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TOWN OF ASHBURNHAM, MASSACHUSETTS

FRAUD RISK ASSESSMENT REPORT

Prepared by:

Eric A. Kinsherf, CPA

November 30, 2017

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Preface

The following Fraud Risk Assessment Report has been prepared by Eric A. Kinsherf, CPA for the Town of Ashburnham, Massachusetts, with input from the Town Administrator, Town Accountant, and selected Department Heads across the Town. Its purpose is to document an administrative understanding of the risks of fraud residing within the Town and to report the summary results of a recent review of the Town's operational procedures in order to:

- ➢ Ensure there are adequate procedures and internal controls in place designed to prevent, detect and deter fraud;

- ➢ Identify potential risk areas and develop administrative and departmental action items for minimizing these risks; and

- ➢ Highlight the Town's oversight function designed to prevent, detect and deter fraud.

The Town Accountant is responsible for reviewing and approving the procedures and internal controls submitted to them by Senior Management. These procedures are designed to prevent, detect and deter fraud by the continuous monitoring of the effectiveness of these procedures and internal controls.

This report contains an assessment of the areas determined to have an element of risk and a description of administrative and departmental action items planned for implementation to strengthen those areas.

The assessments and recommendations by Eric A. Kinsherf, CPA, are in the Appendix B. The Appendix B has a Fraud Risk Management Plan for each Department. If changes are made to these recommendations or corrective actions adopted by the Town, please update the Comments section of the Fraud Risk Management Plans.

It should be noted that this document should be considered a working document which is consistently reviewed and updated.

Introduction to Fraud

According to a recent publication, <u>Management Anti-Fraud Programs and Controls – Guidance to Help Prevent, Deter, and Detect Fraud</u>[1];

"Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Material financial statement fraud can have a significant adverse effect on an entity's market value, reputation, and ability to achieve its strategic objectives. A number of highly publicized cases have heightened the awareness of the effects of fraudulent financial reporting and have led many organizations to be more proactive in taking steps to prevent or deter its occurrence. Misappropriation of assets, though often not material to the financial statements, can nonetheless result in substantial losses to an entity if a dishonest employee has the incentive and opportunity to commit fraud.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

An entity's management has both the responsibility and the means to implement measures to reduce the incidence of fraud. The measures an organization takes to prevent and deter fraud also can help create a positive workplace environment that can enhance the entity's ability to recruit and retain high-quality employees.

Research suggests that the most effective way to implement measures to reduce wrongdoing is to base them on a set of core values that are embraced by the entity. These values provide an overarching message about the key principles guiding all employees' actions. This provides a platform upon which a more detailed code of conduct can be constructed, giving more specific guidance about permitted and prohibited behavior, based on applicable laws and the organization's values. Management needs to clearly articulate that all employees will be held accountable to act within the organization's code of conduct."

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[1] Published as an exhibit to SAS No. 99 and SAS No. 113, <u>Consideration of Fraud in a Financial Statement Audit</u>, a joint publication of the American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Financial Executives International, Information Systems Audit and Control Association, the Institute of Internal Audits, Institute of Management Accountants and Society for Human Resources Management.

Fraud Charts

The information illustrated below in the following three charts are based on a report provided by the Association of Certified Fraud Examiners regarding occupational fraud and abuse, based on a study conducted by them, "2016 Global Fraud Study".

The chart below illustrates the median percentage of, and dollar amount of the loss of funds due to fraud, assuming a $ 30,000,000 annual budget:

Median Loss Due to Fraud

Loss Due to Fraud, 1,500,000

Annual Revenue, 30,000,000

- Annual Revenue
- Loss Due to Fraud
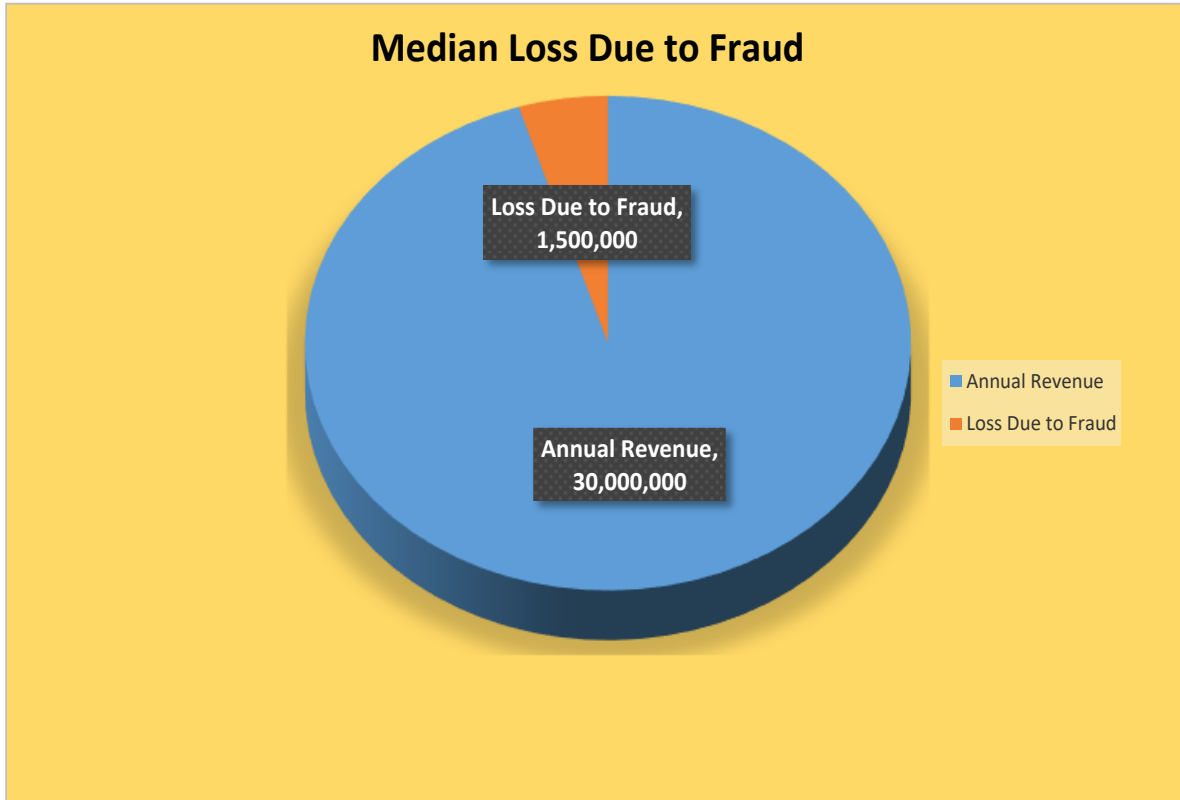
The chart below illustrates the most common types of occupational fraud committed:

Most Common Types of Occupational Fraud

- ■ Asset Misappropriation
- ■ Corruption
- ■ Financial Statement Fraud

6%

15%

79%
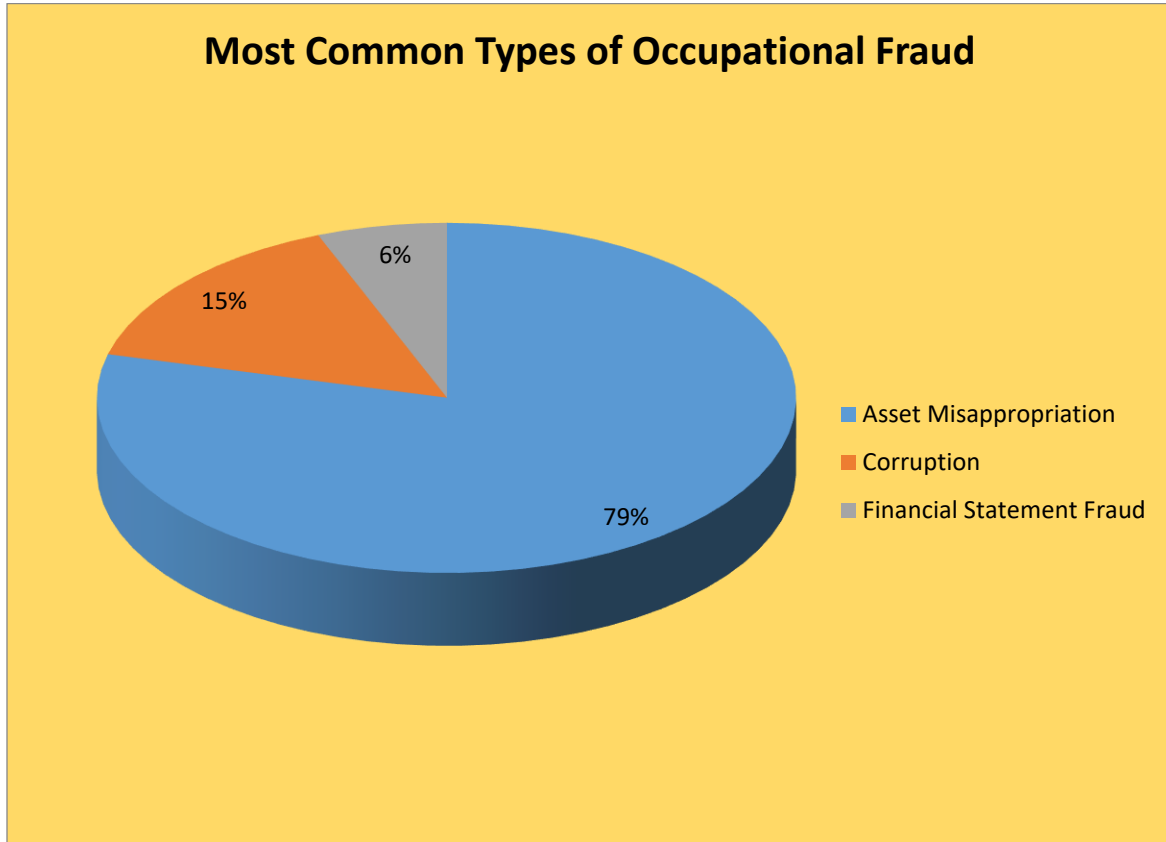
Asset Misappropriation is theft of cash or skimming, fraudulent disbursements, theft or misuse of inventory or assets.

Corruption is bribes, conflict of interest, illegal gratuities, and economic extortion.

Financial Statement Fraud is fictitious or understated revenue, concealing or overstating liabilities or expenses, and improper asset valuations or disclosures.

The following chart illustrates the largest method fraud is most likely detected:

Largest Method of Fraud Detection

Tips	39%
Internal Audit	17%
All Others	44%
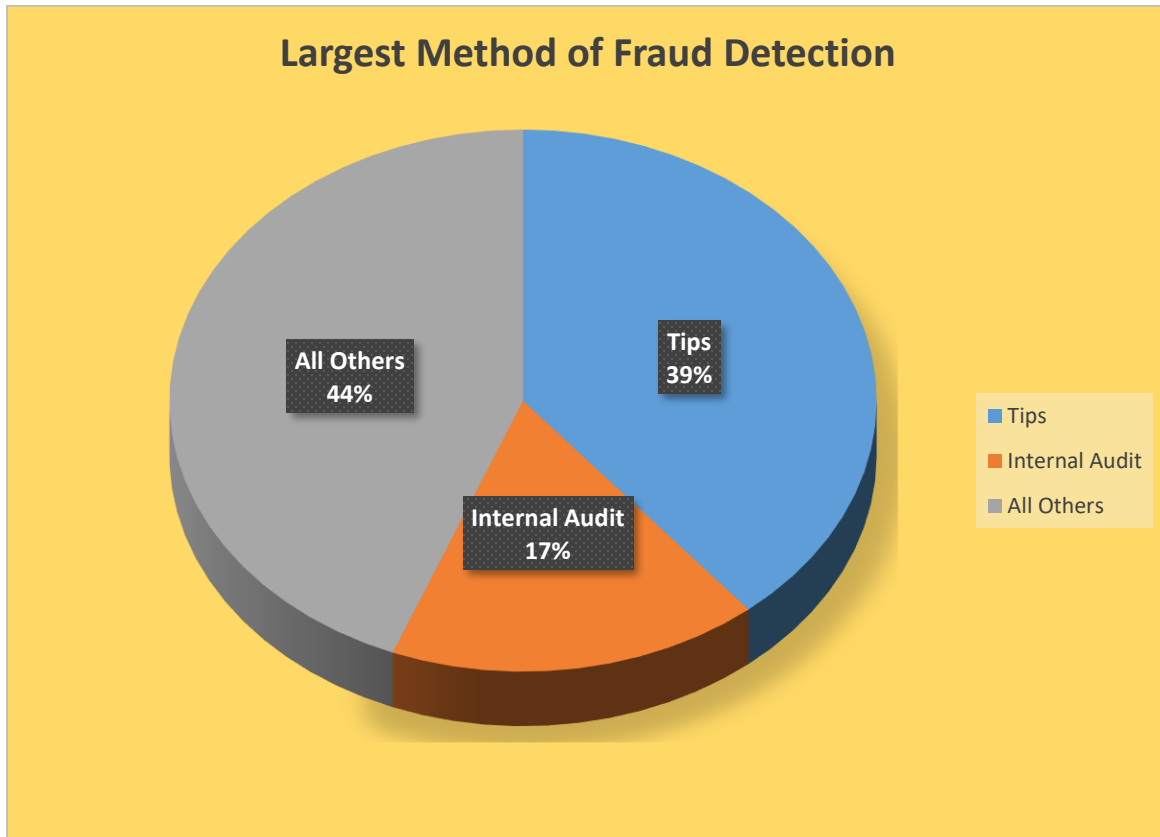
Assessment of the Town's Operational Fraud Risk

Initial Assessment

An initial assessment was completed of potential fraud risk on a departmental basis. This initial assessment was provided to Senior Management for their observations. A preliminary assessment was then prepared incorporating these observations. A sample copy of a fraud risk management plan is attached as Appendix A.

Interviews

Several interviews with various department heads and staff were conducted informing them about the increased national awareness of fraud detection and prevention, the new audit standards and to develop an understanding of the procedures and internal controls within the respective areas. Strengths and weaknesses were openly discussed and, in

closing the interview, the attendees were provided with the preliminary assessment of fraud risk in their respective departments and given an opportunity to comment.

Final Assessment

Based on the information provided during interviews, and upon further review by Senior Management, a final assessment of departmental fraud risk was prepared. These assessments are attached to this report as Appendix B.

Identified Areas of Fraud Risk

The following highlight some **recurring areas of Fraud Risk** observed during some of the Department Interviews:

Revenue Collection Process Areas of Risk
- Prenumbered receipts not always given
- Receipts given only when requested or for cash only
- In certain instances, funds not kept in a secure location
- Receipts not reconciled with the Town Accountant

To reduce the risk of fraud and safeguard the Town's Cash, we recommend that the internal controls be strengthened for the Town Revenue Collection Process. According to the 2016 Global Fraud Study, "the most prominent organizational weakness that contributed to frauds in our study was the lack of internal controls."

The Department heads that are collecting revenue should ensure that all receipts are recorded accurately and funds are in a secure location. We recommend that prenumbered receipt books or software that generates prenumbered receipts should be used. If the customer does not want a receipt, the department should still record the prenumbered transaction and give the receipt to the customer. This is an internal control and provides an audit trail for the reconciliation of receipts collected to revenue recorded in the general ledger.

The Department heads are responsible for reconciling revenue receipts to the general ledger or with the Town Accountant. This is also an internal control to reduce the risk of fraud and ensure that the revenue was posted to the correct general ledger account.

Theft of Equipment or Cash
- Lack of Surveillance Cameras noted in a few Departments with Equipment, Vehicles and Evidence.
- Lack of Surveillance Cameras in Treasurer/Collector and Library where cash collected.

According to the 2016 Global Fraud Study, Asset misappropriations accounted for 79% of Fraud in the United States. This includes theft of cash, inventory, and assets. Typically, the risk of theft is higher for items that are below Capital Asset threshold and

not tracked. We recommend having departments responsible for maintaining a list of purchases above a certain dollar level and reconciling the list on an annual basis.

Lack of Policies and Procedures
- Departmental Policies and Procedures
- Fraud Policy
- Whistleblower Policy

To safeguard the Town's assets and reduce the risk of fraud, we recommend that departmental policies and procedures be created, approved, and implemented. The departmental policies and procedures should include proper office protocol and internal controls to reduce the risk of fraud.

We recommend that a Fraud Policy and Whistleblower Policy be established and implemented. As noted in the **Introduction to Fraud,** research suggests that the most effective way to implement measures to reduce wrongdoing is to base them on a set of core values that are embraced by the entity. As noted in **Attachment 1,** tips are consistently and by far the most common detection method. Over 39% of all cases were detected through tips. We provided sample policies that you can use in **Appendix C** and **Appendix D.**

Assessment of Town's Financial Reporting Fraud Risk

Purchasing and Approval System

The Town Administrator is the Chief Procurement Officer. The Town Charter spells out procurement protocol. The Town follows Massachusetts Chapter 30B Laws. For smaller, more routine purchases, individual departments have accounts with select vendors. Purchase orders are required for purchases over $2,500. The Purchase orders must have approval by the Department Head, Town Accountant and Town Administrator. All approved invoices are reviewed and processed by the Town Accountant.

Petty Cash Funds

The Town maintains a small amount of petty cash in the Treasurer's office ($100) and the Town Clerk's office ($25). The Treasurer reconciles the petty cash daily. The fraud risk with petty cash is believed to be low.

External Financial Reporting

External financial reporting is coordinated through the Town Accountant. External financial reports are prepared and submitted to fulfill continuing disclosure requirements imposed on the Town through bond covenants for its bonded debt and by state law. Other outside governmental agencies also receive reports regularly.

Internal Budget Reporting

Department heads receive Expenditure Reports and Detailed Transaction Reports biweekly.

<u>**Oversight**</u>

The Town Administrator and the Town Accountant are responsible for the development of procedures and internal controls designed to prevent, detect and deter fraud and the continuous internal monitoring of the effectiveness of those procedures and internal controls.

The Town Administrator and Town Accountant are responsible for reviewing and approving the procedures and internal controls submitted to them by Senior Management. It is also their responsibility to make recommendations to the Board of Selectmen for changes, additions, deletions and overall improvements to the procedures and internal controls of the Town. Finally, they are charged with reviewing and discussing fraud related and other financial matters with the Town's independent auditors.

<div align="center">**Appendix A – Fraud Risk Management Plan**</div>

Fraud Risk Management Plan

It is increasingly important that organizations be proactive in their approach of assessing and managing fraud risks.

The fraud risk management program has the following elements.

- A review with department heads in every department areas of fraud risk. These areas would include issues and controls related to cash collections, procurement, and the use of Town assets.

- For each identified fraud risk, we will identify the current controls in place and make recommendations for improvement.

- The monitoring of the identified risks is accomplished by testing, observation, and analytical review.

Another element to the program to consider would be the implementation of anonymous tip line. According to the attached report provided by the American Institute of Certified Public Accountants, for all companies with an anonymous fraud hotline in place, median loss was reduced by 60%. The single biggest method of fraud detection in a company is through tips or complaints. In addition, internal audits plus internal controls accounted for over 55% of the frauds detected.

There are two attachments which accompany this section of our review. Attachment 1 is the report provided by the Association of Certified Fraud Examiners regarding occupational fraud and abuse, based on a study conducted by them, "2016 Global Fraud Study". Attachment 2 contains inquiries and questions to consider when assessing fraud risks. The tables provided serve as tools for identifying fraud risks.

Attachment 1

(Based on information obtained from the Association of Certified Fraud Examiners study, "2016 Global Fraud Study")

Survey participants estimated that the typical organization loses 5% of revenues each year to fraud. If applied to the 2014 estimated Gross World Product, this translates to a potential projected global fraud loss of nearly $3.7 trillion.

The median loss caused by the frauds in the study was $150,000. Additionally, 23% of the cases involved losses of $1 million or more.

The median duration — the amount of time from when the fraud commenced until it was detected — for the fraud cases reported to us was 18 months.

Occupational frauds can be classified into three primary categories: asset misappropriations, corruption and financial statement fraud. Of these, asset misappropriations are the most common, occurring in 83% of the cases in the study, as well as the least costly, causing a median loss of $125,000. In contrast, only 9% of cases involved financial statement fraud, but those cases had the greatest financial impact, with a median loss of $975,000. Corruption schemes fell in the middle, 35% of cases and median loss of $200,000.

Many cases involve more than one category of occupational fraud. Approximately 32% of the schemes in the study included two or more of the three primary forms of occupational fraud.

Tips are consistently and by far the most common detection method. Over 39% of all cases were detected by a tip — more than twice the rate of any other detection method. Employees accounted for about 52% of all tips that led to the discovery of fraud.

Organizations with hotlines were much more likely to catch fraud by a tip, which the data shows are the most effective way to detect fraud. These organizations also experienced frauds that were 54% lower losses, and they detected frauds 50% more quickly.

The smallest organizations tend to suffer disproportionately large losses due to occupational fraud. Additionally, the specific fraud risks faced by small businesses differ from those faced by larger organizations, with certain categories of fraud being much more prominent at small entities than at their larger counterparts.

The banking and financial services, government and public administration, and manufacturing industries continue to have the greatest number of cases reported in the research, while the mining and wholesale trade had the largest reported median losses.

The presence of anti-fraud controls is associated with reduced fraud losses and shorter fraud duration. Fraud schemes that occurred at victim organizations that had implemented any of several common anti-fraud controls were significantly less costly and were detected much more quickly than frauds at organizations lacking these controls.

The higher the perpetrator's level of authority, the greater fraud losses tend to be. Owners/executives only accounted for 19% of all cases, but they caused a median loss of $703,000. Employees, conversely, committed 41% of occupational frauds but only caused a median loss of $65,000. Managers ranked in the middle, committing 37% of frauds with a median loss of $173,000.

Collusion helps employees evade independent checks and other anti-fraud controls, enabling them to steal larger amounts. The median loss in a fraud committed by a single person was $85,000, but as the number of perpetrators increased, losses rose dramatically. In cases with two perpetrators the median loss was $150,000, for three perpetrators it was $220,000 and when five or more perpetrators were involved the median loss exceeded $633,000.

More than 75% of the frauds in the study were committed by individuals working in one of seven departments: accounting, operations, sales, executive/upper management, customer service, purchasing and finance.

It takes time and effort to recover the money stolen by perpetrators, and many organizations are never able to fully do so. At the time of the survey, 58% of the victim organizations had not recovered any of their losses due to fraud, and only 12% had made a full recovery.

Attachment 2

(Based on information obtained from the PPC Account Audit Checklist of Questions)

Inquiries about Fraud Risks for Responsible Officials

Required Inquiry	Possible Questions
Their knowledge of any actual **fraud** or suspicions of **fraud** affecting the governmental unit.	• Are you aware of any actual instances of **fraud** within the governmental unit? • Do you have any reason to suspect **fraud** may be occurring within the governmental unit? If so, where and how? • Have you seen any changes in employee behavior?
Their awareness of any allegations of **fraud** or suspected **fraud** affecting the governmental unit.	• Have you received any communications from employees, former employees, regulators, or others alleging **fraud**?
Their understanding of the risks of **fraud** within the governmental unit, including any specific **fraud** risks the governmental unit has identified or account balances or transaction classes that may be susceptible to **fraud**.	• Which types of transactions, account balances, financial statement classifications, or locations are most at risk for intentional misstatement or theft? • Have you identified any specific risks of **fraud** within the governmental unit? • What would be the easiest way for someone to misstate the financial statements or steal assets without getting caught? • If someone were going to overstate or understate revenue, how would they do it? • If someone were going to steal and cover it up, how would they do it? • Does the governmental unit use source documents that could be easily accessed and forged? • How could false entries be made to the accounting system? • What departures from GAAP are most common? What departures from GAAP are most likely? • Where are the weaknesses in internal controls? • Which controls can be bypassed or overridden? Are there instances where controls have been bypassed or overridden in the past? • Have other governments identified any common **frauds**? • Have there been changes within governments in general or their activities that have created or changed risks of **fraud**?
How they communicate to employees the importance of ethical behavior and appropriate operating practices.	• What instructions do you give to employees about how they are expected to behave? • How do you make it clear to employees that fraudulent or unethical behavior will not be tolerated?
Programs and controls the governmental unit has implemented to address identified **fraud** risks or otherwise help prevent, deter, and detect **fraud** and how those programs and controls are monitored.	• What measures have you taken to address specific risks of **fraud** within the governmental unit? • What controls have been implemented to prevent one person from perpetrating and concealing a **fraud** when segregation of duties is not possible? • What procedures are in place for initiating, approving, and processing nonroutine transactions?

Required Inquiry	Possible Questions
	• How have employees been told to communicate suspected **fraud**? • Are there any other programs and controls in place to help prevent, deter, or detect **fraud**? • How do you monitor the governmental unit's antifraud programs and controls to make sure they are working as intended?
The nature and extent of monitoring multiple locations or component units and whether any of them have a higher level of **fraud** risk.	• Do **fraud** risks exist or are they more likely to exist in particular government locations? • How do you monitor the governmental unit's operating locations to reduce the likelihood of **fraud** occurring and going undetected?
Whether they have reported to the audit committee (or its equivalent) about how the governmental unit's internal control serves to prevent, deter, and detect material misstatements due to **fraud**.	• Have you reported to the audit committee (or its equivalent) about how the governmental unit's internal control serves to prevent, deter, and detect material misstatements due to **fraud**?

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Inquiries also should be made of other employees to determine whether they are aware of **fraud** that is occurring or have suspicions of fraudulent activity. Deciding which employees to make inquiries of and the extent of those inquiries is a matter of professional judgment that depends primarily on whether the auditor believes those employees may provide information that is relevant to identifying **fraud** risks. At a minimum, the auditor should ask the following questions:

• Are you aware of any actual **fraud** within the governmental unit?

• Do you have any reason to suspect **fraud** is occurring within the governmental unit? If so, where and how?

• Do you have any reason to suspect your superior is committing **fraud**?

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Possible Inquiries about Fraud Risk for Government Employees

Suggested Questions	Direct Inquiries to
• Do you know of anyone who is stealing from the governmental unit? • Do you suspect that anyone is stealing from the governmental unit? • Do you know of anyone who is manipulating the accounts or records? • How could someone steal from the governmental unit without getting caught? • If I were to [indicate potential **fraud**], how would I get caught? • How would you describe the governmental units (and/or management's) values and ethics? • What is it like to work here? How is the overall morale? • Are you upset with the governmental unit for any reason? Do you know of anyone who is? • Have you ever been asked to ignore or override a policy or procedure that is part of Your job? Who asked you? • Have you ever seen another employee circumventing governmental unit policies, procedures, or controls? What explanation did they give? • Have you noticed any unusual changes in the behavior or lifestyle of management or any	All employees selected

Suggested Questions	Direct Inquiries to
other employees? • Do you know of any employees who are under pressure to make ends meet financially? • How do you think this governmental unit compares with others in terms of the honesty of its employees? • Do you think your co-workers are honest? • Has anyone you work with ever asked you to do anything you thought was illegal or unethical? What would you do if someone asked you? • Have you ever been asked to enter false information in the accounting system or records? • Has anyone you work with ever asked you to withhold information from the auditors or alter documents or records? • Has the governmental unit communicated how you should report suspected **fraud**? If so, would you feel comfortable in reporting suspected **fraud** in this manner? Do you believe that reporting suspected **fraud** would not be held against you by management or others? • Is there anything else you would like to add, or anyone else we should talk to? • I must ask you one last question. Have you yourself done anything against the governmental unit that was illegal or unethical?	
• How is management and/or the board compensated? • Has management exerted any pressure upon you or others to override, modify, or falsify compensation awards, agreements, or plans without sufficient justification and approval for the situation? • Has there been any significant turnover in personnel? In what departments? • Are there any recent or planned layoffs or changes in pay rates or benefit plans that have or could upset the workforce? • Have recent bonuses, raises, and promotions met employee expectations? Is there anything planned in those areas that could cause resentment among employees? • Have employees complained about work conditions, management demands or style, or other matters that could lead to pressures or incentives to commit **fraud**?	Human resources
• How active is management in supervising the accounting department? • Does management (including senior finance executives) demonstrate an attitude of "shoot the messenger" when learning of unfavorable financial results or incidents? • What are the weaknesses in internal controls? • Do any of the accounting policies seem inappropriate or overly aggressive? • Does management always tend to favor amounts that are on the high (low) side when developing accounting estimates, such as estimated liabilities and valuation accounts? • Does management often use materiality to justify questionable accounting practices? • Does it ever seem like the method of accounting for a transaction is more important than the transaction itself? Can you give me an example? • Does anyone run personal expenses through the governmental unit? • What aspect of the governmental unit's performance is management most concerned about? • Are there any changes in procedures or improvements in controls that could easily be made, but management has chosen not to? • Have there been any unusual changes in the way transactions are processed? • Are there any third parties that have expectations about the governmental unit's performance? What are their needs or expectations? • Have you ever been asked to record any journal entries that seemed unusual or lacked support? • Have you ever been asked to make false entries in the accounting records?	Accounting and finance
• Have relationships with particular suppliers significantly changed (improved or deteriorated) in the past year? • What types of vendor complaints do you typically receive? • Do any vendors have a close or unusual relationship with management?	Purchasing

Appendix B - Departmental Fraud Risk Assessment Forms

Identified Areas of Fraud Risk which are listed in first column of matrices below:

T: Indicates Potential Theft or Misappropriation of Assets

F: Indicates Potential Fraudulent Financial Reporting

C: Indicates Potential for Corruption

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

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Department: Town Administrator   **Location: 32 Main Street 978-827-4100 ext. 0**

Cash Collection: No (Checks Only)   **Formal Policies and Procedures Manual – In Process**

# of Employees: 2

FY 2018 BUDGET: $ 169,645

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection – Theft of funds	Historically, the office does not accept cash. Liquor license applications and checks are received via mail. No pre-numbered receipts used.	N/A		
T	Cash Drawer – Theft of Funds	No cash draw. Checks are turned over to the Treasurer/Collector same day the payment received.	N/A		
T,F	Turnovers not being done in a timely manner	Turnovers are done same day.	N/A		
T,F	Receipts not being reconciled with the Town Accountant	Receipts are reconciled by the Town Administrator who meets with the Town Accountant regularly.	N/A		
T,F	Expenditures not reviewed	Monthly review of all Town Departmental expenditures	N/A		
T,F	Compensated Absences/Abuse of Sick Time	There are Town By-Laws for Personnel which include vacation and leave policies. Timesheet process is used. Employees are required to fill out a form for approval of sick leave and vacation. Town Administrator reviews sick and vacation accruals at fiscal year-end. Employee pay stub shows outstanding sick and vacation time.	N/A		

T,C	Collusion with contractors	Massachusetts General Laws, Chapter 30B procurement is followed.	N/A		
T,F ,C	Lack of Internal Audits	Internal audits not currently being performed.	To mitigate fraud risk, we recommend conducting periodic internal audits of procedures and processes.		
T,F ,C	Understanding of the risks of fraud within the governmental unit, including any specific fraud risks the governmental unit has identified or account balances or transaction classes that may be susceptible to fraud	Currently there is no Fraud Risk Assessment process in place.	Fraud risk assessment used to develop both an understanding and an identification of account balances and transaction classes that are susceptible to fraud.		
T,F ,C	Communication to employees the importance of ethical behavior and appropriate operating practices	There is currently no formal policy in place.	A Whistleblower Policy is recommended for all town employees; an acknowledgement of the receipt of both the Whistleblower Policy and the Fraud Risk Policy be kept in each employees file.		
T,F ,C	The nature and extent of monitoring multiple locations or component units and whether any of them have a higher level of fraud risk	The fraud risk assessment will highlight areas where the Town is susceptible to fraud and make recommendations to mitigate the risk.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed	A formal Policies and Procedure manual is in process.	An updated formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	We recommend a Fraud Risk Policy and Whistleblower policy be drafted, approved, and communicated to all employees.		

Fraud Management Plan Approvals

Prepared and Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Human Resources **Location: 32 Main Street**

Cash Collection: No **Formal Policies and Procedures Manual -   No**

# of Employees: 1 **Hiring and Recruiting Policy - Yes**

FY 2018 BUDGET: Part of Town Administrator Department

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
	Favoritism/Collusion with the Town hiring process		Positions are posted internally, MMA and Town websites. Some positions (like police and fire) are posted nationally. Administrative openings are also posted in the local newspaper and Facebook. For departmental positions (except department head openings), department heads do screenings, interviews and makes recommendations to Town Administrator. For senior positions, a committee is established Town Administrator recommends to Selectman who approves the final hiring decision. Town Administrator provides the formal offer letter. There is a pre-employment physical for Police and Fire new hires but not for other departments. References, background and CORI checks are performed.		N/A		
T	Lack of Segregation of Duty - Payroll Process		The Treasurer processes payroll. The Town Administrator does periodic reviews of employee files and payroll.		N/A		

T	Confidential Information not secured	Employee files are secured in a locked filing cabinet in the Town Administrators office which is locked.	N/A		
T,F ,C	Lack of Policies and Procedures manual/incorrect processes being followed	There is currently no Policies and Procedures manual on operations and processes of the office.	A Whistleblower, and Fraud policy should be completed as soon as practicable as well as documenting operational processes.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared and Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

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Department: Assessor   **Location: 32 Main Street 978-827-4100 ext. 2**

Cash Collection: No   **Formal Policies and Procedures Manual – In Process**

# of Employees: Contract Service (Regional Resource Group Inc.)

FY 2018 BUDGET: $ 111,300

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection – Theft of Funds		No payments accepted by Assessor's Office. Payments are made directly to Treasurer/Collector by applicant after Assessor calculated fees.	N/A		
F	Cash Drawer - Theft of funds		No cash draw.	N/A		
T,F	Turnovers not done in a timely manner		At time of payment.	N/A		
T,F	Receipts not being reconciled with Town Accountant		Receipts are not being reconciled with the Town Accountant.	Receipts should be reconciled with the Town Accountant on a monthly, or at least quarterly basis.		
F	Taxpayers receiving incorrect calculated bills		The Assessor balances the LA-4 to the Collector system after import prior to the issuance of tax bills. The Assessor and Collector sign off on the amount to be billed for real and personal property.	N/A		

T,F	Abatements being awarded without proper approvals or justification		Abatement appeals for Real Estate are due by February 1st. Assessor reviews the abatement application and evaluates appeal. An inspection of property often follows. Assessor verifies and compares new data to original data. If the new data warrants an abatement, Assessor will make recommendation to Board of Assessors (3 elected officials). Board reviews and makes final decision for abatements and exemptions.		N/A	
F	Assessed values being calculated incorrectly or manipulated (favoritism)		AV system provides abstract by property class and is checked against billing file for accuracy. Summary reports go to Department of Revenue, Bureau of Local Assessment for review. Audit of assessment revaluation process by state every five years.		N/A	
T,F	Compensated Absences/Abuse of Time Off		Assessor staffing by contract through Regional Resource Group, Inc.		N/A	
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		The department is working on an Assessors Procedure Manual which is expected to be done by the Fall 2017.		A formal procedures manual should be completed for the department as soon as practicable to establish internal controls and proper office protocol.	
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.	

Fraud Management Plan Approvals

Prepared by:

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Sherri DiPasquale, Assessor's Clerk

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Treasurer/ Collector   **Location: 32 Main Street   978-827-4100 ext. 1**

Cash Collection: Yes   **Formal Policies and Procedures – No**

# of Employees: 1 Full Time/1 Part Time

FY 2018 BUDGET: $ 152,749

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection – Theft of Funds	Receipts only given for cash transactions only and are sequentially numbered. Numbered receipts correlate to transaction in MUNIS software.	N/A		
T	Cash Drawer – Theft of Funds	Locking Cash box maintained during day with no more than $50 cash. Safe is not locked during day. Cash box locked in safe at night.	Treasurer's office should always be locked and secured. In addition, the safe should always be locked. Ideally, security cameras are recommended for Treasurer's Office.		
T,F	Deposits not Timely	Turnovers from departments come at least weekly with some departments daily. Treasurer makes bank deposits daily most days.	N/A		
T,F	Cash Reconciliations not being done in a timely manner	The Treasurer gives the Accountant the reconciled cash book to the bank statements monthly. Accountant reconciles cashbook to General Ledger.	N/A		
T,F	Receivables not being maintained or reconciled – money being stolen and records manipulated	Treasurer forwards control book to Accountant monthly. Accountant reconciles to the General Ledger.	N/A		

T,F	Collusion/Funds not Deposited		The Treasurer verifies amount of funds received from departments with department present, then signs the turnover sheet. Treasurer keeps original, department retains a copy on file and delivers a copy of the turnover sheet to the Town Accountant.		N/A	
T,F	Loss of liens		Tax Takings for FY 2016 has not been performed.		Tax takings for FY 2016 should be performed as soon as practicable, so that the town does not lose the right of collection for 2016 real estate taxes due the town.	
T,F	Compensated Absences/Abuse of Time Off		Employees are required to fill out a form for approval of sick leave and vacation, as well as timesheets which are signed off by department heads who then submit to Assistant Treasurer who does payroll. Timesheets are reconciled to the payroll by the Assistant Treasurer. Employee pay stub shows outstanding sick and vacation time.		N/A	
T,F ,C	Treasurer Collector position is currently open		Current Treasurer/Collector gave notice. Leaving at the end of September. Job posted.		Ensure that a transition plan is in place to mitigate fraud risk.	
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		There are currently some Standard Operating Procedures but not for cash collection.		A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.	
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.	

Fraud Management Plan Approvals

Prepared by:

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Tammy Coller, Treasurer/Collector

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Inspectional Services   **Location: 32 Main Street   978-827-4100 ext. 6**

Cash Collection: Yes   **Formal Policies and Procedures Manual - No**

# of Employees: 6 Full Time

FY 2018 BUDGET: $ Part of Land Use Department

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash Collection - Theft of Funds		Receipts are sequentially numbered and stapled to permit applications. Original The permit is given to customer with a copy to Treasurer/Tax Collector.		N/A		
T,F	Cash Collection -Theft of Funds in Field		Funds are never collected/nor accepted in the field by the Inspectors. Inspectors will not enter a house for inspection without two inspectors present.		N/A		
T	Cash Drawer – Theft of Funds		Cash and checks are never held by Inspection Department overnight. They deliver revenues collected to Treasurer at the end of the day. The Department does have a locked draw in a locked office if funds held overnight.		N/A		
T,F	Turnovers not done in a timely manner		Turnovers are delivered daily to Treasurer's Office by the Building Inspector. A log book of receipts is kept for turnovers.		N/A		
T,F	Receipts not being reconciled with the Town Accountant		Receipts are not being reconciled with the Town Accountant.		Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		

T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out a form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed	There is currently no Policies and Procedures manual. There are verbal procedures and all inspections are logged into a computer system.	A formal Policies and Procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Richard C. Reynolds, Building Commissioner/Zone Enforcement

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Council on Aging   **Location: 32 Main Street   978-827-5000**

Cash Collection: Yes   **Formal Policies and Procedures Manual – No**

# of Employees: 5 (including 4 drivers)

FY 2018 BUDGET: $ 26,490

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection - Theft of Funds	Receipts are not given.	Pre-numbered, sequential receipts should be given for all transactions.		
T	Cash Drawer – Theft of Funds	Cash Drawer is in desk (unsecured).	Cash should always be secured in a locked drawer and in a locked office when unattended.		
T,F	Turnovers not done on a timely basis	Turnovers are delivered daily to the Treasurer.	N/A		
T,F	Receipts not being reconciled with Town Accountant/Revenue being credited to wrong account	An Excel spreadsheet is kept for transactions. Receipts are not reconciled with the Town Accountant.	Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		
T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out a form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		
T,F ,C	Lack of Policies and Procedures manual/incorrect processes being followed	There is currently no Policies and Procedures Manual for the department.	A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		

T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.	

Fraud Management Plan Approvals

Prepared by:

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Jan Robbins, COA Coordinator

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Fire   **Location: 99 Central Street (978) 827-4413**

Cash Collection: No (Checks Only)   **Formal Policies and Procedures Manual Admin- No**

Formal Policies and Procedures Fire Manual   -   Yes

# of Employees: 5 Full Time, 1 Part Time, 30 on Call Part Time

FY 2018 BUDGET: $ 744,271

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection – Theft of Funds	No cash collected (checks only). Receipts are provided and hand numbered.	Pre-numbered receipts should be given for all transactions.		
T	Cash Drawer - Theft or Loss of Funds	Locked box in a locked office always.	N/A		
T,F	Turnovers not being done timely	Turnovers are made daily to Treasurer's Office.	N/A		
T,F	Receipts not being reconciled with the Town Accountant	The Department does not reconcile receipts to General Ledger.	Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		
T	Facility Security/equipment being stolen	A fixed asset inventory log of equipment is maintained. All fixed assets are tagged and equipment checks are done by the Department every day.	N/A		
T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		

T,F ,C	Lack of Policies and Procedures manual/Incorrect processes being followed		There is currently no Policies and Procedures manual for the Administrative side.		A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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James Cleveland, Fire Chief

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Police   Location: 99 Central Street   (978) 827-4413

Cash Collection: No (Checks Only)   **Formal Policies and Procedures Admin Manual   -   No**
# of Employees: 16 Full Time, 9 Part Time   **Formal Policies and Procedures Police Manual   -   Yes**

FY 2018 BUDGET: $ 1,339,972

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash Collection – Theft of Funds		No cash collected (checks only). Receipts are given for some transactions while with others, permit is considered receipt. Receipts not sequentially numbered.		We recommend preprinted sequentially numbered receipts be given for all transactions.		
T	Cash Drawer – Theft of Funds		Collection drawer is not locked but kept in locked area secured only by access code.		Collection drawer should be secured in locked cabinet or drawer.		
T,F	Turnovers not done on a timely manner		Turnovers are made to the Treasurer/Collector at least weekly.		N/A		
T,F	Receipts not being reconciled with the Town Accountant		Log of checks kept by Department with a copy to Treasurer's office. The Department does not reconcile turnovers and Police Details to the General Ledger. Advised that this function is performed by Town Accountant.		Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		
T,F	Compensated Absences/Abuse of Time Off		Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.		N/A		

T	Drug/evidence being stolen	A thorough system exists for logging and safeguarding of the evidence. A log is maintained electronically and each action where evidence is handled is logged twice, initially when arresting officer secures evidence in locked locker connected to Evidence room and logged again when evidence officer (in secured locked area) accesses the evidence and logs it. Evidence only accessible by two evidence officers. The Evidence Room is not monitored by cameras. Audits of evidence are done 3 times a year as well as when personnel change. The department also does annual audits of all records as required for the State Accreditation.	We recommend that periodically an outside audit firm audit the Evidence Room. We recommend that security cameras be installed and monitored in Evidence Areas.		
T,F ,C	Lack of a Policies and Procedures manual/Incorrect processes being followed	There are Police formal policies and procedures. There is currently no Policies and Procedures manual for the Administrative side.	A formal procedures manual should be completed as soon as practicable to for the Administrative side to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Loring Barrett Jr., Chief of Police

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Public Works/Transfer Station   **Location: 32 Main Street   978-827-4120**

Cash Collection: Yes   **Formal Policies and Procedures Manual - No**

# of Employees: 13 (Includes Transfer Station)

FY 2018 BUDGET: $ 733,277

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash Collection - Theft of funds in Office		DPW receives cash for scrap metal. The scrap metal company gives a receipt and cash to DPW employee. The receipt and cash it delivered Treasurer's Office.		Ideally, the scrap metal company should issue a credit or mail a check.		
			DPW collects for Cemetery plots. Most payments made by check but occasionally cash given. No receipt given to customer. Deed in mail is proof of payment.		Pre-numbered receipts should be given for all transactions.		
			No revenue collected at Transfer Station. Transfer Station permits sold at Town Hall and two convenience stores. Permits sequentially numbered.		N/A		
T	Cash Drawer, Office Security – Theft of Funds		Funds are stored in a locked safe in a locked office at the DPW office. Access is limited with security code required for entry. Each DPW employee has unique security code password.		N/A		
T,F	Turnovers not done timely		Turnovers are done same day or next business day. One copy of turnovers delivered to Treasurer, one copy delivered to Town Accountant and one copy kept at DPW.		N/A		

T,F	Receipts not being reconciled with the Town Accountant	Receipts are currently not being reconciled with the Town Accountant.	Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		
T,F	No review of Vacation/Sick Accruals	DPW Supervisor monitors time sheets/attendance and time off. Maintains a spreadsheet and does periodic comparison with Town Accountant.	N/A		
T,F	Expenditures not monitored	Expenditures are monitored bi-weekly. DPW also reconciles every two weeks invoices to the Expenditure Reports.	N/A		
T,F	Inventory Logs/inventory being stolen	DPW maintains a detailed Capital Asset inventory log. A physical audit of inventory is done yearly. One copy maintained at DPW and one copy kept at Town Administrator's Office. DPW is responsible for their bidding process.

No security cameras. Building has a security system. | Ideally, we recommend security cameras to safeguard equipment. | | |
| T | Theft/Misuse of Fuel | DPW uses a vendor for fuel. The vendor bills monthly and each department have separate fuel accounts. Each vehicle has a separate card. Superintendent monitors fuel accounts monthly. | N/A | | |
| T,F | Compensated Absences/Abuse of Time Off | Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time. | N/A | | |

T,F ,C	Lack of Policies and Procedures manual/incorrect processes being followed	There is currently no Policies and Procedures manual.	A formal Policies and Procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Stephen Nims, Superintendent

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Town Accountant   **Location: 32 Main Street 978-827-4100 ext. 1**

Cash Collection: No   **Formal Policies and Procedures Manual -   No**

# of Employees: 1 (Part-Time - 25 hours per week)

FY 2018 BUDGET: $ 63,251

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash reconciliation not being done in a timely manner		Treasurer and Town Accountant reconcile cash monthly.		N/A		
T,F	Receivables not being maintained or reconciled – money being stolen and records manipulated		Receivables reconciliation by Town Accountant with some departments only now just starting to be done. Accountant does provide year to date revenue reports to departments and departments responsible for reconciling turnovers to revenue reports monthly.		We recommend reconciliations should be reviewed by the Town Accountant with departments on at least a quarterly basis,		
T,F ,C	Lack of Internal Audits		Turnover audits are performed. Also, every time a warrant is processed and internal audit is done. No departmental audits are done.		To mitigate fraud risk, we recommend conducting more frequent, periodic internal audits of policies and procedures.		
T	Collusion/Funds not Deposited		Departments are currently providing turnover sheets to Treasurer (who verifies amounts and signs) with a copy to Town Accountant. Sometimes the individual departments will drop a copy of the turnover sheet to the Accountant while at other times the Treasurer will drop the turnover copy to the Accountant		We recommend that the departments independently deliver a copy of the turnover sheet to the Accountant's office.		

F	Books not being maintained properly	Books are audited by an outside firm on yearly basis. The department adheres to Massachusetts General Laws, UMAS, and Government Accounting Standards Board regulations.	N/A		
F	Reports not being filed in a timely manner to the DOR which could result in tax rate not being set, free cash not being certified or local aid being withheld.	Careful attention is paid to the DOR calendar and the department monitors their deadlines very closely. All reports are up to date.	N/A		
T,F	Fictitious vendors being paid	W9's required for new vendor set up. Departments required to only use state certified vendors.	N/A		
T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		
T,F ,C	Lack of a Policies and Procedures manual/Incorrect processes being followed	There is currently no formal Policies and Procedures manual. Due to the switch from MUNIS to VADAR software , SOP's to be established for the accounting functions.	A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Tanya Gaylord, Town Accountant

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Town Clerk   **Location: 32 Main Street 978-827-4100 ext. 3**

Cash Collection: Yes   **Formal Policies and Procedures Manual - No**

# of Employees: 1

FY 2018 BUDGET: $ 51,939

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash Collection - Theft or loss of funds	Receipts are generated for transactions and are kept in cash draw. Copy of receipt is given only when requested.		Prenumbered Receipts should be given for all transactions.		
T	Cash Drawer – Theft of Funds	Cash collection operated through Treasurer's cash draw. Funds are kept in cash register locked and accessed only by code. At end of day, funds transferred to a locked safe in Treasurer's office.		N/A		
T,F	Turnovers not done on a timely manner	Clerk doesn't do turnovers. All Clerk receipts run by Treasurer/Collector. No separate account.		The Town Clerk should track the turnovers and reconcile the receipts with the Town Accountant.		
T,F	Receipts not being reconciled with the Town Accountant	The Treasurer handles reconciliations of receipts with Town Accountant.		The Town Clerk should reconcile the receipts with the Town Accountant.		
T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.		N/A		

T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed		There is currently no Policies and Procedures manual. Reliance on staff experience to get day to day work done.		A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Michelle Johnson, Town Clerk

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Planning Board   **32 Main Street   978-827-4100 ext. 4 option 1**

Cash Collection: Yes (Treasurer Handles)   **Formal Policies and Procedures Manual – Yes**

# of Employees: 1 Full Time and 1 Shared Part Time

FY 2018 BUDGET: Part of Land Use Department

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Cash Collection - Theft of funds		Receipts are given and include sequential permit numbers		N/A		
T	Cash Drawer – Theft of Funds		Planning Board turns over payments to Treasurer same day received.		N/A		
T,F	Turnovers not done on a timely manner		Turnovers are done same day payment received.		N/A		
T,F	Receipts not being reconciled with Town Accountant		Receipts are currently not being reconciled with the Town Accountant.		The Department should track the revenues that the Treasurer is receiving and then reconcile the revenues with the Town Accountant.		
T,F	Collusion/Funds not Deposited		The Treasurer verifies the funds and reviews the turnover sheet and signs the turnover sheet. One copy kept by Treasurer, one copy kept by department and one copy delivered to Town Accountant.		N/A		
T,F	Compensated Absences/Abuse of Time Off		Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.		N/A		

T,F ,C	Lack of a formal Policy and Procedure Manual/incorrect processes being followed	Policies and Procedures for the Planning Department are available on Town Website.	N/A		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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William J Nolan III, Chairman

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Library   **Location: 20 Memorial Drive 978-827-4115**

Cash Collection: Yes   **Formal Policies and Procedures Manual - Some Policies**

# of Employees: 5 Full Time

FY 2018 BUDGET: $ 210,873

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection – Theft of Funds	System generates pre-numbered receipts for all transactions but only given if requested.	Pre-numbered receipts should be given for all transactions.		
T	Cash Drawer – Theft of Funds	Funds are stored in a locked drawer during day and a locked cash box at night. Security cameras are used but are general in nature and do not specifically focus on circulation desk area where cash is handled.	Ideally, security cameras be installed that focus on circulation area where cash is handled.		
T,F	Turnovers not done on a timely basis	Turnovers are sent to Treasurer weekly. Cash handling policy states that Library cannot hold more than $100 in cash at any time. Two people close out cash daily and a different person delivers turnovers to the Town Treasurer. One signed copy stays with Library, one to Treasurer and one to Town Accountant.	N/A		
T,F	Receipts not being reconciled with the Town Accountant	Receipts are reconciled with the Town Accountant quarterly.	N/A		
T	Expenditures not monitored	Expenditures are monitored constantly by Library Director. Director and Trustees also review spending.	N/A		

T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual	The department maintains many policies on Library website related to library use. It also has a policy for cash collection. There isn't a formal Policies and Procedure Manual for departmental operations.	A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Emily Donnelly, Director

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM
Fraud Risk Management Plan

Department: Animal Control **Location: 99 Central Street 978-630-4950**

Cash Collection: No **Formal Policies and Procedures Manual - Yes**

# of Employees: None. Contracts with City of Gardner for this service

FY 2018 BUDGET: $31,000

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T	Theft of Inventory		Town contracts with City of Gardner for animal control services.		N/A		
T	Fuel Stolen/Misuse of Fuel		Fuel is included in contract price with City of Gardner.		N/A		
T,F	Compensated Absences/Abuse of Time Off		Contractual service. Not applicable.		N/A		
T,F ,C	Lack of formal Policies and Procedures manual/Incorrect processes being followed		Calls go directly to City of Gardner for pickups.		The Town should have a copy of the Gardner policies as well as monitoring Gardner performance issues.		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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Robyn Innis., Animal Control Officer (City of Gardner)

Approved by:

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Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Veteran's Services   **Location: 11 South Street, Westminster, MA**

Cash Collection: No   **Formal Policies and Procedures Manual – Yes**

# of Employees: 1 Part Time (Serves 3 towns)

FY 2018 BUDGET: $74,834

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Veterans benefits-fraudulent or incorrect payments processed		Mass 108 CMR regulations are followed. Checklist, calculation worksheets, and operating policies and procedures are in place to minimize risk. If DVS disallows or denies an amount that should be reimbursed, the Agent or VSO works with DVS to resolve. Recoup overpayments within 6 months. If it is a large amount, Agent and VSO work with client and DVS to arrange a payment agreement. Periodic investigations are conducted. Obtains W9s for all clients.	N/A		
T,F	VS5 and VS6 certification not done in a timely manner		Agent reconciles and closes within 30 days after the month ending.	N/A		
T,F	Reconciliation of Payments and Amount Reimbursed by State (Chapter 115)		Agent audits benefits paid monthly.	N/A		

T,F	Lack of formal VSO Training	VSO are certified and attend the VSO meetings/trainings each year. Current on State Ethics training	N/A		
T,F	Expenditures not reviewed	The VS Agent does review on a monthly basis and reconciled to VSMIS report. Town signs off on VSMIS report.	N?A		
T,F	Timesheets not reviewed or approved	The VS Agent is part of a District and not employed by the Town.	N/A		
T	Confidential Information Not Stored in a Secure Area/Breach of Confidentiality	Office is locked when not in use as is the filing cabinets where confidential information is stored. Only Town Administrator Assistant and Custodian have keys where confidential information is stored. Veteran's Services uses Tax Collector fax, scanner and printers where they receive or send confidential information.	Ideally, a private All-In-One Printer for the department is recommended.		
T,F	Compensated Absences/Abuse of Time Off	VSO is part of a District and not an employee of the Town. Town makes quarterly payments.	N/A		
T,F, C	Lack of formal Policies and Procedures manual/incorrect processes being followed	Formal Policies, Procedures and Calculation worksheets are in place.	N/A		
T,F, C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.	The Town Fraud policy should be communicated to all employees and contractors working for the Town.		

Fraud Management Plan Approvals

Prepared by:

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George Kincannon, Veteran's Service Agent

Approved by:

_____
Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Information Technology   **Location: Athol, MA 978-575-1500**

Cash Collection: No   **Formal Policies and Procedures Manual – No**

# of Employees: Contracted Service (Suzor IT)

FY 2018 BUDGET: $199,317

	Identified Area of Fraud Risk		Current Control and Monitoring Procedures		Recommendations		Comments
T,F	Lack of Data Security/Breach of Data		User passwords are not required to be changed periodically. Vendor is moving everyone to Biometric. An audit trail is kept for every time someone logs in. Secured computer room for all three servers. Data is backed up every day but by early September they will back up data in real time (every 60 seconds). Firewall has auto updates but is not tested periodically. A new cloud firewall is currently being installed which will provide real time protection. Antivirus software in place with automatic updates done. No storing of credit card information. Depending on software, user permissions are managed by a combination of IT and department heads.		We recommend that passwords be changed on a periodic basis.		

T,F	No Disaster Recovery Plan or Back Up Plan		Currently there is no disaster recovery plan. However, it is a high priority project for new vendor and the Town will have one in place within two months. Not aware of a backup plan.	Implement a disaster recovery plan and backup as a top priority.	
T	Not Utilizing Current Technologies		Desktops and laptops replaced on a 5 year cycle. Asset Panda records current level of technology utilized. Suzor makes recommendations and provides guidance on IT purchases. Town Administrator approves all purchases.	N/A	
T	Theft of Equipment		IT equipment inventory recorded on Asset Panda software database. Under new contract, a physical inventory of IT equipment will be done annually.		
T,F	Expenditures not reviewed		Contracted Service. Not applicable.	N/A.	
T,F	Compensated Absences/Abuse of Time Off		Contracted Service. Not applicable.	N/A	
T,F, C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		Suzor IT has formal policies and procedures,	N/A	
T,F, C	Knowledge of actual fraud or suspicions of fraud affecting the Town.

Lack of Policy stating if fraud suspected what to do | | There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected. | The Town Fraud policy should be communicated to all employees and contractors working for the Town. | |

Fraud Management Plan Approvals

Prepared by:

_____
Adam Suzor, Suzor IT Services

Approved by:

_____
Heather Budrewicz, Town Administrator

TOWN OF ASHBURNHAM

Fraud Risk Management Plan

Department: Parking Clerk   **Location: 32 Main Street   978-827-4100 ext. 6**

Cash Collection: Checks Only   **Formal Policies and Procedures Manual - No**

# of Employees: 1

FY 2018 BUDGET: $ Part of Town Hall Department

	Identified Area of Fraud Risk	Current Control and Monitoring Procedures	Recommendations		Comments
T,F	Cash Collection - Theft of Funds	Receipts not given.	Pre-numbered receipts should be given for all transactions.		
T	Cash Drawer – Theft of Funds	Checks are stored in a locked draw in a desk in a locked area with access control.	N/A		
T,F	Turnovers not done in a timely manner	Turnovers are delivered to the Treasurer's Office every few days. Treasurer verifies amount with Parking Clerk, then signs original and two copies. One kept by Treasurer and Parking Clerk and one delivered to Town Accountant by Parking Clerk. A log book of receipts is not kept for turnovers.	We recommend that a log book be kept for all turnovers.		
T,F	Receipts not being reconciled with the Town Accountant	Receipts are not being reconciled with the Town Accountant.	Receipts should be reconciled monthly or at least on a quarterly basis with Town Accountant.		
T,F	Compensated Absences/Abuse of Time Off	Employees are required to fill out a form for approval of sick leave and vacation, which is signed off by department heads who then submit to Assistant Treasurer who does payroll. Employee pay stub shows outstanding sick and vacation time.	N/A		

T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		There is currently no Policies and Procedures manual. There are verbal procedures and all inspections are logged into a computer system.		A formal procedures manual should be completed as soon as practicable to establish internal controls and proper office protocol.
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the Town. Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the Town. There is not a policy stating what to do if fraud is suspected.		The Town Fraud policy should be communicated to all employees and contractors working for the Town.

Fraud Management Plan Approvals

Prepared by:

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Donna Burton, Parking Clerk

Approved by:

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Heather Budrewicz, Town Administrator

Appendix C – Sample Whistleblower Policy

Whistleblower Policy

Effective Date:

POLICY

General

The Town of Ashburnham requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Town of Ashburnham, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

Reporting Responsibility

It is the responsibility of all employees to report violations or suspected fraud, including questionable accounting or auditing practices in accordance with this Whistleblower Policy.

No Retaliation

No employee who in good faith reports a violation shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Town prior to seeking resolution outside the Town.

Reporting Violations

The Town of Ashburnham has an open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with someone in the Finance Department or anyone in management whom you are comfortable approaching. Supervisors and managers are required to report suspected violations or fraud to the Town Accountant. For suspected fraud, or when you are not satisfied, or uncomfortable with following the Towns' open door policy, individuals should contact the Towns' independent audit firm directly.

Finance Department

The Town Accountant is responsible for investigating and resolving all reported complaints and allegations concerning potential instances of fraud or abuse and questionable accounting or auditing practices. At his discretion, he shall advise the Town Administrator, who has direct access to the Town 's independent audit firm and is required to report to the auditor any fraud, abuse or questionable practices.

Accounting and Auditing Matters

The Town Accountant shall address all reported concerns or complaints regarding auditing practices, internal controls or auditing. The Town Accountant shall immediately notify the independent auditor for the town regarding any such complaint, and work with them until the matter is resolved.

Acting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The Town Accountant will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Contacts

Town Accountant 978-264-1716

Audit Firm (Powers and Sullivan) 781-914-1700

Town Administrator 978-264-1712

_____   _____

Town Accountant   Date

Adopted by the Board of Selectmen on: _____

FRAUD RISK POLICY

The Town of Ashburnham is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of the taxpayers.

Town officials and employees must always, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

Definitions

Occupational **fraud** is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud.

- **Asset Misappropriations** – Theft or misuse of an organization's assets.

  o Cash

    ▪ Fraudulent Disbursements – Perpetrator causes organization to disburse funds through some trick or device. The areas of fraudulent disbursement can occur through billing schemes, payroll schemes, expense reimbursement schemes, check tampering, and register disbursements. Examples are submitting false invoices, time cards, timesheets, voids or refunds.

    ▪ Skimming – Cash is stolen from an organization before it is recorded on the organization's books and records.

    ▪ Cash Larceny – Cash is stolen from an organization after it has been recorded on the organization's books and records.

  o Inventory and all other assets

    ▪ Misuse – Misuse of an organization's inventory or assets for personal use (e.g. vehicles, computers, supplies, etc.)

- Larceny – Inventory or other assets are stolen from an organization.

- **Corruption** – Wrongfully use influence in a business transaction to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.

  o Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the employer.

  o Bribery – The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision.

  o Illegal Gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of an intent to influence.

  o Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.

- **Fraudulent Statements** – Falsification of an organization's financial statements.

Other similar irregularities are defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or government employees, that put government revenue, property, information and other assets at risk of waste or abuse.

Applicability

This policy applies to all Elected Officials and employees of the Town of Ashburnham as well as any business or individual doing business with the government.

General Policy and Responsibility

1. It is the government's intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the government of any party who might be or becomes involved in or becomes/is the subject of such investigation.

2. Each Elected Official, Department Director, Commissioner and Manager is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

3. The Office of the Town Administrator has the primary responsibility for the investigation of all activity defined in this policy.

4. The Town Administrator will notify the Board of Selectmen of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation to the extent practical. Throughout the investigation the Board of Selectmen will be informed of pertinent investigative findings.

5. In all circumstance where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator, subject to the advice of the Board of Selectmen, will contact the office of the District Attorney and/or the Town of Ashburnham Police.

6. Upon conclusion of the investigation, the results will be reported to the members of the Board of Selectmen, and others as determined necessary.

7. The Town Administrator will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the Town's losses from the offender, or other appropriate source.

Procedures

1. All Employees

   Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Town Administrator.

   Employees have a duty to cooperate during an investigation.

   Employees who knowingly make false allegations will be subject to discipline and possible termination of employment.

2. Town management Elected Officials

   Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Administrator.

3. Office of the Town Administrator

   Upon notification or discovery of a suspected fraud, the Town Administrator will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator will inform the Board of Selectmen. Subject to the advice of the Board of Selectmen, the

Town Administrator will contact the Office of the District Attorney and/or the Town of Ashburnham Police.

4. Contacts/Protocols

   After an initial review and a determination that the suspected fraud warrants additional investigation, the Town Administrator will notify the Board of Selectmen. The Town Administrator will coordinate the investigation with the Board of Selectmen and appropriate law enforcement officials.

5. Security of Evidence

   Once a suspected fraud is reported, the Town Administrator, in consultation with the Board of Selectmen, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the Town Administrator obtains the records to begin the audit investigation.

6. Personnel Actions

   If a suspicion of fraud is substantiated by the investigation, disciplinary action shall be taken by the Appointing Authority, in consultation with the Department of Personnel, the Town Administrator, and the Board of Selectmen.

7. Whistle-Blower Protection

   Under Massachusetts General Law Chapter 149, paragraphs 148A, 185 and 187, no employer or person acting on behalf of an employer shall:

   Dismiss or threaten to dismiss an employee

   Discipline or suspend, or threaten to discipline or suspend, an employee

   Impose any penalty upon an employee; or

   Intimidate or coerce an employee

   because the employee has acted in accordance with the requirements of this policy. The violation of this section will result in discipline up to an including dismissal in accordance with the applicable federal, state, and local administrative laws.

8. Media Issues

Any Town employee or elected official contacted by the media with respected to an audit investigation shall refer the media to the Town Administrator or the Public Information Officer. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the through the Town Administrator.

If the Town Administrator is contacted by the media regarding an alleged fraud or audit investigation, they will consult the Board of Selectmen, before responding to a media request.

Neither the Town Administrator, nor the Board of Selectmen will discuss the details of any ongoing fraud investigation with the media that may compromise the integrity of the investigation.

9. Documentation

At the conclusion of the investigation, the results will be reported to the members of the Board of Selectmen, and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the District Attorney and/or the Town of Ashburnham Police.

10. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel action, any records, documents and other evidentiary material will be returned by the Town Administrator to the appropriate department.

11. Training

New employees are trained at the time of hiring about the Town's Code of Conduct and Fraud Policy. This training explicitly covers expectations of all employees regarding:

(1) Their duty to communicate certain matters;

(2) A list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and

(3) Information on how to communicate those matters.