

Town of Duanesburg Fraud Abuse Awareness Reporting Policy

I. Purpose.

The Town of Duanesburg has prepared and adopted this Fraud Abuse Awareness and Reporting Policy to help protect public assets and prevent fraud and/or abuse of public funds.

II. Policy

All Town employees should be able to identify, and must report, any irregularities and/or suspected fraud or abuse of public funds.

III. Identifying Fraud or Abuse

Fraud or abuse can arise in many different circumstances and take many forms. Town employees should be alert to situations that may be indicative of a problem. They must also be able to identify “red flags for fraud” – that is, a set of circumstances that are unusual in nature, or vary from normal activity – and be able to use them as signals that something may be out of the ordinary and needs to be investigated further.

The following are some common examples of red flags that local officials can use to identify fraud:

Employee Red Flags

- Employee lifestyle or behavioral change
 - Behavioral changes include borrowing money from co-workers; creditors or collectors appearing at the workplace; gambling beyond the ability to stand the loss; excessive drinking or other personal habits; easily annoyed at reasonable questioning; providing unreasonable responses to questions; refusing vacations, sick leave, or promotions for fear of detection; bragging about significant new purchases; carrying unusually large sums of money; rewriting records under the guise of neatness in presentation
- Lack of segregation of duties in vulnerable areas
- High employee turnover, especially in those areas which are more vulnerable to fraud

Management Red Flags

- Reluctance to provide information to auditors
- Managers engage in frequent disputes with auditors
- Management decisions are dominated by an individual or small group
- Managers display significant disrespect for regulatory bodies
- Weak internal control environment
- Accounting personnel are lax or inexperienced in their duties
- Decentralization without adequate monitoring
- Excessive number of checking accounts or frequent changes in banking accounts
- Excessive number of year-end transactions
- Frequent changes in external auditors
- Town property sold under market value

- Service contracts result in no product.
- Continuous rollover of loans
- Unexpected overdrafts or declines in case balances
- Compensation program that is out of proportion
- Any financial transaction that doesn't make sense - either common or business
- Service Contracts result in no product
- Photocopied or missing documents

Red Flags in Payroll

- Overtime charged during a slack period
- Overtime charged for employees who normally would not have overtime wages
- Employees with duplicate Social Security numbers, names, and addresses
- Employees with few or no payroll deductions

Records and Reports Flags

- Large number of write-offs of accounts
- Discrepancies between bank deposits and postings
- Excessive or unjustified cash entries and/or adjustments
- No supporting documentation for adjusting entries
- Incomplete or untimely bank reconciliations.

Cash Receipts and Disbursements Flags

- Lack of segregation of key duties
- Deposits not made intact
- Cash receipts issued out of sequence
- No cash receipt log kept
- Uncontrolled access to blank checks

Purchasing Flags

- Lack of segregation of key duties
- Purchases that bypass normal procedures
- Changes made to vendor files
- Vendor addresses match employee addresses
- Copies of invoices used to pay vendors.

Fixed Asset Flags

- Lack of segregation of key duties
- Lack of asset tags and periodic physical inventories
- Lack of physical security over assets.

IV. Fraud Reporting.

If a Town employee identifies any irregularity or suspected fraud or abuse of public funds, such Town employee must report such information to the Town Supervisor or Deputy Town Supervisor. Such information may be reported anonymously, when the situation allows.