



Fraud Waste and Abuse Program

I. Executive Summary

All City employees share the common purpose of serving the public and ensuring public funds are spent wisely. The work of the City should be conducted fairly, equitably, ethically, and transparently. Proactive steps must be taken to ensure community commitments and management objectives are met. It is important for employees and the public to be provided a mechanism to voice appropriate concerns when they see or feel something is not right.

Culver City employees are entrusted with public funds and have a duty to use those funds economically, efficiently, effectively, and ethically. If City employees do not honor that obligation, then it is imperative to identify and correct those actions.

As a result, Culver City has established a Fraud, Waste, and Abuse Program that is available to all City employees and the public. The program operates 24 hours a day, 7 days a week. Reports of suspected inappropriate activity can be made using the City's toll-free number, email, mail, general phone, or in person. The City is committed to reviewing all complaints and investigating all legitimate concerns. All reports submitted will be treated confidentially.

Purpose of a Fraud, Waste, and Abuse Program

A Fraud, Waste, and Abuse (FWA) Program is a mechanism for employees or members of the public to report activities perceived to be misconduct such as theft, bribes, kickbacks, etc., violations of City policy or ethics, theft, waste, or misuse of City assets. The objective of an FWA program is to identify and stop loss of City resources and act as a deterrent to fraud, waste, and abuse.

In order to facilitate reports of fraud, waste, or abuse, a FWA hotline is administered by a hotline contractor, Lighthouse. The contractor receives calls on the FWA hotline and forwards the incident report to the City's Internal Auditor. This program is not to report grievable labor issues or employee misconduct, which should be reported to the Human Resources Department. Matters of threat to a person should be reported to the Police Department by calling 911.

Benefits of a Fraud, Waste, and Abuse Program

There are numerous benefits to a Fraud, Waste, and Abuse Program. It is important for not only identifying and quantifying losses to the City, but also preventing future losses. Specific benefits include:

- Identification and termination of occurrences of fraud, waste, and abuse.
- Recovery of funds as a result of investigations.
- Deterrence of inappropriate behavior by increasing awareness of these actions
- A safe mechanism for employees and the public to voice concerns and report suspected inappropriate activity.
- Commitment to the City's core values through the promotion of the Program.
- Improvement in the City's internal control processes.

- Enforcement of an ethical work environment.

II. FRAUD, WASTE, AND ABUSE DEFINITIONS

A. FRAUD DEFINITION

Fraud is defined as a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which City employees or officials committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the City of its resources or rights. There are three categories of fraud. They include 1) financial statement fraud, 2) misappropriation of assets, and 3) corruption. Examples of fraud include, but are not limited to:

- Falsifying financial records to cover up theft.
- Theft or misuse of City money, equipment, supplies, and/or other materials.
- Intentionally misrepresenting the costs of goods or services provided.
- Falsifying payroll information.
- Use of City equipment or property for personal use/gain, non-business reasons.
- Submitting false vouchers for reimbursements.
- Soliciting or accepting a bribe or kickback.
- Intentional use of false weight or measures.

B. WASTE DEFINITION

Waste is defined as the needless, careless, or extravagant expenditure of City funds; incurring of unnecessary expenses; or mismanagement of City resources or property. Waste does not necessarily involve private use or personal gain, but it almost always signifies poor management decisions, practices, or controls. Examples of waste include, but are not limited to:

- Purchase of unneeded supplies or equipment outside of established limits.
- Purchase of goods at inflated prices without appropriate bids or research.

C. ABUSE DEFINITION

Abuse is defined as the intentional, wrongful, or improper use or destruction of City resources, or improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or official's position in a manner other than its rightful or legal use. Examples of abuse include, but are not limited to:

- Failure to report damage to City equipment or property.
- An employee using one's position to gain an advantage over another City resident when conducting personal business in another City department.
- Abuse of City time, such as significant unauthorized time away from work or significant use of City time for personal business.
- Abusing the system of travel reimbursement.
- Receiving favors for awarding contracts to certain vendors.
- Using City property, information or position for personal gain or resulting in extra or special charges to the City.
- Appropriating or diverting any business opportunity or idea in which the City might have an interest.
- Competing with the City in an inappropriate way.

- Failure to disclose a conflict of interest.
- Participating in decision making where a conflict of interest exists.
- Improper use of supervisory authority in response to an employee taking action or refusing to take action.

III. FRAUD CATEGORIES

A. FINANCIAL STATEMENT FRAUD

Financial statement fraud includes intentional misstatements, omissions, or disclosures in financial statements designed to deceive financial statement users. Fraudulent financial reporting often involves upper management and management override of controls that otherwise may appear to be operating effectively. Common occurrences include overstating revenues and understating liabilities or expenses. Examples include:

- Manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared, such as overstating assets and understating liabilities.
- Misrepresentation in or an intentional omission from the financial statements of events, transactions, or other significant information.
- Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

B. ASSET MISAPPROPRIATION

Asset misappropriation is theft of the City's assets that causes the financial statements not to be presented in conformity with Generally Accepted Accounting Principles. False or misleading records or documents, possibly created by circumventing controls, may accompany misappropriation of assets. Examples include:

- Embezzlement of cash where accounts have been manipulated or false invoices have been created
- Skimming revenue before the funds have been recorded in the City's financial records
- Cash larceny
- Lapping accounts receivable
- Check tampering
- Over-billing customers
- Stealing assets such as office supplies or computer equipment
- Causing the City to pay for goods and services that have not been received
- Data theft or intellectual property
- False expense claims
- Duplicate reimbursements
- Payroll fraud
- Paying personal expenses with the City's resources

C. CORRUPTION

Corruption is the wrongful use of influence in a business transaction in order to procure some benefit and contrary to their duty to their employer or the rights of another. Examples include:

- Seeking or accepting kickbacks

- Engaging in conflicts of interest
- Bid rigging
- Contract manipulation
- Economic extortion
- Illegal gratuities
- Hiring or promotion based on personal relationship (known or unknown)

IV. ETHICS DEFINITIONS

Business Ethics

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behavior of an individual in the business organization. Business ethics have two dimensions, normative business ethics or descriptive business ethics.

Human Resources Ethics

Interactions between managers and employees create opportunities for breaches of ethics, such as discrimination based on ethnicity, gender, age or other factors. Managers who discriminate against minority groups in hiring practices, compensation decisions, and terms of employment can face legal and social consequences. Dishonesty and manipulation are also examples of unethical workplace behavior.

Accounting Ethics

Financial accounting is a major ethical issue, and no amount of industry or government regulation seems able to prevent dishonest people from reporting financial information in unethical ways. Certain unethical accounting practices are illegal, such as misrepresenting income or expenses in financial statements through unjustifiable shifting of expenses to inappropriate periods to influence current financial results, obtain a better debt rate, or to maintain debt covenant requirements.