Homedale Joint School District No. 370

FINANCIAL MANAGEMENT **7225**

Financial Fraud and Theft Prevention

District financial fraud or theft is a criminal matter and covered by State laws. This policy is merely a guideline so that all District employees understand the possible repercussions of such actions. If you have questions regarding fraud and/or theft, please contact your District legal counsel and/or your local law enforcement agency.

All District employees, Board Trustees, consultants, vendors, contractors, and other parties maintaining a business relationship with the District shall act with integrity and due diligence in matters involving District fiscal resources.

The Superintendent shall be responsible for developing internal controls designed to prevent and detect fraud, financial impropriety, and fiscal irregularities, and cybersecurity vulnerabilities within the District. Every member of the District's administrative team shall be alert for any indication of fraud, financial impropriety, or irregularity within their areas of responsibility.

The Superintendent shall investigate reports of fraudulent activity in a manner that protects the confidentiality of the parties and the facts. All employees involved in the investigation shall be advised to keep information about the investigation confidential. While investigating and responding to the financial fraud allegations, the Superintendent or Chair of the Board will give priority to avoiding possible retaliation or reprisals.

Mandatory Disclosures

As indicated under 2 CFR 200.113, the District must promptly disclose whenever it finds credible evidence of a violation of the following in connection with a federal award, including any activities or subawards:

1. Federal criminal law involving:
    a. Fraud
    b. Conflicts of interest; or
    c. Bribery;
2. Gratuity violations found in Title 18 USC; or
3. A violation of 31 USC 3729-3733.

The disclosure must be made in writing to the federal agency, the agency's office of inspector general, and to any pass-through entity, if applicable. The District and any of its subrecipients are also required to report matters related to recipient integrity and performance in accordance with Appendix XII of 2 CFR Part 200.

Staff Responsibilities

Any employee who suspects that financial fraud, impropriety, irregularity, or a breach in cybersecurity has occurred shall immediately report those suspicions to their immediate supervisor and/or the Superintendent or designee who shall have the primary responsibility for initiating necessary investigations. Additionally, the Superintendent shall coordinate investigative efforts with the District's legal counsel, auditing firm, and other internal or external departments and agencies, including the county prosecutor's office and law enforcement officials, as the Superintendent may deem appropriate.

Employees may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing what they believe is reasonable evidence of gross mismanagement of a federal contract, a gross waste of federal funds, an abuse of authority relating to a federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal contract or grant. Employees must be notified of whistleblower rights and protections under 41 USC 4712.

An employee who believes they have suffered reprisal, retaliation or discrimination for a report under this policy shall report the incident(s) to the Superintendent or designee. The Board will attempt to ensure that no employee who makes such a report will suffer any form of reprisal, retaliation, or discrimination for making the report. Employees are prohibited from preventing or interfering with those who make good faith disclosures of misconduct. This policy shall not apply when an employee knowingly makes a false report.

In the event the concern or complaint involves the Superintendent, the concern shall be brought to the attention of the Board Chair who is hereby empowered to contact the District's legal counsel, auditing firm, and any other agency to investigate the concern or complaint.

Definition

As used in this policy, "fraud" refers to intentionally misrepresenting, concealing, or misusing information in an attempt to commit fiscal wrongdoing. Fraudulent actions include, but are not limited to:

1. Behaving in a dishonest or false manner in relation to District assets, including theft of funds, securities, supplies, or other District properties;
2. Forging or altering financial documents or accounts illegally or without proper authorization;
3. Improper handling or reporting of financial transactions;
4. Personally profiting as a result of insider knowledge;
5. Disregarding confidentiality safeguards concerning financial information;
6. Violating Board conflict of interest policies; and
7. Mishandling (destroying, removing, or misusing) financial records of District assets.

Internal Controls

The following internal controls shall be a regular practice of the District in an effort to prevent the possibility of fraud:

1. Budgetary Transfers: The transfer of appropriations is important for the Superintendent, purchasing agent, business official, and treasurer, and all should have written confirmation of the information. The purchasing agent shall be apprised if the transfer has been approved, the treasurer shall document it, and the business official shall record it;

2. Treasurer's Receipts: The treasurer should have receipts and numbered duplicates for everything paid out in their custody;

3. Checks: The treasurer shall keep personal custody of any signature stamps and maintain a log for every check written;

4. Audit: An individual not connected to the business office should audit the check register regularly;

5. Conduct Background Checks on Potential Business Office Employees: Check all possible references, not just those offered, and perform criminal background checks on key business officials and other warranted positions; and

6. Segregate functions within the business office so as to avoid the opportunity for fraud without collusion.

Legal Reference:	18 USC	Crimes and Criminal Procedure
	2 CFR § 200.113	Mandatory Disclosure
	31 USC. §§ 3729-3733	False Claims Act
	31 USC § 6503	Intergovernmental financing (Cash Management Improvement Act of 1990)
	41 USC § 4712	Enhancement of contractor Protection from Reprisal for Disclosure of Certain Information

Policy History:
Adopted on: No prior Policy