Policy 5.4 Fraud Prevention

Approved and Adopted by Board of Trustees December 11, 2025

Overview

This policy is designed to promote a healthy and ethical culture in the Iosco-Arenac District Library (the "Library") for the benefit of both employees and patrons. This policy addresses all aspects of fraud and corruption prevention, detection, and investigation for the Library. For the employee, the policy reinforces the requirement that all staff act ethically in the performance of their duties and specifies controls and procedures intended to identify, reduce, and ultimately eliminate the Library's exposure to potential losses from error, fraud, or corruption.

Policy Statement

The purpose of this policy is to provide the formal, written stance of the Iosco-Arenac District Library on fraud and corruption and to provide a clear procedure for a consistent, transparent, and accountable approach to issues of corruption and fraud as they may arise from time to time. Additionally, this policy is meant to provide measures to both prevent fraud and corruption and to identify it readily if it should occur.

Policy 5.4.1: Fraud Prevention Committee

The Library shall create a committee made up of the Library Director and two Board Members. Any Committee member who is implicated in the fraud or has a conflicting relationship with the perpetrator of the fraud (e.g. spouse, child, sibling, partner, close friendship) must be recused from the investigation and a replacement may be chosen by the remaining Committee members. The Committee shall meet annually to conduct, in addition to Risk Assessment Reviews, to analyze potential threats, to implement practical policies for reducing fraud, and to respond to fraud when it occurs. The Committee may propose amendments to this policy to be considered by the Library Board, or other similar governing body.

The Committee shall issue a quarterly report offering best practices and making all employees aware of any active, ongoing, or recently concluded investigations.

Policy 5.4.2: Fraud and Corruption Risk Assessment Reviews

The Committee will conduct fraud and corruption Risk Assessment Reviews to establish the Library's risk profile and to provide management with information to deal with fraud and corruption in a cost-effective way. At a minimum, Risk Assessment Reviews must address both internal and external fraud and corruption risks (i.e. both employee and customer/patron fraud), and the potential for collusion from the dual perspectives of employee-employee and patron-employee. The Review shall also consider the sufficiency of Internal Financial Controls. The Library will conduct Risk Assessment Reviews annually, but more frequently as required. The Committee shall solicit input from all employees and welcome feedback from patrons as it is offered. Following each Review, the Committee shall generate a report which will be kept on file and reviewed prior to the next Review. Any proposed policy change or amendment shall be supported by findings contained in the previous Review.

Policy 5.4.3: Internal Financial Control

The Library shall maintain internal financial and management controls which require employees to follow standards of practice. These controls include, but are not limited to, the following:

- Fraud-conscious hiring practices, including reference checks and verification of educational qualifications
- Segregation of financial duties and division of access point
- Routine inventory accounting
- Security of records, information systems, and cybersecurity
- Routine review of risk and risk management strategies
- Supervision and internal checks
- Consistency in training and chain-of-command
- Budget review and assessment

Policy 5.4.4: Internal Audits

Internal audits shall be implemented and shall include both routine and random audits intended to test compliance and the effectiveness of policies herein and hereafter implemented. The results of any audit must be reported to the Committee with recommendations to address identified adverse trends or deficiencies. As part of an audit, all employees must be given the opportunity to provide feedback or insight to the perpetration of fraud within their positions. To promote transparency, all employee feedback as part of an audit shall remain anonymous and confidential.

Policy 5.4.5: Reporting Fraud and Corruption

Employees may report matters of fraud or corruption at any time with any member of the Committee. Any report shall be formally recorded in as much detail as appropriate. All matters reported in good faith will be thoroughly investigated using processes outlined in Section IX. Any report which credibly alleges criminal activity shall be reported to the local police at the time it is reported to any Committee member. All reports, regardless of confirmation or whether action is taken, will be considered in the Reviews described by Section 4 and given appropriate weight at the discretion of the Committee.

Policy 5.4.6: Report Outcomes

The Library will take appropriate disciplinary action against any employee believed to have participated, perpetuated, or covered up fraudulent or corrupt conduct. Any criminal activity by employee or patron will be reported to the police. Noncriminal misconduct may be handled using internal policies or procedures, including but not limited to suspension or complete ban of Library access or privileges, and in the case of employees, suspension, or termination. Civil action may be pursued to recover any loss of public money or property.

Policy 5.4.7: Initial Investigation

Once fraud or corruption has been reported, it must be handled seriously and investigated competently and thoroughly. The information received during an investigation will be kept as confidential as possible as permitted by law, while still permitting the matter to be properly investigated and comply with applicable laws. The Library shall explore all reports of fraud or corruption through the Committee. The Committee shall:

A. Record all reports received

B. Provide notice to all parties involved of the allegations and the process
C. Coordinate an initial investigation sufficient to make an initial assessment
D. Ensure the investigating body has full access and cooperation
E. Ensure that the investigation is thorough, impartial, fair, and unbiased
F. Make an initial assessment of each report and determine whether:
    a. Immediate action may be taken, or
    b. Further investigation is needed, or
    c. The report lacks credibility and should be dismissed.
G. Keep all parties involved in the matter informed of the status, progress, and outcome of the investigation.
H. Ensure all initial investigations are completed in a swift, timely manner
I. Ensure that any recommendation or penalty is implemented as promptly as possible, including:
    a. Police involvement;
    b. Suspension;
    c. Termination;
    d. Removal;
    e. Ban from Access;
    f. Charges or Fines.
J. If at the conclusion of the initial investigation a reasonable basis exists to believe that fraud or corruption has occurred, the Committee shall either refer the matter to the police or continue with further investigation under Section 9.2.

Policy 5.4.8: Further Investigation

If the matter has been reported to the police at the conclusion of the initial investigation, further investigation may still be required at the discretion of the Committee, as actions taken by the Library with respect to staff or patrons will be determined independently of any criminal investigation. If the recommendation after the initial investigation is further investigation, such further investigation must be pursued immediately. Under most circumstances, a decision to further investigate will require the services of an independent investigator which will be hired by the Committee at the Library's expense. The Committee shall work with the independent investigator to develop an Investigation Plan and shall cooperate to furnish all materials and provide such access as may be helpful to the investigation.

The Committee and all Library employees shall avoid involvement in any external investigation and shall not attempt to influence the investigation in any way. However, all employees shall cooperate with the investigation through any means reasonably requested.

Policy 5.4.9: Closing Investigations

Following the initial investigation or at the conclusion of further investigation, it is concluded that fraud was not perpetrated or that further action is unnecessary or impractical, the investigation shall be deemed closed. When an investigation is deemed closed, the Committee shall draft a Final Investigation Report detailing the allegations, the evidence, the timeline of the investigation, all involved parties, and any resolution/action that may be taken. Final Investigation Reports shall be maintained by the Committee and included in both the quarterly reports and the annual Review.