

## **ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE** (from the Town's Fraud Policy document)

**Audit Committee** – The Audit Committee is a subcommittee of the Town Council. Its responsibilities include evaluation of management's identification of fraud risks, implementation of antifraud measures, and creation of a culture with zero tolerance for fraud. The Audit Committee also plays an important role in helping the Town Council fulfill its oversight responsibilities with respect to the Town's financial reporting process and the system of internal controls. The Audit Committee has the responsibility to oversee the activities of senior management and to consider the risk of fraudulent financial reporting involving the override of internal controls or collusion. The Audit Committee receives information from external auditors in evaluating and assessing the Town's internal controls and the potential for fraudulent financial reporting.

As part of its oversight responsibilities, the Audit Committee should encourage management to provide a mechanism for employees to anonymously report concerns about unethical behavior, actual or suspected fraud, or violations of the Town's code of conduct or ethics policy. The committee should also receive reports describing the nature, status, and eventual disposition of any fraud or unethical conduct. A summary of the activity, follow-up and disposition should also be provided to the Town Council in executive session. The Audit Committee typically has the ability and authority to investigate any alleged or suspected wrongdoing brought to its attention.

All Audit Committee members should be financially literate, and the committee should have at least one financial expert with an understanding of generally accepted accounting principles as they relate to governmental accounting and reporting as well as audits of financial statements prepared under those principles.

**b. Investigations Unit** – A party or parties named by the Audit Committee and charged with the responsibility of determining the facts in any report of fraud, unethical behavior, or violations of the Town's code of conduct received by the Audit Committee.

### **5. ACTIONS CONSTITUTING FRAUD**

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:

- *Any* dishonest or fraudulent act.
- Forgery or alteration of any document or account belonging to the Town.
- 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 Town activities.
- Disclosing confidential and proprietary information to outside parties.
- Disclosing to other persons securities activities engaged in or contemplated by the Town.
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Town.
- Exception: Gifts less than \$50 in value.
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment.
- Any similar or related inappropriate conduct

## 6. OTHER INAPPROPRIATE CONDUCT

*Suspected improprieties* concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and Human Resources rather than the person who suspects impropriety. If there is any question as to whether an action constitutes fraud, contact the Town Attorney for guidance.

## 7. INVESTIGATION RESPONSIBILITIES

The Audit Committee has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Audit Committee will issue reports to appropriate designated personnel and, if appropriate, to the Town Council. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

## 8. CONFIDENTIALITY

The Audit Committee treats all information received *confidentially*. Any employee who suspects dishonest or fraudulent activity will notify the Investigation Unit immediately, and *should not attempt to personally conduct investigations or interviews/interrogations* related to any suspected fraudulent act (see **REPORTING PROCEDURE** section below). Investigation results *will not be disclosed or discussed* with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Town from potential civil liability. Any Audit Committee member who wrongfully discloses confidential information will be immediately removed from the committee, and may be held individually liable for any damages assessed against the Town in a civil suit.

## 9. AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

Members of the Investigation Unit will have:

- Free and unrestricted access to all Town records and premises, and
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.

## 10. INVESTIGATING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. An employee who discovers or suspects fraudulent activity will *contact the Audit Committee immediately*. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Audit Committee or the Town Attorney. No information concerning the status of an investigation will be communicated with others, shared or given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

## **11. REPORTING PROCEDURES**

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the Town Attorney.

## **12. DISCIPLINE AND TERMINATION**

If an investigation results in a recommendation to discipline or terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the Town Attorney Department and, if necessary, by outside counsel, before any such action is taken. The Investigations Unit does not have the authority to terminate an employee. The decision to terminate an employee shall be made in accordance with the Town's Employee manual.