**Policy Booster: Internal Controls & Whistleblower**

With heightened attention on public use of taxpayer dollars and suspect activities in all levels of government under the public microscope, it’s more important than ever to insure that internal controls processes and whistle-blower protections are an important expectation in school districts.

This policy is recommended best practice, but not mandated by the state. However, this policy adopted by the school board will help to clearly steer staff actions based on expectations of propriety and integrity, including the actions of staff when complaints surface, protection of whistler-blowers, and investigation processes clearly stated and easy to follow.

The following sample is based on a policy shared by ISFIS Policy Subscriber, Linn-Mar Community School District, 801.7 Internal Controls Policy with additions from best practices policy samples. Please review the list of positions to whom a whistleblower complaint can be made and delete those not present in your district or add others to whom such a complaint can be made.

We suggest you include these updates in the 700 series section of your board policy manual, at least in the ISFIS Policy Starter Manual, it would go in that section as **700.1 titled: Internal Controls and Whistle-Blower Policy.** It follows the newly release Public Use Policy additions to ISFIS 700 Purpose of Non-instructional and Business Services.

**Sample Draft Policy**

We’ve attached a sample Board Policy 700.1 Internal Controls and Whistleblower Policy to this Policy Booster for your reference. Contact margaret@iowaschoolfinance.com with questions.

***The “dot your I’s and cross your T’s” disclaimer:*** *This Policy Booster is not a substitute for legal advice, but rather, the impetus to get the local ball rolling. Check with your local school attorney and consider the impact this policy will have on other policies, handbooks, bargaining agreements, administrative procedures and forms in the district.*

**700.1 Internal Controls & Whistleblower**

The board expects all board members, employees, volunteers, consultants, vendors, contractors, students, and other parties maintaining any relationship with the school district to act with integrity, due diligence, and in accordance with all laws in their duties involving the school district’s resources. The board is entrusted with public dollars and no one connected with the school district should do anything to erode that trust.

Internal control is the responsibility of all employees of the school district. The superintendent, chief financial officer, business manager and board secretary [or designee] shall be responsible for developing internal controls designed to prevent and detect fraud, financial impropriety, or fiscal irregularities within the school district subject to review and approval by the board. Administrators shall be alert for any indication of fraud, financial impropriety, or irregularity within the administrator’s area of responsibility.

Any employee who suspects fraud, impropriety, or irregularity shall report their suspicions immediately to their immediate supervisor, the superintendent, the business manager, the human resources director or a Finance/Audit Committee member *(identify appropriate individuals for reporting purposes aligned with your district table of organization here).* The superintendent shall have primary responsibility for any necessary investigations and shall coordinate investigative efforts with the board’s legal counsel, auditing firm, and other internal or external departments and agencies, including law enforcement officials, as the superintendent may deem appropriate.

Employees bringing forth a legitimate concern about a potential impropriety will not be retaliated against and those who do retaliate against such an employee will be subject to disciplinary action up to and including discharge.

In the event the concern or complaint about a potential financial impropriety involves the superintendent, the concern shall be brought to the attention of the board vice president who shall be empowered to contact the board’s legal counsel, insurance agent, auditing firm, and any other agency to investigate the concern or complaint.

As the elected leader of the board, the board president shall manage the board and related actions including board meetings, analysis of information related to concerns and/or complaints, and all communication internally and externally to the district.

Upon approval of the board, the superintendent [or designee] may contact the state auditor or elect to employ the school district’s auditing firm or state auditor to conduct a complete or partial forensic/internal control/SAS99 audit annually or otherwise as often as deemed necessary. The superintendent is authorized to order a complete forensic audit if, in the superintendent’s judgment, such an audit would be useful and beneficial to the school district. The superintendent shall ensure the state auditor is notified of any suspected embezzlement or theft pursuant to Iowa law. In the event there is an investigation, records will be maintained for use in the investigation. Individuals found to have altered or destroyed records will be subject to disciplinary action up to and including termination.

**700.2 – R Administrative Regulations Regarding Internal Control Procedures and Whistleblower** **Complaints**

Fraud, financial improprieties, or irregularities include but are not limited to:

* Forgery or unauthorized alteration of any document or account belonging to the district.
* Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
* Misappropriation of funds, securities, supplies, or other assets.
* Impropriety in the handling of money or reporting of financial transactions.
* Profiteering because of insider information of district information or activities.
* Disclosing confidential and/or proprietary information to outside parties.
* Accepting or seeking anything of material value other than items used in the normal course of advertising from contractors, vendors, or persons providing services to the district.
* Destroying, removing, or inappropriately using district records, furniture, fixtures, or equipment.
* Failing to provide financial records to authorized state or local entities.
* Failure to cooperate fully with any financial auditors, investigators, or law enforcement.
* Any other dishonest or fraudulent act involving district monies or resources.

The superintendent [or designee] 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.

The employee bringing forth such actions in good faith to their immediate supervisor, the superintendent, the business manager, the human resources director or a Finance/Audit Committee Member, *(identify appropriate individuals for reporting purposes aligned with your district table of organization here)* may not be discharged, threatened, or otherwise discriminated against regarding the employee’s compensation, terms, conditions, location, or privileges of employment. The employee must exercise sound judgment to avoid baseless allegations. An employee who intentionally files a false report of wrongdoing will be subject to disciplinary action.

If an investigation substantiates the occurrence of a fraudulent activity, the superintendent, or board vice president if the investigation centers on the superintendent, shall issue a report to the board and appropriate personnel. The final disposition of the matter and any decision to file or not file a criminal complaint or to refer the matter to the appropriate law enforcement and/or regulatory agency for independent investigation shall be made in consultation with district legal counsel. The results of the investigation shall not be disclosed to or discussed with anyone other than those individuals with a legitimate right to know until the results are made public.