

**Document Code No.:** FIN-15-6-EP

**Title:** Reporting and Investigating Fraud, Losses, or Other Illegal Acts

**Affected Agencies:** All Executive Branch agencies

**Authorities:** RCW 43.09.185, 43.09.260

**Keywords:** Fraud, Theft, Loss of Public Funds

**Sponsoring Agency:** Finance and Business Operations Division



**King County**

**Executive signature:** \_\_\_\_\_

*Dow Constantine*

**Date signed and effective:** November 20, 2024

## I. Purpose

This policy provides standardized requirements for reporting and investigating instances of fraud, including known or suspected losses of public resources or other illegal activity.

**Applicability and Audience** This policy applies to the administrative offices and agencies supervised by the King County Executive. The Assessor and the Director of Elections have also adopted this policy. The audience may include non-Executive Branch King County departments adopting this policy. Those entities having adopted this policy are collectively referred to as the "County" in the remainder of this policy.

## II. Definitions

"Affiliates" for the purpose of this policy, include all King County employees and other individuals representing or being affiliated with King County including elected officials, volunteers, interns, and board and commission members.

"Enterprise Business Systems" are all of the systems which track the County's financial activities. These include PeopleSoft, Oracle eBusiness Suite (EBS), the Project Information Center (PIC), Planning & Budgeting Cloud (PBCS), and agency-specific contracting, project management and grant administration systems.

"Financial Reports" include all reports prepared for County consumption or for the public, whether audited or unaudited.

"Fraud" is the event of a known, attempted, or suspected loss of public resources (including loss of public funds) by deceit, wanton disregard, or illegal activity. It includes, but is not necessarily limited to, losses or illegal activity involving:

- Actions by parties external to King County government, including vendors, contracted service providers, sub-recipients, and other non-government parties.
- Actions by one or more King County employees, including situations in which disciplinary action against an employee is being considered due to fraud, misappropriation, or noncompliance with policies or procedures related to preventing losses of public funds.
- Cybersecurity incidents that involved or could have involved the finances or financial records of King County. These include, but are not limited to, ransomware attacks, electronic payment spoofing, unauthorized access to the County's financial records or computer systems, or other security incidents with impact to financial records or systems.
- Any transaction of concern, which includes action by any person that a witness to the transaction reasonably believes violates, or represents a failed attempt to violate, the laws of the United States; the State of Washington or King County;

King County policies, public rules, or executive orders; or the terms of a contract to which King County is a party that governs the activity.

- Suspected losses involving the health or safety of employees or property.

“Fraud Response Plan” is the plan referenced in the Appendices to this policy that addresses the following components of the County’s fraud program: intake, triage, investigation, reporting, recovery, and prevention.

“Fraud Counter Response Team” a multi-disciplinary team formed to investigate reports of waste, fraud, or misuse. Such teams include representatives that consist of, but are not necessarily limited to, the following: impacted County agencies, the Finance Director, the Prosecuting Attorney civil division, and the Office of Risk Management.

“Loss” refers to an event which causes the County to cease having control over resources through an event which occurs outside of normal business operations. Losses may be related to Frauds or other illegal acts, or may be the result of ordinary negligence, force majeure, or other causes. Resources may be tangible (e.g. cell phones, cash, tools) or intangible (e.g. software, data, intellectual property).

“Loss Report Form” refers to the form used to gather basic information and report losses or possible losses of public funds or other assets to the Chief Accountant whether related to a Fraud or not. This report is required for all losses or suspected losses, even those resulting from breaking and entering, vandalism, counterfeit currency, or other events which are exempt from reporting to the State Auditor.

“Management Representative” refers to an employee’s immediate supervisor, manager, Human Resources Service Delivery Manager, division director, or department director.

“Whistleblower” means an Affiliate reporting an improper governmental activity in accordance with chapter 3.42 King County Code.

### **III. Policy**

#### **A. Duty to Report**

1. All Affiliates are required to report instances of Fraud or suspected Fraud.

Examples include, but are not limited to:

- a. Forgery or alteration of documents (e.g., contracts, invoices, bills of lading, receipts, or statements).
- b. Misappropriation of funds, supplies, or other assets.
- c. impropriety in the handling or reporting of money or financial transactions.
- d. Profiting from one’s official position with the County.
- e. accepting or seeking value from third parties by virtue of one’s official position or duties at the County.
- f. Theft or misuse of property, facilities, or services.
- g. Denying the County use of its property, facilities, or services through ransomware, denial or service attacks, or other means.

- h. Theft of time (intentional or pervasive time reporting errors on timesheets or other documents supporting the calculation and payment of payroll).
- i. Being offered or accepting a bribe or inducement by a supplier or customer.
- j. Soliciting or requesting a bribe or inducement to take or limit government action on behalf of the County.
- k. Receiving fraudulent (rather than erroneous) invoices or bank account information from a supplier or a fake supplier.
- l. Corruption or deception by a program beneficiary, customer, or supplier (or a fake beneficiary, customer, or supplier).
- m. Making an entry to King County's enterprise business systems without adequate supporting documentation.
- n. Providing reports, tables, or financial statements to other Affiliates, the Metropolitan King County Council, the State Auditor, or the public that intentionally deviate from or misrepresent the balances and transactions contained in the Enterprise Business Systems.

**B. Reporting and Notification Protocols**

1. Affiliates should report actual or potential fraud to any of their Management Representatives whenever possible. In instances where all Management Representatives are believed to be implicated in the Fraud, report may be made to the Chief Accountant or Director of FBOD ("Finance Director").

2. Affiliates or their Management Representative should report any fraud to the King County Chief Accountant; the Chief Accountant will advise on whether a Loss Report Form needs to be completed. If appropriate, the Chief Accountant will submit the loss in a timely manner to the State Auditor's Office.

3. The Chief Accountant or their designee will review the submitted Loss Report Form within 1 business day of receipt and will notify the following individuals or parties as needed if the documentation submitted does not indicate such notifications have already occurred:

- a. Whenever there is fraud involving monies transacting through a County bank account in any form, the Chief Accountant shall notify the Chief Treasury Officer. The Chief Treasury Officer will notify King County's banking services provider to initiate actions that will help to mitigate additional fraud and support the recovery of funds.
- b. Whenever there is fraud involving suppliers of goods and services, to the Chief Accountant shall notify the Chief Procurement Officer. The Chief Procurement Officer will notify King County's banking services provider to initiate actions that will help to mitigate additional fraud and support the recovery of funds.
- c. Whenever there is fraud involving one or more County employees, the Chief Accountant shall notify the Human Resources Service Delivery Manager of the agency where fraud is suspected, or the highest-ranking Human Resources representative available.
- d. Whenever there is fraud involving the loss of information technology assets, the Chief Accountant shall notify King County Information Technology (KCIT) via the Cherwell ticketing system.

- e. Agency Directors or their delegates may notify local law enforcement in instances of property damage, e.g. from vandalism or breaking and entering, when there are no indications of County employee involvement. In all other cases, the Finance Director shall be advised of the agency's desire to report to law enforcement. A Fraud Counter Response Team will make the final decision about referral to law enforcement. See the Fraud Response Plan for more information about Fraud Counter Response Teams.

4. In the event of a fraud or loss involving grant funds, grant-funded assets, or assets in Federal title and the County's custody, the program manager on the grant must notify their contacts at the grantor in writing. If this reporting cannot happen timely (program ended, turnover, etc.) the Chief Accountant will make the notification to the grantor required by Uniform Guidance to ensure the County's ongoing compliance with this requirement.

5. Any Affiliate or Management Representative also has the discretion to report any fraud to the King County Ombuds, including the initiation of Whistleblower concerns or complaints.

### **C. Investigation and Reporting**

1. The County takes all allegations of fraud seriously and will investigate them by a suitably qualified individual independent of the area where a transaction or event of concern originated or impacted.

2. For instances of fraud where the loss is judged to be at a "high" risk level, as described in the Fraud Response Plan, the Finance Director shall be advised and will make the determination if a Fraud Counter Response Team should be assembled. For guidance about the participants of a Fraud Counter Response Team refer to the Fraud Response Plan.

3. When a fraud-related investigation report is completed, the recipient of such a report will transmit a copy of the report to the Chief Accountant as soon as practicable.

4. All investigations and their outcome will be reported to the Executive Audit Committee by the Chief Accountant (or designee).

5. The Chief Accountant will report known or suspected losses of public resources or other illegal activity to the State Auditor in compliance with state law.

### **D. Restitution**

1. The County shall not enter into restitution agreements pertaining to any Loss without obtaining all approvals required under section 43.09.260 Revised Code of Washington, unless such recovery of losses is imposed as restitution in a criminal legal proceeding.

2. The Chief Accountant shall be the County's liaison to the Attorney General and State Auditor on restitution requests.

**IV. Implementation Plan**

- A. This policy becomes effective for Executive Branch agencies on the date that it is signed by the Executive. The Finance and Business Operations Division is responsible for implementation of this policy.
- B. Agency Finance Managers are responsible for communicating this policy to the management structure within their respective agencies and other appropriate parties.
- C. The Fraud Response Plan, referenced in the Appendices, will be used as the main guidance document to assist agencies in implementing this policy.

**V. Maintenance**

- A. This policy will be maintained by the Finance and Business Operations Division, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by the Finance and Business Operations Division, or its successor agency prior to the expiration date.

**VI. Consequences for Noncompliance**

- A. Failure to follow this policy could result in a violation of the Revised Code of Washington, loss of public funds, and/or loss of confidence in the government by its residents.

**Appendices:**

- A. Fraud Response and Loss Reporting Manual  
A link is available on the Finance Manager's SharePoint site.
- B. King County loss reporting form locations.

<b>For assets other than information technology assets</b>	<b>For information technology assets</b>
Finance Manager's SharePoint site	KCIT Help Desk ticketing system