

**City of Colorado Springs  
Office of the City Auditor  
Fraud Prevention and Detection Policy  
January 1, 2008**

**1. BACKGROUND**

The City of Colorado Springs Fraud Prevention and Detection Policy (Policy) is established to facilitate the development of controls which will aid in the prevention and detection of fraud against the City of Colorado Springs (City). It is the intent of the City Auditor to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

**2. AUTHORITY**

This Policy derives its authority from City Code § 1.2.703, which states:

**ENSURE PUBLIC ACCOUNTABILITY:**

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

**3. APPLICABILITY**

This Policy applies to City Council, its Appointees, all employees of the City of Colorado Springs, including all its enterprise operations, and members of its Boards, Committees, or Commissions.

**4. SCOPE**

This Policy applies to any suspected fraud, abuse, or similar irregularity against the City.

**5. OBJECTIVE**

This Policy is set forth to communicate the City Auditor's Policy regarding prevention, reporting and investigating suspected fraud, abuse, and similar irregularities. The City Auditor desires to create an environment in which employees and/or citizens can report any suspicions of fraud. This Policy provides management with specific guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties.

## 6. DEFINITIONS

**Abuse** refers to, but is not limited to:

- Improper or misuse of authority,
- Improper or misuse of City property, equipment, materials, records, or other resources,
- Waste of public funds, or
- Any similar or related irregularity.

Abuse can occur in financial or non-financial settings. When considering if an event or action might be construed as being abusive, one should consider if it would pass public scrutiny.

**City Manager, Chief Executive Officer, or CEO**, shall mean highest-ranking person responsible for the municipal government and the City's enterprises, Colorado Springs Utilities, and Memorial Health SystemHealth System.

**City of Colorado Springs** is a home rule city and Colorado municipal corporation, to include all its enterprises, specifically Colorado Springs Utilities and Memorial Health System, as well as all Boards, Committees, and Commissions appointed by City Council.

**City Employee** shall mean all employees of the municipal government and all the enterprises of the City.

**Fraud or other irregularity** refers to, but is not limited to:

- Any dishonest or fraudulent act,
- Forgery or alteration of any document or account,
- Forgery or alteration of a check, bank draft, or any other financial document,
- Misappropriation of funds, securities, supplies, or other assets,
- Impropriety in the handling or reporting of money or financial transactions,
- Profiteering as a result of insider knowledge of City activities,
- Disclosing confidential and/or proprietary information to outside parties,
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the City,
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment,
- Any claim for reimbursement of expenses that are not made for the exclusive benefit of the City,
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes, or
- Any similar or related irregularity.

**Management** shall mean those individuals who have been placed in a position of trust by the CEO to assist in carrying out the objectives of that part of the City for which they are employed.

## 7. GENERAL POLICY AND RESPONSIBILITIES

### ***Preventive Controls***

Each CEO is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, abuse, or other irregularity. 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. The City Auditor shall conduct periodic reviews, report on deficiencies, and make recommendations to management and the CEO regarding internal controls.

Upon completion of any investigation where weaknesses in internal control have been identified, the City Auditor will work with the entity staff to strengthen controls to lower the risk of future or repeated occurrence.

### ***Receiving of Complaints***

The City Auditor will establish methods for receiving complaints. The City Auditor will notify the appropriate CEO (or their designee) of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation, to the extent practical.

### ***Distribution of Complaints***

The City Auditor is responsible for determining when a complaint could be better resolved by others. Complaints that are not applicable to the City will be forwarded to the appropriate agency. For example, a complaint about a local school would be forwarded to the appropriate school agency.

Complaints that could be better resolved by Management will be forwarded to them. Examples of situations where disposition of a complaint would be forwarded to City Management include:

- A contact regarding a violation of the personnel policy involving a Springs Utilities employee would probably be forwarded to Springs Utilities staff for resolution.
- A contact regarding a violation of Memorial Health System's Compliance Plan would probably be forwarded to Memorial Health System staff for resolution.
- A contact regarding a possible abuse of workers' compensation rules by a General Fund employee would probably be forwarded to the City staff for resolution.

### ***Investigation***

It is the City Auditor's intent to fully investigate any suspected acts of fraud, abuse, or 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 involved in such an investigation.

In conducting investigations, the City Auditor will consult with and receive guidance from the City Attorney, the Colorado Springs Police Department, and others they identify.

### ***Media Issues***

Any staff person contacted by the media with respect to an audit investigation is encouraged to refer the media to the appropriate Public Communications section of their entity. The alleged fraud or audit investigation should not be discussed with the media by any person other than those trained to do so. The City Auditor will consult with the Public Communications section of the entity involved and assist them in responding to a media request for information or interview.

### ***Reporting to External Auditors***

The City Auditor will report to the external auditors of the City information relating to fraud investigations, in accordance with Statement on Auditing Standard 99 - *Consideration of Fraud in a Financial Statement Audit*, as issued by the Financial Accounting Standards Board.

### ***Whistleblower Protection***

In addition to whistleblower protections provided by federal laws, City Code §1.4.107 provides:

#### **1.4.107: RETALIATION AGAINST EMPLOYEES PROHIBITED:**

- A. Except as provided in subsection B of this section, no appointing authority or supervisor shall initiate or administer any disciplinary action, deny a promotional opportunity, write an adverse job performance evaluation or in any way adversely affect an employee on account of the employee's disclosure of information. This section shall not apply to:
  - 1. An employee who discloses information that the employee knows to be false or who discloses information with disregard for the truth or falsity of the information.
  - 2. An employee who discloses information from public records that are closed to public inspection pursuant to the Colorado Public Records Act.
  - 3. An employee who discloses information that is confidential under any other provision of law.
- B. It shall be the obligation of an employee who discloses information under this part to make a good faith effort to provide to the supervisor, appointing authority or member of the City Council, the information to be disclosed prior to its public disclosure.

### ***Security and Confidentiality***

All work products of the City Auditor's investigations, including but not limited to working papers, notes, interviews, and other information relating to investigations will not be shared, discussed, or given to anyone without an absolute need to know or pursuant to Court Order. The City Auditor will provide a secure environment for the storage of all work-in-process regarding investigations, subject to law.