

## What to Do if Fraud is Alleged or Discovered at Your District

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School districts put internal controls in place to help prevent and deter theft, fraud, and misuse of District monies and assets. However, sometimes allegations and instances of theft, fraud, and misuse occur. If that happens, District management should have a plan to address such allegations and instances. Below are six actions the District should take after discovering the allegations or instances.

### **Investigate Immediately**

It is important to investigate the suspected or alleged fraud immediately. The USFR Compliance Questionnaire requires District management to resolve all allegations of theft, fraud, or misuse of District monies or assets promptly. Doing so immediately can possibly prevent the fraudulent activity from recurring, and limit the loss to the District. Resolving the matter timely can provide information on where a possible breakdown of controls occurred. If there was a breakdown, investigating the incident timely can help correct any breakdowns more quickly.

### **Notify the Arizona Auditor General**

The USFR Compliance Questionnaire also requires District management to notify the Arizona Auditor General of the alleged fraud or misuse in a timely manner. The Auditor General's Office has a Division of Financial Investigations that handles these matters. The Division can be contacted at 602-553-0333. The Division investigates allegations of theft, fraud, and misuse and reports its findings on its website. The Division also provides the investigation results to law enforcement agencies.

### **Notify the Local Police Authorities**

Even though the Auditor General's office will notify law enforcement at some point, it is also good for District management to notify local law enforcement if fraud is detected or confirmed. Law enforcement can also investigate such matters.

### **Consult with the District's Attorney**

It is a good practice to notify the District's attorneys in these matters. District attorneys can assist by advising management on handling employees from a human resources standpoint during and after the investigation. They could also be very helpful in the investigation and could possibly participate in the investigation.

### **Notify the Governing Board**

The District's Governing Board should be notified of the results of any investigations and informed about the fraud that occurred. Transparency and clear communication is key when dealing with such matters. Communicating to the Governing Board and the community that the instance was investigated and resolved timely is very important.

### **Disclose to Your Auditor**

As part of every audit engagement, there is a fraud discussion interview. Your auditor will inquire about suspected, alleged, or actual fraud that has occurred at the District. Be sure to provide your auditor with as much detail as possible of any incidents of theft, fraud, or misuse of monies. Any documentation you can provide will help the auditor document the incident.

Nobody can predict if or when a fraudulent activity will occur. However, they can have a plan in place if such an activity does occur. The actions above should be part of that plan.

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