance with Board Policies and Administrative Procedures.

D. **Processing Complaints**

1. Complaints reported to a supervisor, Appointing Authority or Elected Official will be entered into the Fraud Hotline to track all investigations no matter how they were initially reported.

2. Upon receipt, complaint notifications are reviewed by a panel comprised of:
   - The Internal Audit Supervisor
   - Revenue Management and Internal Audit Division Manager
   - The Director and Deputy Director of Finance and Risk Management
   - Appropriate key County Department staff, such as the Procurement Director if complaint involves the acquisition of goods, services or a specific contract

3. The panel recommends the method of investigation to the Deputy County Administrator of Administration and to the appropriate Deputy County Administrator (if the department involved reports to a Deputy County Administrator). The investigation may be conducted by:

   - The department of origin
   - Internal Audit
   - Law enforcement
   - The County Attorney
   - Outside legal counsel, in compliance with Board Policy C6.1

4. The complainant reporting to the Fraud Hotline may be notified at the conclusion of the case, and if possible, informed of the actions that were taken. The action statement will not disclose information that may be confidential.

E. **Reports Provided to the County Administrator**

1. Each time an investigation is commenced, the Deputy County Administrator for Administration will report summary information to the County Administrator, and will provide periodic updates.

2. Finance and Risk Management will provide periodic reports to the County Administrator, detailing the number of cases received, the number of cases closed, and the number of cases with an open status.

F. **Employee Training**

1. All employees are required to receive training on fraud, waste, and abuse during their New Employee Orientation.

2. Supervisors, Managers, and Appointing Authorities will receive fraud, waste, and abuse refresher training during their Tri-Annual Training.

G. **No Coercion**

Appointing Authorities or County employees shall not directly or indirectly use or threaten to use any official authority to discourage employees from reporting fraud, waste, and abuse.

H. **Retaliation**

An employee who believes that they have experienced retaliation for making a report or assisting in an investigation, shall report the incident to the Human Resources Department.