

**EAST GREENVILLE BOROUGH
MONTGOMERY COUNTY, PENNSYLVANIA**

ORDINANCE NO. 2009- 02

ESTABLISHING AN AUDIT COMMITTEE TO CONSIST OF THE PRESIDENT OF BOROUGH COUNCIL, WHO SHALL SERVE AS CHAIRMAN, AND THE CHAIR OF THE FINANCE COMMITTEE AND THE CHAIR OF THE PERSONNEL COMMITTEE, WHO SHALL BE MEMBERS; SAID COMMITTEE TO INVESTIGATE, OF ITS OWN VOLITION OR ON COMPLAINT OF OTHER MUNICIPAL OFFICERS OR EMPLOYEES, THE PERPETRATION OF ACTS OF FRAUD, AS DEFINED HEREIN, BY ANY OFFICER, EMPLOYEE OR PERSON WORKING ON BEHALF OF THE BOROUGH; ASSURING CONFIDENTIALITY AND FREEDOM FROM RETALIATORY ACTION OF ALL PERSONS REPORTING FRAUD.

SECTION 1.

There is hereby added to the Code of Ordinances Chapter 4 which shall be entitled "FRAUD INVESTIGATION AND REPORTING POLICY", which shall read as follows:

§ 4.1. Fraud Policy Statement:

This Fraud Policy is established to facilitate the development of controls that will support the detection and prevention of fraud against the Borough of East Greenville. It is the intent of the Borough to promote appropriate and consistent behaviors by providing guidelines and assigning responsibility for the development of controls and performing investigations as necessary.

This policy is set forth to design the requirements for reporting and investigating any fraudulent activities or related misconduct in the operations of the Borough of East Greenville. Activities may include fraud; violations of laws, policies, procedures; violations of rules that involve the processing of financial records, handling of documents or Borough equipment or property, and reporting of financial results.

The scope of this policy applies to the Borough of East Greenville and all operating funds and departments within the responsibility of the Borough. This policy applies to any known or suspected financial and ethical irregularities involving employees and elected officials, as well as consultants, vendors, contractors or subcontractors doing business on behalf of the Borough.

§ 4.2. Scope of Program:

To report fraudulent activities and other related issues, a Fraud Reporting Investigation Policy and Form is issued and shall be followed precisely.

The President of Borough Council is named as Chairman of the Audit Committee and is responsible for implementing the policy to maintain the integrity of the financial reporting of the Borough, the system of internal controls, the audit process and monitoring compliance of financial reporting. The Audit Committee shall also include the Chair of the Finance Committee and the Chair of the Personnel Committee. If the President of Council and Chair of Audit Committee is compromised in this process, the responsibility of Chair passes to the Chair of the Finance Committee. The integrity of the activities of personnel and the integrity of the financial information of the Borough is of paramount importance to the Audit Committee.

All employees are encouraged to submit any good faith concern or complaint in respect to the maintenance of goods or property of the Borough, the accuracy and integrity of the Borough's accounting, auditing and financial reporting, without fear of retaliation. Employees are expected to report any concern regarding information, which is questionable, incorrect, misleading or fraudulent without regard to the position of the person or persons responsible for the information.

§ 4.3. Authority of the Committee:

The Audit Committee has the authority to initiate any investigation it considers appropriate, and shall have direct access to the external auditor of the Borough, as well as elected officials and employees of the Borough as needed to thoroughly complete an investigation.

For special fraud investigations as deemed necessary, the Committee shall have the authority to retain, at the Borough's expense, special legal, accounting or other advisors or consultants considered necessary in the performance of their duties.

§ 4.4. Reporting Form:

All potential fraud situations shall be reported using the approved form or by sending a letter to the **Chairman of the Audit Committee, (or Chairman of Finance Committee) c/o East Greenville Borough, 206 Main Street, East Greenville, PA 18041**, clearly marked confidential on the outside of the envelope or package. Contents of any accordingly marked packages shall remain intact until delivered directly to the Audit Committee Chairman. Complete name and address information is necessary to provide claimant with an acknowledgement of receipt.

Complaints shall be sufficiently described to allow the Audit Committee to thoroughly review and investigate the issue. If the reporter wishes to discuss the complaint with the Audit Committee, a telephone number must be included.

§ 4.5. Confidentiality:

All information obtained as part of the investigation of the complaint will be kept confidential and may not be discussed with personnel who do not have a compelling reason to participate in the gathering of evidence regarding the complaint. The Audit Committee shall use extreme care in conducting the investigation to protect the confidentiality of all parties involved in the process.

§ 4.6. Retention of Records:

The Audit Committee must retain all complaints for a period of no less than ten (10) years. The Audit Committee must retain written documentation of all reports and inquiries. Quarterly reports must be provided to Borough Council on any ongoing investigations, including actions taken to address the complaint. Records related to any formal legal proceedings must be kept permanently.

§ 4.7. Employee Protection:

All employees are assured that no retaliation will be permitted against them for complaints or concerns made in good faith. No employee will be disciplined for refusal to carry out a directive that constitutes fraud or violation of any federal or state laws.

§ 4.8. Questions About the Policy:

All questions should be directed to the Chairman of the Audit Committee or Chairman of the Finance Committee.

§ 4.9. Definitions of Incident Types:


1. **Accounting/Audit Irregularities:** Acts related to the misstatement and/or destruction of Borough Audit work papers or accounting documents. Acts that fraudulently influence, neglect, manipulate or mislead any parties (including independent auditors, certified accountants, or the East Greenville Borough Council) engaged in performing an audit.
2. **Falsification of Borough Records:** Any act or omission which alters a record from its original record or failure to provide documents to the Council or Manager.
3. **Fraud/Embezzlement:** Deliberate attempts to deceive in order to gain such as a fraudulent refund, transaction or any other personal gain achieved by deception. Any attempt to obtain borough funds or goods or services via the creation of counterfeit checks, unauthorized purchases or checks and forged alterations of checks, including forged signatures or endorsements. Includes unauthorized personal use of borough credit. Any wrongful appropriation of money, property or services by a person to whom it has been entrusted.

4. **Insurance Fraud:** Any claim or acceptance of claims paid or insurance benefits received based on false information.
5. **Kickbacks:** The solicitation or acceptance of gifts, favors or cash in exchange for a duty or function which is required to be performed by the employee as part of their regular duties.
6. **Theft:** The taking of money or instruments of money or goods or services from the offices, equipment, or any site owned and operated by the Borough without the permission of the appropriate authority. This includes theft of time or any act which causes an employee to be paid for time not worked for the benefit of the Borough.
7. **Unauthorized discounts or relief of payment:** This includes the offering or giving of a discount or releasing a party from debt without the permission of the appropriate authority.

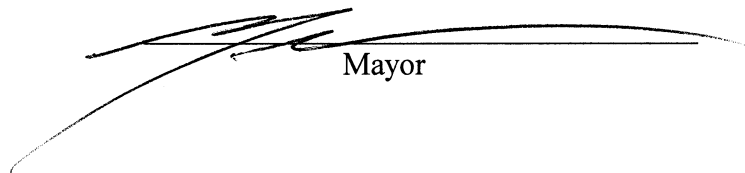
ENACTED AND ORDAINED by the said Borough this 11TH day of
MARCH, 2009.


President of Council

ATTEST:


Secretary

APPROVED this 11TH day of MARCH, 2009.


Mayor

APPENDIX A: FRAUD REPORTING FORM

Borough of East Greenville, Pennsylvania

Name of Employee and job title or Company believed to be involved in incident:

Date(s) of Incident: _____

Nature of Incident (Please use reverse page if necessary):

(i.e. falsification of records, fraud, theft of goods or services, accounting irregularities, negligence, kickbacks, misrepresentation of information, etc.)

Source of information leading to concern, including name or basis for the belief the above-named individual is involved in the incident:

Additional information deemed necessary to define the incident, including estimated value of loss of assets, if applicable:

Submitted By: _____ Date: _____