

532 – FRAUD PREVENTION AND REPORTING POLICY

1.0 POLICY

The District maintains a zero-tolerance policy toward fraud, theft, and misuse of public resources.

2.0 PURPOSE

The purpose of this policy is to establish clear standards and responsibilities for preventing, detecting, investigating, and reporting fraud, theft, and misuse of public resources within the Des Moines Pool Metropolitan Park District ("the District"). This policy reinforces the District's commitment to integrity, transparency, accountability, and compliance with AWC-RMSA standards, Washington State law and State Auditor's Office (SAO) requirements.

3.0 SCOPE

This policy applies to all District employees, commissioners, volunteers, contractors, and vendors, and to all funds, property, systems, and operations owned, managed, or administered by the District.

4.0 DEFINITIONS

- **Fraud:** Any intentional false statement, act, or omission designed to deceive others, resulting in actual or potential loss or misuse of public resources or personal gain.
- **Misuse of Public Resources:** Use of District property, funds, systems, or time for non-District purposes.
- **Theft:** Unauthorized control over District property, services, or funds with intent to deprive the District.
- **Suspected Fraud, Theft, or Misuse of Public Resources:** A reasonable belief that fraud, theft, or misuse has occurred or is occurring, whether or not supported by conclusive evidence.

5.0 POLICY STATEMENT:

All employees, officials, and representatives of the District are responsible for:

- Acting ethically and in accordance with District policy and state law;
- Preventing, detecting, and reporting suspected fraud, theft, or misuse of public resources; and
- Cooperating fully with investigations conducted by management, the SAO, risk pool representatives, or law enforcement.

6.0 ROLES AND RESPONSIBILITIES

Role	Responsibilities
Board of Commissioners	Approves this policy, follows this policy, ensures appropriate internal controls, and supports management in providing resources necessary for training and for maintaining a culture of integrity. Immediately report any Suspected Fraud, Theft or Misuse of Public Resources. Cooperate in audits or investigations.
District General Manager	Implements this policy, follows this policy, oversees training, ensures prompt reporting to the SAO as required by RCW 43.09.185, coordinates investigations and involves law enforcement when appropriate. Immediately report any Suspected Fraud, Theft or Misuse of Public Resources. Cooperate in audits or investigations.
Supervisors/Managers	Follows policy, maintain internal controls, monitor for warning signs, and communicate expectations to staff. Immediately report any Suspected Fraud, Theft or Misuse of Public Resources. Cooperate in audits or investigations.
Employees & Volunteers	Follows policy, immediately report any Suspected Fraud, Theft or Misuse of Public Resources. Cooperate in audits or investigations.
District General Manager (or Board)	Follows policy. Performs periodic audits, reconciliations, and reviews for irregularities; maintains documentation. Immediately report any Suspected Fraud, Theft or Misuse of Public Resources. Cooperate in audits or investigations.

7.0 INTERNAL CONTROLS

The District will maintain and periodically review a system of internal controls consistent with SAO guidance, including:

- Segregation of duties for financial transactions;
- Dual authorization for expenditures;
- Secure management and segregation of duties for cash handling and receipts;
- Routine reconciliations of financial accounts and expenses and management reviews;
- Physical safeguarding of assets; and
- Annual review and staff training on fraud prevention.
- Maintenance of a current small and attractive asset policy.
- Establish procedures and reporting requirements for reporting Suspected Fraud, Theft or Misuse of Public Resources.

8.0 APPROVAL CHAINS FOR VENDORS, EMPLOYEES AND SYSTEM CHANGES

8.1 Purpose

The following controls are established to prevent fraud, theft, or misuse of public resources related to vendors, employees, cash handling, and financial systems.

8.1.1 Vendor Setup and Maintenance Controls

- Dual authorization for vendor setup or changes.
- Independent verification of vendor legitimacy.
- Documentation of approvals and changes.
- Restricted, role-based system access.
- Three-way matching prior to invoice payment, confirming an approved purchase order, correct invoice, and documented receipt of goods or services.
- Prohibition on splitting purchases to evade approval thresholds or spending limits.

8.1.2 Employee and Payroll Change Controls

- Dual authorization for vendor setup or changes.
- Independent verification of vendor legitimacy.
- Documentation of approvals and changes.
- Restricted, role-based system access.
- Three-way matching prior to invoice payment, confirming an approved purchase order, correct invoice, and documented receipt of goods or services.
- Prohibition on splitting purchases to evade approval thresholds or spending limits.

8.1.3 Bank Account and Financial System Changes

- Dual approval for banking or signer changes.
- Multi-factor authentication for online access.
- Independent verification of vendor payment changes.
- Maintenance of system audit logs.
- Monthly bank and account reconciliations performed by an individual independent of check issuance or payment processing. Reconciliations shall be reviewed, documented, and signed by management.

8.1.4. Other Sensitive Changes

- Compliance with purchasing thresholds.
- Approval controls for credit cards and P-cards.
- Semi-annual reviews of system access.

8.1.5. Cash Handling

- Daily cash reconciliation and supervisor review.
- Timely deposits in accordance with District procedures.
- Secure, locked cash storage with controlled access.
- Individual tills assigned to each cashier.
- No commingling of personal and District funds.
- Documentation for non-transaction till openings.

8.1.6. Reporting Suspected Fraud

- All employees and officials must immediately report suspected or discovered fraud to the District General Manager, Board President, or designee.
- The District shall immediately report losses or suspected fraud to the State Auditor's Office as required by RCW 43.09.185.
- The District strictly prohibits retaliation against any individual who reports concerns in good faith.

8.1.7. Fraud Investigation Procedures

- Prompt assessment of allegations by management.
- Notification and coordination with legal counsel, District GM (and Board President, if allegations against District GM), the State Auditor's Office, and AWC-RMSA (the District's risk pool), as appropriate.
- Preservation of evidence and maintenance of confidentiality.
- Cooperation with external investigators and auditors.

8.1.8. Corrective Actions and Discipline

- Disciplinary action up to and including termination for employees or officials found to have engaged in fraud or misconduct.
- Contract termination or remedies for vendors or contractors.
- Restitution of losses when applicable.
- Referral for criminal prosecution when warranted.

8.1.9. Training and Awareness

- Annual fraud prevention training for employees and officials, consistent with RMSA member standards.
- Fraud prevention education included in new employee and commissioner orientation.

8.1.10. Records Retention and Documentation

- Compliance with Washington State records retention schedules and the Public Records Act.
- Secure organization, storage, and protection of financial and investigative records.

8.1.11. Oversight and Audit

- *Quarterly Internal Review:* The District General Manager shall review samples of vendor, payroll, and system changes each quarter for compliance.
- *External Audit Support:* All records of changes will be retained and made available to the State Auditor's Office upon request.

8.1.12. Enforcement

Failure to follow approval chains or circumvent controls may result in disciplinary action, loss of system access, and/or investigation under this policy.

9.0 POLICY REVIEW

This policy shall be reviewed at least every three years or sooner as required by law or audit findings.

10.0 REFERENCES

- RCW 43.09.185 – Loss of Public Funds – Immediate Notice to State Auditor
- RCW 42.41 – Local Government Whistleblower Protection
- Washington State Auditor’s Office (2023) – Trust But Verify: Fraud Prevention Guide for Local Government
- District Employee Handbook
- Policy 520 Procurement Policy