SECTION 14 - FRAUD PREVENTION, FINANCIAL ETHICS, AND MISCONDUCT CONTROLS

14.1 Purpose

This section establishes standards for:

- Preventing fraud, waste, and abuse
- Promoting ethical conduct
- Detecting financial misconduct
- Investigating suspected irregularities
- Protecting whistleblowers
- Ensuring corrective and disciplinary action

This section supports compliance with:

- 2 CFR §200.303 (Internal Controls)
- 2 CFR §200.113 (Mandatory Disclosures)
- Federal False Claims Act principles
- Applicable state laws

14.2 Commitment to Ethical Stewardship

NRMRWDACB and its Fiscal Agent are committed to:

- Responsible stewardship of public funds
- Transparent financial practices
- Accountability at all levels
- Zero tolerance for fraud or misuse

All employees, officers, and agents must act with integrity in the administration of funds.

14.3 Definitions

Fraud – Intentional deception for personal gain or to cause loss to another.

Waste – Extravagant, careless, or needless expenditure.

Abuse – Improper use of funds or authority.

Financial Misconduct – Any violation of financial policies or federal regulations.

14.4 Examples of Prohibited Conduct

Examples include, but are not limited to:

- Falsifying timesheets
- Charging unallowable costs
- Altering invoices
- Approving one’s own reimbursement
- Misuse of purchasing cards
- Conflict of interest in procurement
- Split purchases to avoid thresholds
- Submitting duplicate charges
- Intentional misallocation of funds
- Concealing over-expenditures

14.5 Prevention Controls

Fraud prevention is embedded throughout this manual via:

- Segregation of duties
- Multi-layer approval processes
- Obligation tracking
- Budget monitoring
- Procurement documentation
- Purchasing card review
- Payroll certification
- Reconciliation processes
- Audit oversight

- Random spot checks

These layered controls reduce opportunity for fraud.

14.6 Mandatory Disclosure

In accordance with 2 CFR §200.113:

NRMRWDACB must disclose, in a timely manner, to the appropriate federal agency or pass-through entity, any credible evidence of:

- Fraud
- Conflict of interest
- Bribery
- Gratuity violations
- False claims

Failure to disclose may result in:

- Suspension
- Debarment
- Financial penalties

Executive Director is responsible for disclosure coordination.

14.7 Reporting Suspected Misconduct

Suspected fraud or financial misconduct may be reported to:

- Executive Director
- Finance Manager
- Board Chair
- Fiscal Agent leadership
- Anonymous reporting channel (if applicable)

Reports may be made confidentially.

14.8 Investigation Procedures

Upon receipt of allegation:

1. Executive Director documents report.
2. Preliminary review conducted within 5 business days.
3. If credible:
    - Investigation initiated.
    - Fiscal Agent notified if relevant.
    - Board Chair notified if material.
4. Documentation gathered.
5. Findings documented.

If federal funds are implicated:

- Appropriate funder must be notified.

14.9 Interim Safeguards

During investigation:

- Access to financial systems may be restricted.
- Purchasing authority may be suspended.
- Payment processing may be temporarily reassigned.

These safeguards are preventive, not punitive.

14.10 Corrective and Disciplinary Actions

If misconduct is confirmed:

- Repayment of disallowed costs required.
- Disciplinary action may include:
    - Written warning
    - Suspension
    - Termination
- Referral to law enforcement if appropriate.
- Policy revision if systemic issue identified.

14.11 Protection Against Retaliation

Employees who report concerns in good faith:

- Shall not be retaliated against.
- Shall not suffer adverse employment consequences.
- Shall have protections consistent with federal whistleblower protections.

Retaliation itself constitutes policy violation.

14.12 Annual Ethics Review

Annually:

- Executive Director reviews fraud prevention procedures.
- Finance Manager reviews high-risk areas.
- Purchasing card trends reviewed.
- Procurement threshold compliance reviewed.

Documentation retained.

14.13 Internal Control Statement

Fraud prevention structure includes:

Policy → Segregation → Documentation → Monitoring → Investigation → Disclosure → Corrective Action

This layered structure supports compliance with Uniform Guidance and protects public funds.