



Title: **Fraud**

Code: 828

Book: Policy Manual

Section: 800 Operations

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### **Authority**

The Board expects all Board members, district employees, volunteers, consultants, vendors, contractors and other parties that maintain a relationship with the school district to act with integrity, due diligence, and in accordance with law in their duties involving the district's resources. The Board is entrusted with public funds, and no one connected with the district shall do anything to erode that trust.

### **Definitions**

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

1. Forgery or unauthorized alteration of any document or account belonging to the district.
2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
3. Misappropriation of funds, securities, supplies, or other assets.
4. Impropriety in handling money or reporting financial transactions.
5. Profiteering because of insider information of district information or activities.
6. Disclosure of confidential and/or proprietary information to outside parties.
7. Acceptance or seeking of anything of material value, other than items used in the normal course of advertising, from contractors, vendors, or person providing services to the district.
8. Destruction, removal, or inappropriate use of district records, furniture, fixtures, or equipment.
9. Failure to provide financial records to authorized state or local entities.
10. Failure to cooperate fully with any financial auditors, investigators, or law enforcement.

11. Other dishonest or fraudulent acts involving district monies or resources.

### **Delegation of Responsibility**

The Superintendent or designee shall be responsible to develop and implement internal controls designed to prevent and detect fraud, financial impropriety, or fiscal irregularities within the district, subject to review and approval by the Board.

The Business Manager shall be responsible for maintaining a sound system of internal controls that is designed to identify potential risks, evaluate the nature and extent of those risks, and manage them effectively.

District administrators are responsible to be alert to an indication of fraud, financial impropriety, or irregularity within their areas of responsibility.

The Superintendent shall recommend to the Board for its approval completion of a forensic audit when it is deemed necessary and beneficial to the district.

The Superintendent shall ensure the appropriate authorities are notified, pursuant to state law, when cases of fraud, embezzlement or theft have been identified.

### **Guidelines**

#### **Reporting**

An employee who suspects fraud, impropriety, or irregularity shall immediately report his/her suspicions to the Superintendent.

If the report involves the Superintendent, the employee shall report his/her suspicions to the Board President.

Employees who bring forth a legitimate concern or suspicion about a potential impropriety shall not be retaliated against. Those who do retaliate against such an employee shall be subject to disciplinary action. [1] [2] [3]

#### **Investigation**

The Superintendent shall have primary responsibility for conducting necessary investigations of reported fraudulent activity.

Based on his/her judgment, the Superintendent shall coordinate investigative efforts with any of the following:

1. District solicitor.
2. District auditor.
3. Insurance agent.
4. Internal departments

## 5. Law enforcement officials.

If the Superintendent is involved in the complaint, the Board President is authorized to initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies he/she deems appropriate.

Records shall be maintained for use in an investigation.

Individuals found to have altered or destroyed records shall be subject to disciplinary action.

If an investigation substantiates the occurrence of a fraudulent activity, the Superintendent shall present a report to the Board and appropriate personnel.

The Board shall determine the final disposition of the matter, if a criminal complaint will be filed, and if the matter will be referred to the appropriate law enforcement and/or regulatory agency for independent investigation.

### Confidentiality

The Superintendent shall investigate reports of fraudulent activity in a manner that protects the confidentiality of the individuals and facts.

All employees involved in the investigation are required to maintain confidentiality regarding all information about the matter during the investigation.

Results of an 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.

### Prevention

In order to prevent fraud, the Board directs that a system of internal controls be followed that may include but are not limited to the following:

1. Segregation of Duties---Where possible, more than one (1) person will be involved in pieces of financial transactions. No one (1) person shall be responsible for an entire financial transaction.
2. Payments--Payments shall be made only by check. No cash transactions shall be permitted. Check signers shall be approved annually by the Board and will consist of at least two (2) persons not involved in the transaction. All checks shall have at least two signatures.
3. Bank Reconciliations--Bank statements and canceled checks shall be reconciled by individuals who are not authorized to sign checks, nor involved in check processing.

4. Access to Checks--Physical and electronic access to school district checks and accounts shall be limited to those employees with designated business functions.
5. Capital Assets--The Business office shall maintain updated lists of district capital assets.

Adopted: **May 16, 2023**

Last Revised: **May 16, 2023**

Last Reviewed: **May 16, 2023**

**Legal References:**

- 1. Pol 317
  - 2. 18 U.S.C. 1513
  - 3. 43 P.S. 1423
  - 15 U.S.C. 7201 et seq
  - 43 P.S. 1421 et seq
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