Office of the City Auditor
CAUD - 1

Fraud Risk Management Policy

Effective Date of Policy: October 21, 2021

Policy Change Log

Change	Stakeholder Review	Effective Date	Brief Description of Changes
Policy creation	*Prepared by*: Ginger Bigbie, City Auditor *Reviewed by*: Scott Heffner, Labor and Relations Manager Cheryl McBride, Chief People Officer Charter Officers *Approved by*: City Commission	9/20/2021 10/21/2021	Policy creation
Update / Revision	*Updated by*: Stephen Mhere, City Auditor	1/22/2026	Policy revision
	Reviewed by: Laura Graetz, Human Resources Director Kristen Bryant, City Clerk Zeriah Folston, Office of Equity & Inclusion Director Andrew Persons, Interim City Manager Dan Lee, City Attorney	03/09/2026	
	Approved by: City Commission	06/04/2026	

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Purpose

An organizational fraud risk management policy defines fraudulent behavior, establishes that fraudulent behavior is unacceptable, helps safeguard City resources through improved management of fraud risk, and provides guidelines for the development, implementation, and monitoring of internal controls that aid in the detection and prevention of fraud.

According to Florida statute F.S § 218.33(3), each local governmental entity is required to establish and maintain internal controls designed to:

(a) *Prevent and detect fraud, waste, and abuse.*

(b) *Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.*

(c) *Support economical and efficient operations.*

(d) *Ensure reliability of financial records and reports.*

(e) *Safeguard assets.*

Policy Statement

The City maintains zero tolerance for fraud, waste, and abuse, and expects all individuals to whom this policy applies to act ethically and in compliance with applicable laws.

Scope and Applicability

This policy applies to all City employees, including charter officers, executive management and their staff, as well as temporary employees, interns, and volunteers. The policy also applies to elected and appointed officials, including members of boards and advisory committees. It also applies to third parties, including independent contractors, consultants, vendors, nonprofit organizations, community groups, grant recipients and sub-recipients, and other entities that receive City funds.

Definitions

Abuse: This is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice, given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

Asset Misappropriation: Theft of cash, checks, property, inventory, supplies, and other non-cash items belonging to the City.

Conflict of Interest: Elected official or employee’s private interest improperly influences their official conduct or decision-making for private advantage or improperly affects the performance of official duties.

Corruption: The wrongful use of influence to obtain a benefit for the employee or another person, contrary to their duty or the rights of others. Corruption includes conflicts of interest, bribery, illegal gratuities, and economic extortion schemes.

Ethics: The City of Gainesville requires employees to observe the highest standards of morality and discharge their duties of office, recognizing that the public interest must be their primary concern. Employee conduct in official and private capacities must be above reproach. To ensure the maintenance of the highest ethical standards, employees of the City of Gainesville shall abide by Article II, Section 8, of the Florida Constitution entitled "Ethics in Government" and Florida Statutes Chapter 112, Part III, entitled "Code of Ethics for Public Officers and Employees."

External Fraud: This is fraud perpetrated against the City by a vendor, customer, or other known or unknown third-party individual who is not an employee of the City.

Financial Statement Fraud: This is a deliberate misrepresentation of the financial condition of an organization accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users.

Fraud: Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud is perpetrated to obtain money, property, or services, avoid payment or loss of services, or secure personal or business advantage.

Fraud Prevention and Detection: Strategies and controls that management designs and implements to govern and manage fraud risk.

Internal Audit: An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Its role includes detecting, preventing, and monitoring fraud risks and addressing those risks in audits and investigations.

Internal Control: A mechanism to prevent or detect operational, reporting or compliance errors, irregularities, or fraud. Management uses internal control to help the City achieve its objectives.

Internal / Occupational Fraud: The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the City’s resources or assets.

Kickback: An illegal payment made to someone, often in a position of power or influence, as compensation for facilitating a service, favor, or preferential treatment.

Waste: The act of using resources carelessly or extravagantly, without necessarily involving a violation of law. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

City Auditor Responsibilities

The City Auditor, as an independent officer of the City is responsible for the administration, revision, interpretation, and application of this fraud policy. The policy should be reviewed periodically and revised as needed.
Staff of the Office of the City Auditor shall have full, free, and unrestricted access to all City records, personnel, property, and systems, including those in possession and/or custody of any entity receiving City funds, for audit, inspection, or investigative purposes. The City Auditor conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) and Global Internal Audit Standards.

GAGAS standards from the Government Accountability Office (GAO-24-106786) require auditors to assess fraud risk, including factors such as individuals' incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could increase the risk of fraud (GAS 8.71). Global Internal Audit Standards from the Institute of Internal Auditors require that, during audit engagements, auditors identify specific risks related to fraud (Standard 13.2 – Engagement Risk Assessment).

Investigations are conducted in accordance with Certified Fraud Examiners' Code of Professional Standards.

The Certified Fraud Examiner (CFE) process focuses on four bodies of knowledge critical to the fight against fraud: Financial Transactions and Fraud Schemes, Law, Investigation, and Fraud Prevention and Deterrence.

Grant recipients and any other third-party entities receiving City services or funding are subject to fraud-monitoring activities by the City Auditor's Office, including audits and investigations.

All City contracts, grants, and funding agreements should include a right-to-audit clause granting the City Auditor access to City records in the custody of entities, including community groups and nonprofits, receiving City funds.

Management Responsibilities

Management is responsible for detecting and preventing fraud. Management team members should be familiar with the universe of fraud risks in their areas of responsibility. They should identify fraud risks that are likely to affect their areas and implement controls to mitigate their impact (see Appendix A).

Figure 1: Fraud Detection and Prevention Processes

Expectations for Reporting Fraud

An employee who suspects fraud has been perpetrated against the City must report it to, or through, any or all of the following:

- Their supervisor, manager, or director
- Their charter officer
- Any manager, director, or charter officer outside their management hierarchy
- Human Resources
- Office of the City Auditor
- The Fraud Hotline (allows anonymous reporting – see Appendix B)

Management shall immediately contact Human Resources and law enforcement where necessary. Human Resources should also inform the Office of the City Auditor of the reported fraud in a timely manner. This facilitates identification of thematic issues over time, and ensures investigative processes are conducted consistently, proficiently, and equitably across the City.

The City Auditor may coordinate with management, City law enforcement, third-party forensic examiners, or external law enforcement agencies as appropriate to conduct occupational fraud investigations. Management must cooperate with investigators and shall not cover up evidence or retaliate against witnesses or whistleblowers. Where appropriate, the City Auditor's Office will review the relevant internal control environment with management to help improve controls where necessary.

Examples of Fraudulent Behavior

Occupational fraud schemes may include, but are not limited to:

- Purchasing personal goods or services with City funds
- Theft of money, equipment, supplies, data, or other City property
- Submitting invoices to the City to pay for fictitious or personal goods and services
- Forging or falsifying City documents or records
- Submitting false claims for travel and other expense reimbursements
- Receiving financial benefit from accrued time off by not recording actual time off
- Use of City equipment or property for personal gain
- Soliciting or accepting a bribe or kickback
- Gaining unauthorized access to data or systems for personal gain
- Intentionally falsifying financial reporting information
- Intentionally disclosing confidential or proprietary information to outside parties without authorization
- Rigging the procurement process to ensure that a favored party wins and to exclude competitors
- Giving or receiving something of value to influence a contract award
- Working another job during the same hours paid to do City work
- Receiving a pecuniary benefit for favorable zoning.

Please see Appendix C for examples of fraud that happened in cities around USA.

Investigation Responsibilities

The City Auditor has the primary responsibility for conducting fraud investigations as defined in this policy. All fraud allegations and collected information are reviewed to determine if there is adequate "predication" or "probable cause" to proceed with an investigation. The City Auditor may conduct the investigation, collaborate with management, other internal or external investigators, or the City Attorney's Office, or refer the matter to the appropriate law enforcement agency. The City Auditor does not participate in employee disciplinary action, which is the responsibility of management and Human Resources in compliance with collective bargaining agreements, contracts, and the City's Code of Conduct.

Conclusions to fraud investigations are supported with evidence that is relevant, reliable and sufficient. Investigators shall be alert to the possibility of conjecture, unsubstantiated opinion, and bias of witnesses and others, and shall consider both exculpatory (exonerating) and inculpatory (incriminating) evidence. Professional ethics allow an investigator's report to conclude on a person's conduct. However, conclusions may not include the investigator's opinion regarding the legal guilt or innocence of any person or party. That determination is the sole prerogative of a judge or jury in an appropriate court of law.

There are four possible outcomes to a fraud investigation, as follows:

- Substantiated: there is sufficient evidence to conclude that the alleged facts occurred, that these facts could constitute wrongdoing, and that the identified subject committed them.

- Unsubstantiated: there is insufficient evidence to conclude whether the alleged facts occurred and/or the facts could constitute wrongdoing, and/or whether the identified subject committed them.

- Unsolved: there is sufficient evidence to conclude that the alleged facts occurred, that the facts could constitute wrongdoing, but the subject did not commit them (i.e., he/she was cleared) or was never identified.

- Unfounded: there is sufficient evidence to conclude that the alleged facts did not occur, or the established facts did not constitute wrongdoing.

Internal control weaknesses, deficiencies, or gaps may be identified during a fraud investigation. A minor internal control issue may be included in the investigative report for management's consideration. A significant internal control matter may result in a new audit issue requiring a management action plan, or an audit around the deficient process may be added to the annual audit plan with City Commission approval.

Fraud, Waste, and Abuse Hotline

The City Auditor shall provide the necessary procedures and policies to govern the effective management of the City's fraud, waste, and abuse hotline. The anonymous hotline is hosted by an outside 3rd-Party entity, and is accessible at https://www.lighthouse-services.com/cityofgainesville (see Appendix B). The Office of the City Auditor refers hotline matters that are not within its jurisdiction (e.g., Human Resources or Office of Equity and Inclusion complaints) to the appropriate office or investigator. The following are examples of such matters:

- Human Resources employee and labor relations matters shall be referred directly to the appropriate HR investigator.

- Harassment or Discrimination matters (EEOC) shall be referred directly to the Office of Equity and Inclusion.

Confidentiality

Fraud allegations and Hotline reports shall be handled confidentially, in accordance with F.S. § 112.3187-112.31895, **Florida's Whistle-blower's Act**. Final reports will be made available to the public in accordance with F.S. § 119.071 *General exemptions from inspection or copying of public records.* Open Internal Audit investigations and related activities are confidential, all related data shall be handled confidentially, related matters discussed as appropriate, and only with those who have a need to know.

Reporting in Good Faith

Anyone reporting fraud is expected to do so in good faith and to have reasonable grounds for believing the accuracy of information provided. Fraud allegations made maliciously or with knowledge of their falsity are subject to disciplinary action.

Related Policies

- E-3 Code of Conduct
- G-2 Code of Ethical Standards
- Florida Statutes Chapter 112 Part III Code of Ethics for Public Officers and Employees Procurement Policy- A Policy Prohibiting Lobbying in Competitive Procurement Processes by application of the Cone of Silence

Training and Awareness

The City shall provide annual ethics and fraud awareness training to all its employees and keep a record of that training. All City staff, including temporary employees and interns, shall take the annual ethics and fraud risk management training and retain a record of that training.

The City Auditor shall report employees' compliance with this training requirement to the City Commission on an annual basis.

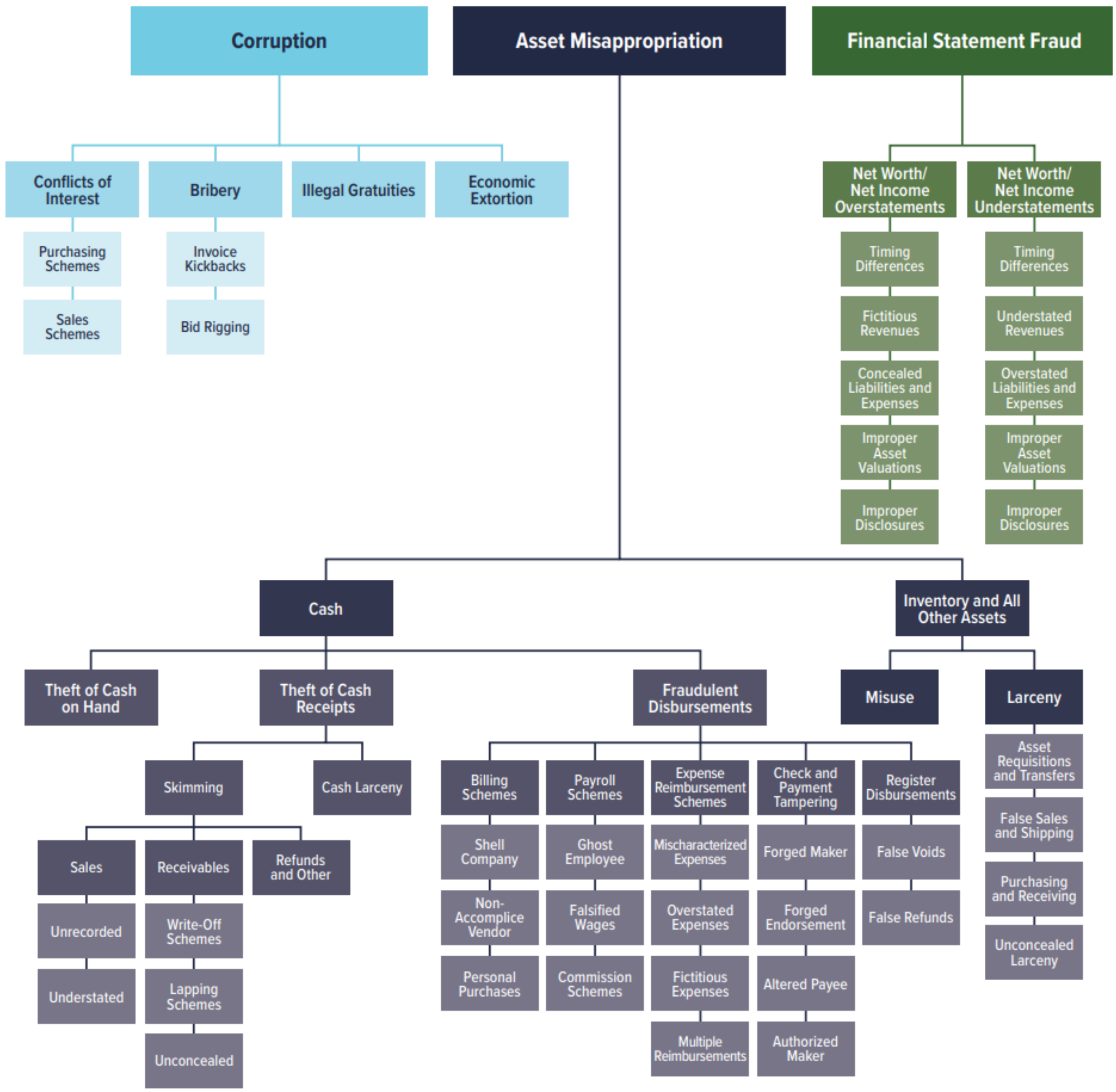
Penalties

Violations of the provisions of this policy may result in disciplinary action, up to and including dismissal, to be imposed pursuant to the Disciplinary Procedures/Code of Conduct, Human Resources Policy E-3. Furthermore, the City reserves the right to refer matters to appropriate law enforcement or regulatory authorities.

Appendix A – Types of Fraud

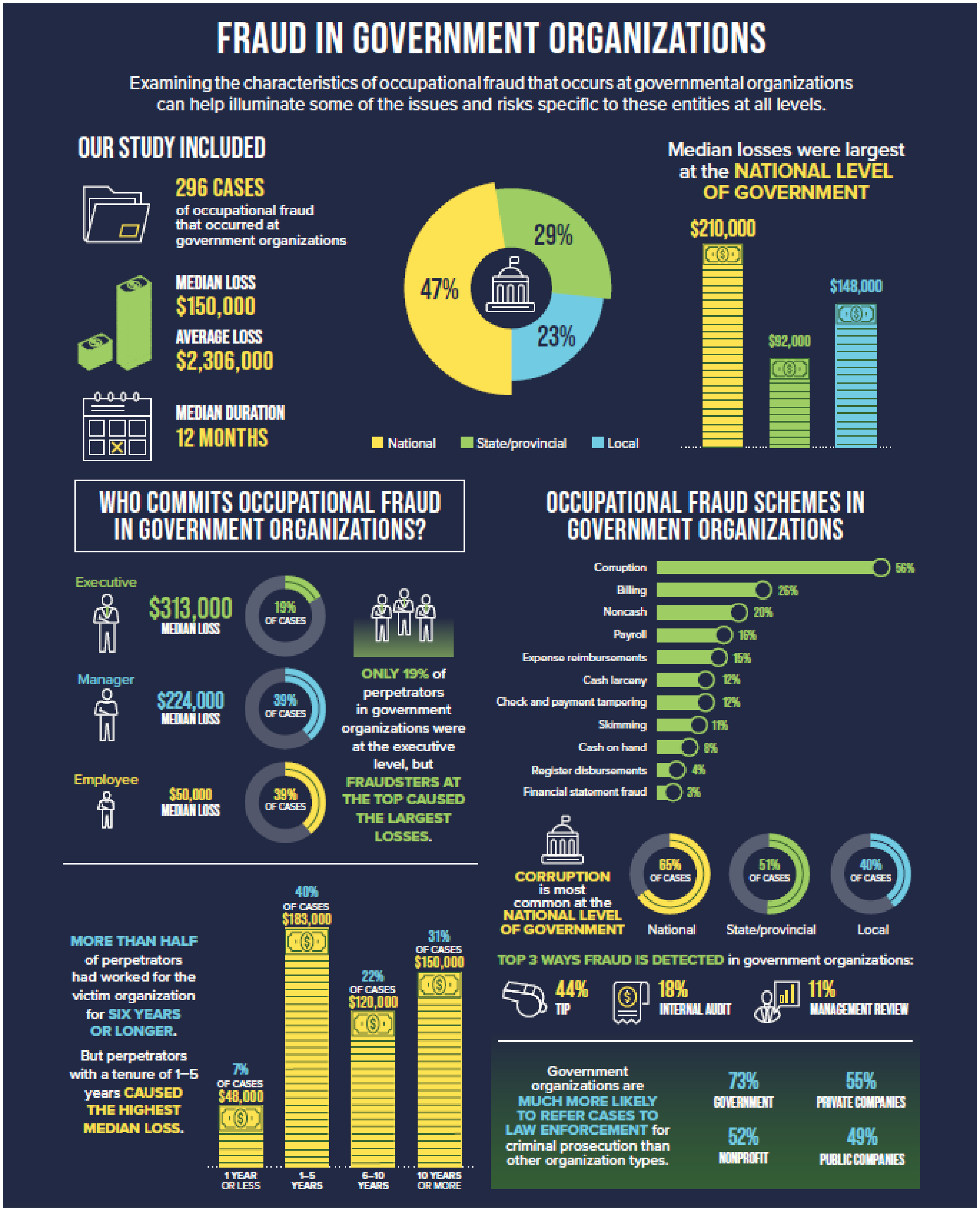
The Association of Certified Fraud Examiners lists fraud schemes into three broad categories: asset misappropriation, corruption, and financial statement fraud. Below is the ACFE fraud tree that summarizes fraud schemes.

Figure 2: Categorization of Fraud



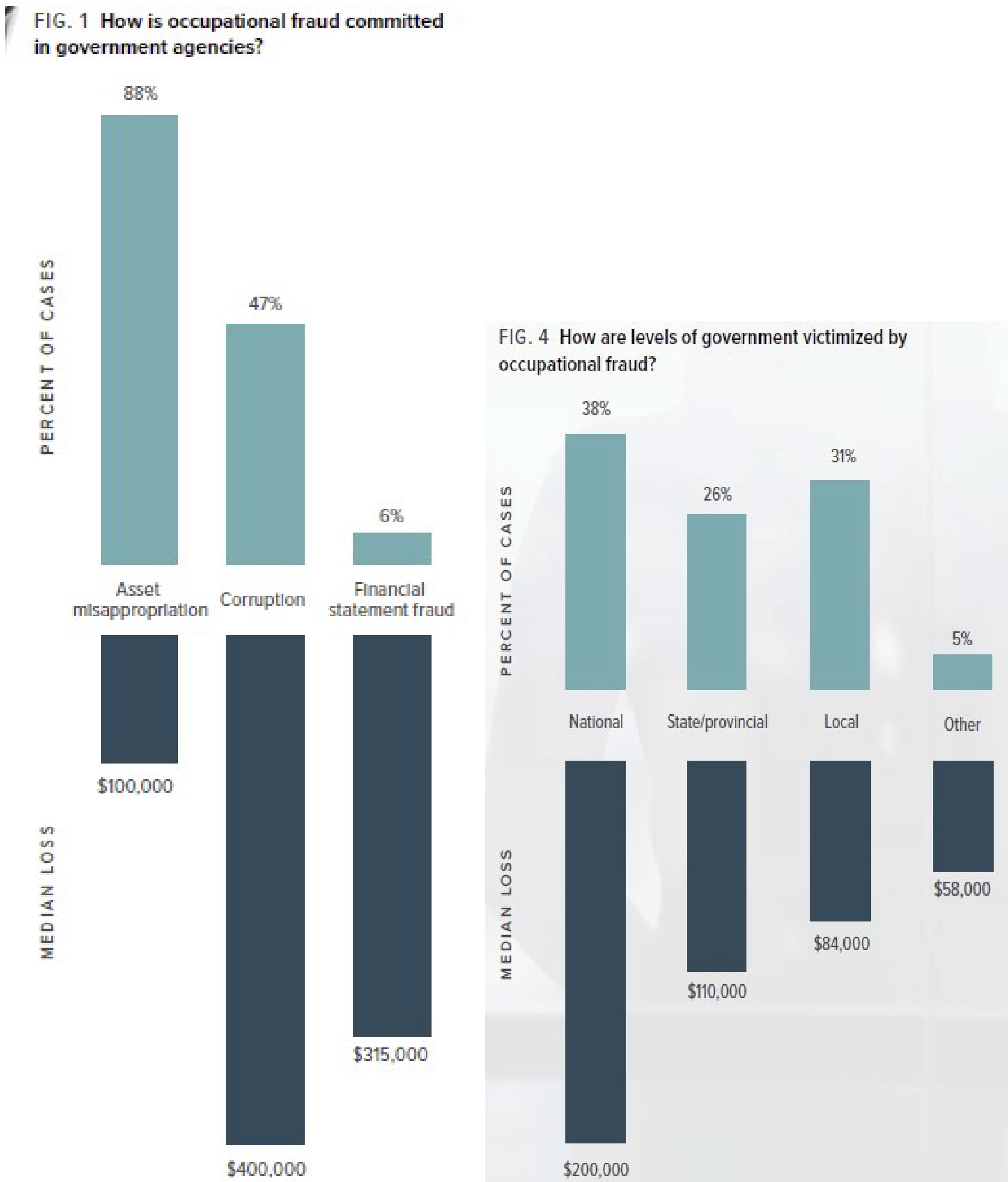
Source: ACFE. (2024). *Occupational fraud 2024: A report to the nations*. https://www.acfe.com/report-to-the-nations/2024/

Figure 3: Occupational Fraud in Government Agencies



Source: ACFE. (2024). *Occupational fraud 2024: A report to the nations*. https://www.acfe.com/report-to-the-nations/2024/

Figure 4: Levels of Loss by Fraud and Government Type



Source: ACFE. (2024). *Occupational fraud 2024: A report to the nations*. https://www.acfe.com/report-to-the-nations/2024/

Appendix B – Fraud Hotline

The Fraud Hotline anonymous reporting URL is https://www.lighthouse-services.com/cityofgainesville. The link above leads to the webpage looking like the screenshot below:

Figure 5: Fraud Hotline Homepage

GRU More than Energy

MITRATECH | Ethics Hotline

Español

Mitratech Ethics Hotline Reporting

THIS SERVICE SHOULD NOT BE USED FOR EMERGENCY REPORTING

You can use this service to make your organization's management aware of workplace concerns that you might be uncomfortable raising in any other way. These concerns may be about possible fraudulent, unethical or unlawful conduct you have witnessed at work. If you prefer, you can send your information anonymously.

Your message will be promptly forwarded to one or more of your organization's authorized recipients who will act on it in an appropriate way.

Please note that if your concern relates to your terms and conditions of employment or is a disciplinary or grievance matter, then you should follow the established policies already in place in your organization.

Checking for a Response or Providing Additional Information
To check for a response to an earlier message or to provide further information for an existing case, you will need click 'Already have a PIN' to enter your Case Number and Password (these were provided to you when you sent your original message).

Or call 1-844-818-2492 to speak with a live operator. To check the status of a previous report, telephone call submissions may only be followed up on by telephone, likewise for internet originated submissions.

Report an Incident

To report an incident, click the Submit button below.

Submit

Already Made a Report?

To follow-up or get the status of an existing report, click a button below.

Already have a PIN | Don't have a PIN

CONFIDENTIALITY COMMITMENT
Mitratech is an independent provider that assists your organization to identify improper activity. We are committed to protecting the identity of all persons who use our secure reporting system. Reports are submitted by Mitratech to the organization's designee, and may or may not be investigated at the sole discretion of the organization. Although we will not disclose your identity without your express permission, it is possible that your identity may be discovered during an investigation of the matter reported because of information you have provided.

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Appendix C - Fraud Doesn't Happen Here

Fraud happens in every organization, as exemplified by the examples below. A strong ethical culture and strong fraud risk management practices reduce the opportunities for fraud to occur and reduce the impact of fraud when a scheme is detected timely.

All the Queen's Horses

The small town of Dixon, Illinois, learned the impact of fraud when there is lack of management oversight and a lack of separation of duties in key financial processes. Rita Crundwell, a city finance employee, stole more than $53 million over twenty years from a city of 16,000 residents. The scheme became the subject of a documentary called *All the Queen's Horses*.

Source: https://www.youtube.com/watch?v=q57ZKn-C-To

City of Miami Violates SEC Rules

The U.S. Securities and Exchange Commission found the City of Miami and its budget director guilty of violating the Securities Act and Exchange Act while selling municipal bonds. It was the first SEC trial by jury against a municipality. "We will continue to hold municipalities and their officers accountable, including through trials, if they engage in financial fraud or other conduct that violates the federal securities laws."

Source: https://www.reuters.com/article/world/us/florida-jury-finds-city-of-miami-liable-in-municipal-bond-case-idUSKCN11K2DP/

Fraudulent Vendor Payment Schemes

The City of Ocala and City of Naples each lost nearly $.75 million in fraudulent payment schemes to construction contract vendors due to weak controls in the vendor management and accounts payable processes.

Source: https://www.ocala.com/news/20191028/ocala-police-scammers-swiped-nearly-750000-from-city

Contract Bidding Schemes

Kickbacks or bribes and bidding schemes to award construction and public works contracts to preferred vendors resulted in the indictment of elected officials and city officers in the Northern District of Florida.

Source: https://www.justice.gov/usao-ndfl/pr/lynn-haven-mayor-and-city-attorney-indicted-corruption-and-fraud-charges-stemming