

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA

A RESOLUTION ADOPTING THE COUNTY)
OF SANTA BARBARA FRAUD, THEFT, AND LOSS POLICY) RESOLUTION NO. _____

WHEREAS, the American Institute of Certified Public Accountants' audit standards recommend that organizations consider certain best practices to reinforce a strong ethical culture; and

WHEREAS, the Board of Supervisors desires to affirm its commitment to maintain a tone of integrity through the County, increase management's focus on anti-fraud controls, decrease County losses, and increase the efficiency and results of investigations of fraud, theft, and losses; and

WHEREAS, the Board desires to adopt policies and procedures as recommended by the Auditor-Controller, for reporting acts that are considered to be fraudulent and to set forth the steps to be taken when fraud or other related dishonest or inappropriate activities are suspected.

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDERED AND RESOLVED that the Board of Supervisors of the County of Santa Barbara does hereby adopt the Fraud, Theft, and Loss Policy as submitted hereto.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Barbara, this 13th day of December 2011 by the following vote:

AYES:

NOES:

ABSENT:

CHAIR, BOARD OF SUPERVISORS

ATTEST:
CLERK OF THE BOARD OF SUPERVISORS

BY _____

APPROVED AS TO FORM:
DENNIS MARSHALL
COUNTY COUNSEL

BY 
DEPUTY COUNTY COUNSEL

APPROVED AS TO ACCOUNTING FORM:
ROBERT W. GEIS, C.P.A.
AUDITOR-CONTROLLER

BY 
DEPUTY AUDITOR-CONTROLLER

Subject: County of Santa Barbara Fraud, Theft, and Loss Policy

Responsible Department: All Departments

Original Policy: 12/11

Purpose: The purpose of this policy is to affirm the Board of Supervisors' commitment to maintain a tone of integrity through the County, increase management's focus on anti-fraud controls, decrease County losses, and increase the efficiency and results of investigations of fraud, theft, and loss.

Scope: This policy applies to any irregularity, or suspected irregularity involving employees, consultants, vendors, contractors, interns, volunteers, outside agencies, districts with funds in the County Treasury, and/or any other parties with a business relationship with the County. It will deal primarily with any loss occurring as the result of fraud, theft, or loss of a county asset as opposed to accidental damage to or destruction of an asset that would be handled through normal Risk Management channels. In addition, this policy assigns responsibility for the development of adequate internal controls and performance of investigations related to fraud.

Fraud may be defined as any intentional act or omission designed to deceive others, resulting in the County suffering a loss and/or the perpetrator achieving a gain.

The terms defalcation, misappropriation, and other fiscal irregularities may refer to, but are 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.
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the County.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or use of those assets for private or personal gain.
- Authorizing or receiving compensation for hours not worked.
- Misrepresenting financial operating results to obtain funding.
- Any similar or related irregularity to those specified above.

If there is any question as to whether an action constitutes fraud, contact the Internal Audit Division of the Auditor-Controller's Office for guidance.

Losses of County property, including cash, arising from any circumstance, must also be reported under this policy. Cash shortages occurring as part of cashiering operations should be reported in accordance with the County's Cash Handling Manual.

Policy: Santa Barbara County Administration and all levels of management are responsible for the detection and prevention of fraud, defalcation, misappropriation, and other fiscal irregularities. Management should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

It is the policy of this County to protect and safeguard the money and assets placed in its trust by the public to the best of its ability. This responsibility extends to each of its employees. The County of Santa Barbara has a zero tolerance for fraud. Any individual that is found to have engaged in fraudulent activity, as defined by this policy, is subject to disciplinary action by the County, including dismissal and prosecution by appropriate law enforcement authorities.

REPORTING RESPONSIBILITIES AND PROCEDURES:

Fraud that is detected or suspected must be reported immediately and simultaneously to a direct supervisor and the Internal Audit Division of the Auditor-Controller's Office. If the immediate supervisor is suspected as being a party to the improprieties or irregularities, the next higher supervisor should be informed.

Welfare Fraud involves theft of County funds by welfare recipients, or theft of their benefits by others. Those cases should be referred directly to the **District Attorney's Welfare Fraud Division**.

Workers' Compensation Fraud involves knowingly false or fraudulent statements of any fact relative to workers' compensation payments and costs. Those cases should be referred directly to the **District Attorney's Workers' Compensation Fraud Division**.

Fraud not included in the above two types but involving COUNTY funds or committed by COUNTY employees, vendors, contractors, etc. This includes the misuse of County credit cards for purchase of personal items or use of fuel in personal vehicles as well as submitting fraudulent travel and or expense claims. These should be handled in accordance with the procedures stated below.

Theft or the loss of cash or assets shall also be immediately reported to the Internal Audit Division of the Auditor-Controller's Office.

INVESTIGATIVE RESPONSIBILITIES AND PROCEDURES:

Any irregularity that is detected or suspected **must** be reported immediately to the Internal Audit Division of the Auditor-Controller's Office who will coordinate the investigation with the District Attorney's Office and/or appropriate law enforcement.

The Internal Audit Division of the Auditor-Controller's Office, in conjunction with the District Attorney's Office (if necessary), shall evaluate suspected fraud and initiate any necessary investigative activity without regard to the suspected wrongdoer's length of service, position/title, or relationship with the County.

It is NOT the responsibility of the employee or the supervisor to investigate the allegations. In fact, any attempts to do so may damage the validity of the review/audit/investigation. *It IS the*

responsibility of that individual to forward the allegation to the next level of management and to the Internal Audit Division of the Auditor-Controller's Office.

The Auditor-Controller's Office will coordinate all investigations with the District Attorney, law enforcement agencies, County Counsel, Risk Management, Human Resources, and other affected departments or agencies (both internal and external) as needed.

AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD:

Where there exists reasonable cause, and to the extent permitted by law, the Auditor-Controller's Office is authorized upon the initiation of a review, audit, or investigation, and after consulting with appropriate management personnel, to have free and unrestricted access to all County records and premises, whether owned or rented.

Employees are required to cooperate during any review, audit, or interview when asked questions. In the event that they believe they are suspect and express a desire for representation, interviews of that individual will only continue by the Auditor-Controller's Office in coordination with other departments.

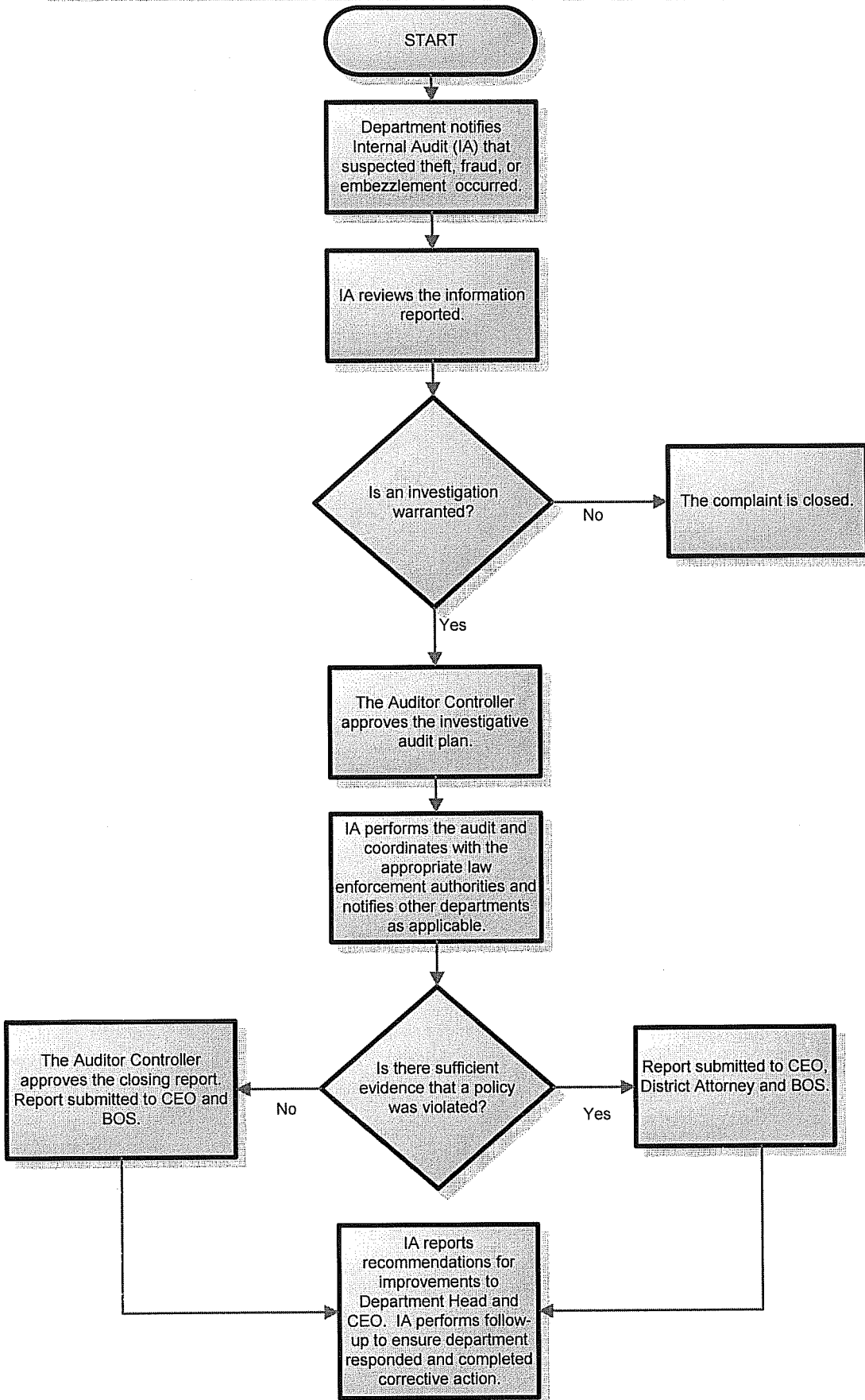
CONFIDENTIALITY:

During the investigation, members of the investigation team shall maintain the confidentiality of information received. Upon conclusion of an investigation, results will be made available as allowed by law. A report of losses and disposition will be provided to the Board of Supervisors on an annual basis.

PREVENTION:

Internal controls are a coordinated set of policies and procedures that reflect a comprehensive strategy for achieving management objectives. Internal controls to prevent fraud should be established by departments. Departments should review the County's policies and procedures including, but not limited to, travel, the FIN manual, payroll, and cash handling guidelines to ensure that they are incorporated into departmental policies and processes. The Internal Audit Division of the Auditor-Controller's Office is available to assist departments in reviewing processes for adequate internal controls.

County of Santa Barbara
Auditor-Controller's Office
Fraud Reporting Flowchart



**LOSS OF PUBLIC PROPERTY REPORTED TO INTERNAL AUDIT
CALENDAR YEAR 2010**

DEPT/LOCATION	TYPE/DESCRIPTION	DATE REPORTED	AMOUNT REPORTED	DISPOSITION
PUBLIC HEALTH				
Animal Services	Cash loss - Cash missing from sale of licensing fees	4/27/2010	\$160	Disciplinary action taken by department. Memo to improve processes issued by Internal Audit.
SM Clinic	Cash loss - Deposit missing from Safe	3/2/2010	\$6,230	Law enforcement notified. Disciplinary action taken by department. Memo to improve processes issued by Internal Audit. Funds recovered by department.
LAGUNA SANITATION				
	Property loss - Equipment	8/17/2010	\$1,000	Law enforcement notified. Memo to improve processes issued by Internal Audit.
	Property loss - Equipment	1/26/2010	\$2,000	Law enforcement notified. Internal Audit review of procedures.
PUBLIC WORKS				
Road Maintenance Yard	Property loss - Equipment	8/20/2010	\$841	Law enforcement notified. Internal Audit review of procedures.
Transportation Urban Forestry	Property loss - Equipment	8/17/2010	\$1,039	Law enforcement notified. Internal Audit review of procedures.
Tajiguas	Property loss - Equipment	4/14/2010	\$13,904	Law enforcement notified. Memo to improve processes issued by Internal Audit.
Transfer Station	Cash loss - Excessive voids and unregistered transactions	April 2010	\$70K -\$350K	Law enforcement notified. Disciplinary action taken by department. Insurance claim filed. Internal Audit assisted department in implementing corrective action.
PROBATION				
SM Location	Cash Loss - Receipts issued for payments, collections not posted to system	March 2010	\$2,481	Law enforcement notified. Case dismissed without prejudice. Memo to improve processes issued by Internal Audit.
PARKS				
Jalama, Cachuma	Cash overages and shortages discovered in cash count	Various	Various	Reported to departmental management and CEO. Memo to improve processes issued by Internal Audit.
CLERK RECORDER				
SM Location	Cash Loss	11/3/2010	\$20	Not investigated by Internal Audit due to amount. Review by department performed, no fraud suspected.
PLANNING & DEVELOPMENT				
SM Location	Cash Loss	9/10/2010	\$20	Not investigated by Internal Audit due to amount. Recommendations made to department Fiscal.
CASVALIA COMMUNITY SERVICES DISTRICT	Submitting the same invoices to different agencies for reimbursement (State & Federal Government)	March 2010	\$131K	Funds returned to State. Department of Finance Investigation and Audit performed an examination. Recommendations made.



Fraud, Theft, Loss Policy

Auditor-Controller's Office

Policy Overview

- o Applies to fraud, theft, loss
- o Reporting occurrences
- o Responsibility for investigation
- o Prevention

Recommendation to Adopt

- o Heightened audit regulations
- o Increased reported occurrences
- o Reinforce ethical culture
- o Deter and prevent losses
- o Streamline investigation for optimal results
- o Public transparency