



## FRAUD PREVENTION AND INVESTIGATION

### Background

The district's operational procedure is established to facilitate the development of controls which will aid in the detection and prevention of fraud against School District 72. It is the intent of the Board of Education to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

This operational procedure applies to any fraud, or suspected fraud, involving employees, trustees, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with School District 72.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's relationship to the district. In instances where the secretary-treasurer is being investigated, the superintendent of schools assumes the role of the secretary-treasurer as referred to in this operational procedure.

### Definition

**Fraud** Fraud is defined as the intentional, false representation of a material fact for the purpose of inducing another to act upon it to his or her injury.

#### 1. **Actions Constituting Fraud**

The terms fraud, misappropriation, and other fiscal wrong doing refer to, but are not limited to:

- Any dishonest or fraudulent act;
- Forgery or alteration of any document or account belonging to the district;
- Forgery or alteration of a check, bank draft, or any other financial document;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of district activities;
- Disclosing confidential and proprietary information to outside parties;
- Having a personal direct or indirect pecuniary interest in any supplier with whom business is being conducted;
- Disclosing to other persons activities engaged in or contemplated by the district which would result in profiteering as a result of insider knowledge of district activities;
- Seeking anything of material value (which would benefit the individual employee) from contractors, vendors or persons providing services/materials to the district;
- Personally accepting anything valued greater than \$50. (total value in a year from one source) from contractors, vendors or persons providing services/materials (NOTE: employees must report to their supervisor anything of value received from contractors, vendors or persons providing services/materials to the district);
- Expensing dining meetings that are purely social;
- The unapproved use of district facilities, equipment, or supplies;
- The services of district personnel for personal reasons during work hours;
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related inappropriate conduct.

## 2. Responsibilities

- 2.1 Any fraud that is detected or suspected by any person (including our public, any employee, by a vendor, or by management) must be reported immediately to the secretary-treasurer, who coordinates all investigations with legal advisors and other departments, both internal and external.
- 2.2 Management is responsible for the development of systems to detect and prevent fraud, misappropriations and other inappropriate conduct. Each member of the district and school-based management teams will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. (See appendix attached).
- 2.3 Suspected improprieties concerning an employee's moral, ethical, or behavioural conduct should be resolved by departmental management. If there is any question as to whether an action constitutes fraud, contact the secretary-treasurer for guidance.

## 3. Investigation Responsibilities

- 3.1 The secretary-treasurer has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the operational procedure. If the investigation substantiates that fraudulent activities have occurred, the secretary-treasurer will issue reports to appropriate designated personnel and, if appropriate, to the Board of Education through the Audit Committee.
- 3.2 Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with the superintendent of schools, as will final decisions on disposition of the case.
- 3.3 The secretary-treasurer treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the secretary-treasurer immediately, and should not attempt to personally conduct investigations or interview/interrogations related to any suspected fraudulent act. (See Investigation Process section below)
- 3.4 Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons suspected but subsequently found innocent of wrongful conduct and to protect the district from potential civil liability.

## 4. Investigation Process

- 4.1 Members of the Investigation Unit will have:
  - Free and unrestricted access to all district records and premises, whether owned or rented.
  - The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.
- 4.2 An employee who discovers or suspects fraudulent activity will contact the secretary-treasurer immediately. The employee or other complainant may remain anonymous. All

inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the secretary-treasurer. No information concerning the status of an investigation will be given out. The proper response to any inquiries is, "I am not at liberty to discuss this matter. You may contact the secretary-treasurer for any information."

- 4.3 Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference.
- 4.4 The reporting individual should be informed of the following:
  - Not to contact the suspected individual in any effort to determine facts or demand restitution.
  - Not to discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the secretary-treasurer.
- 4.5 If an investigation results in a recommendation to terminate the employment of an individual, the recommendation will be reviewed for approval by the superintendent of schools and, if necessary, by outside counsel, before any such action is taken.



## Fraud Prevention and Investigation

### Decision Matrix

Action Required	Superintendent	Secretary-Treasurer	Budget Manager	Staff Supervisor
1. Controls to Prevent Fraud	SR	P	SR	S
2. Incident Reporting	S	P	S	S
3. Investigation of Fraud	S	P	S	S
4. Referrals to Law Enforcement	SR	P		
5. Recovery of Monies due to Fraud		P		
6. Recommendations to Prevent Fraud	SR	P	S	S
7. Internal Control Reviews		P	S	S
8. Handle Cases of Sensitive Nature	S	P		
9. Publicity/Press Releases	SR	P		
10. Civil Litigation	SR	P		
11. Corrective Action/Recommendations to Prevent Recurrences	SR	P	S	S
12. Monitor Recoveries	SR	P		
13. Pro-active Fraud Auditing		P		
14. Fraud Education/Training	S	P	S	S
15. Risk Analysis of Areas of Vulnerabilities		P		
16. Case Analysis	S	P		
17. Hotline	S	P		
18. Ethics Line	S	P		
P	Primary Responsibility			
S	Secondary Responsibility			
SR	Shared Responsibility			