



Jeremy Peterson
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Erie Metropolitan Transit Authority
127 East 14th Street
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Fraud, Waste, and Abuse Policy

Overview

Erie Metropolitan Transit Authority (the “EMTA”) is committed to the safeguarding of public assets and preventing fraud, waste, and abuse. This includes but is not limited to fraud, waste and abuse in any federal or state program including Medicare, Medicaid or any other subsidized trip with the Agency. All EMTA employees, as public stewards, must share in this commitment. EMTA employees, especially supervisors and department heads, must be aware of the circumstances or so-called “red flags” which may potentially lead to fraud, waste, and/or abuse.

Purpose

The purpose of this document is to communicate the EMTA’s policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees, customers, and others, and to provide specific instruction regarding appropriate action in case of suspected violations.

Scope

This policy applies to any fraud, waste or abuse or suspected fraud, waste or abuse involving customers, employees, including but not limited to department heads, officials, consultants, vendors, contractors, and any other parties with a business relationship to the EMTA.

Goal

The intent of this policy is to establish and maintain a fair, ethical, and honest business environment for all employees, customers, suppliers, and anyone else with whom the EMTA has a relationship. Fraud, waste, and abuse not only involve loss of revenues, but also decreased morale and productivity. This policy involves any state or federally subsidized trips, programs, and expenditures.

Definitions

“**Abuse**” refers to violations and circumventions of departmental or EMTA regulations, state regulations and/or federal regulations which impair the effective and efficient execution of operations. Examples of abuse include, but are not limited to:

- Using EMTA equipment or suppliers to conduct non-EMTA business
- An employee using confidential information for the benefit of his/her outside business
- Improper handling or reporting of money or financial transaction
- Profiting by self or others as a result of inside knowledge



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- Destruction or intentional disappearance of records, furniture, fixtures, or equipment
- Accepting or seeking anything of material value from vendors or persons providing services or material to the EMTA for personal benefit
- Unauthorized use of EMTA resources for non-EMTA purposes
- Misuse of purchase order authority, such as false travel or expense reports
- Accepting or seeking anything of material value from vendors or persons providing services or materials to the EMTA
- Seeking or accepting trips for an improper purpose
- Use of information gained as an EMTA employee for personal gain

“Fraud” encompasses an array of irregularities and illegal acts characterized by internal or external deception. It can be perpetrated for the benefit of or to the detriment of the EMTA, and it can be perpetrated by persons outside as well as inside the EMTA and may impact programs of the EMTA. Examples of fraud include, but are not limited to:

- Theft or misappropriation of funds, supplies, etc.
- Forgery or unauthorized alteration of any document
- Intentional misrepresentation by EMTA personnel regarding payroll records
- Intentional misrepresentation or knowingly misrepresenting a purpose of a trip
- Knowingly making a false entry in or false alteration of a governmental record
- Making, presenting, or using any record, document, or thing with the knowledge that it is false
- Intentional destruction, concealment, removal, or other impairment to the verity, legibility, or availability of a government record
- Processing, selling, or offering to sell a governmental record or a blank governmental record form with the intent that it be used unlawfully or with the knowledge that it was obtained unlawfully
- Using or claiming to hold an education degree that is fraudulent, fictitious, or has been revoked, with the intent to obtain employment, promotion, or other benefit
- Credit card abuse or falsification of transaction(s)
- Making a false statement to obtain property, credit, or services
- Fraudulent transfer of a motor vehicle
- Securing execution of a document by deception

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- Fraudulent use or possession of individual identifying information without that person's consent
- Stealing or receiving an unsigned check with the intent to use it or sell it

“Waste” is defined as harmful or destructive use of property under one's control. Waste may also refer to the unnecessary incurring of costs as the result of inefficient practices, systems, or controls whether internal or external of the EMTA that may impact the EMTA's programs. Examples of waste include, but are not limited to:

- Damaging, destroying, or ruining materials or equipment
- Improper maintenance or intentional mistreatment of equipment
- Purchase of unneeded supplies or equipment
- Purchase of goods at inflated prices
- Failure to reuse or recycle major resources or reduce waste generation

Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. Department heads are responsible for the implementation and maintenance of effective internal controls. The internal audit division is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of internal controls.

Reasons for the occurrence of fraud include but are not limited to:

1. Poor internal controls, especially disregarded for set policies and procedures
2. Management override of internal controls
3. Collusion between employees and/or third parties
4. Poor or non-existing ethical standards
5. Lack of supervisory control over staff and internal processes

Red Flags

The most commonly cited red flags of fraud include but are not limited to:

1. Changes in an employee's lifestyle, spending habits, or behavior
2. Poorly written or poorly enforced internal controls, procedures, policies, or security
3. Irregular or unexplained variances in financial information
4. Inventory shortages
5. Vague or unusual trip activity
6. Failure to take action on results of internal/external audits or reviews

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7. Unusually high expenses or purchases
8. Frequent complaints from customers
9. Missing files
10. Ignored or overlooked employee comments or concerns regarding possible fraud
11. Refusal by an employee to relinquish custody of records
12. Working excessive overtime and refusing to take vacation time off

Fraud Prevention

The following internal controls should minimize the risk and help prevent fraud:

1. Adherence to all policies and procedures, especially those concerning documentation and authorization of transactions
2. Maintaining physical security and controlled access over assets by performing actions such as locking doors and restricting access to certain areas
3. Proper training of employees
4. Independent review and monitoring of tasks by the department supervisor, such as approval processing of selected items
5. Separation of duties so that no one employee is responsible for a transaction from start to finish
6. Clear lines of authority
7. Conflict of interest statements which are enforced
8. Rotation of duties in positions more susceptible to fraud
9. Ensuring that employees take regular vacations
10. Regular independent audits of areas susceptible to fraud
11. Follow up and monitoring of trip purposes and unusual activity

Reporting Fraud

If an employee, customer, board member, or vendor suspects that fraud is being committed within the EMTA, then the employee should report it to any of the following:

- Their immediate supervisor
- Their department head
- EMTA Auditor
- Human Resources
- Board Members



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The supervisor, department head, and human resources personnel should immediately convey and reports of fraud to the Auditor.

At any time, an employee may communicate directly with the Auditor to report fraud, and the employee will have the option to remain anonymous. Every attempt will be made to protect the identity of the reporting individual. The Auditor is committed to protecting the employee's identity and confidentiality.

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Managers should not in any circumstances perform any investigative or other follow-up steps on their own. All relevant matters should be referred immediately to the Auditor.

If members of the public suspect that fraud is being committed within the Authority, they may report it to the Auditor.

Retaliation

An employee who believes that they have experienced retaliation for making a report or assisting in an investigation shall report this as soon as possible to the EMTA's Human Resources Director.

Reporting Unethical Behavior

Employees are encouraged to seek advice from the EMTA's Human Resources Department when faced with uncertain ethical decisions. HR is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as necessary.

Duty to Report

All those who are subject to this policy have a duty to report violations of this policy and cooperate in investigations, inquiries, and hearings conducted by the EMTA. However, a person making false reports shall be subject to disciplinary action if a person reports information which they know to be false or which they disclose with reckless disregard for its truth.

Coercion

No EMTA official or employee shall directly or indirectly use or threaten to use any official authority or any influence in any manner whatsoever which tends to discourage, restrain, deter, prevent, interfere with, coerce, or discriminate against any person who in good faith reports, discloses, divulges, or provides any facts or information relative to an actual or suspected violation of this policy or other state, federal, or local laws.



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Consequences

EMTA department heads found to have violated this policy will be subject to discipline, include a written warning or reprimand, suspension, or termination in accordance with the procedures under which a department head may otherwise be disciplined.

EMTA employees found to have violated this policy will be subject to discipline by their department head or elected official regarding violations of this policy, including a written warning or reprimand, suspension, or termination in accordance with the procedures under which the employee may otherwise be disciplined.

Parties doing business with the EMTA, including vendors, consultants, contractors, customers or their principals and employees, found to have violated this policy will be subject to termination of any business relationship with the EMTA and exclusion from further business opportunities with the EMTA.

As to all those subject to this policy or otherwise, the EMTA may make referral of its findings to the appropriate law enforcement authority.