

## Commonwealth Education Connections Charter Schools

Section: Finances

Title: Fraud

Adopted: November 2012

### Policy

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. Misappropriation of funds, securities, supplies, or other assets.
2. Impropriety in handling money or reporting financial transactions.
3. Disclosure of confidential and/or proprietary information to outside parties.
4. Acceptance or seeking of anything of material value, other than items used in the normal course of advertising, from contractors, vendors, or persons providing services to the district.
5. Failure to provide financial records to authorized state or local entities.
6. Failure to cooperate fully with any financial auditors, investigators or law enforcement.
7. Other dishonest or fraudulent acts involving district monies or resources.

### Delegation of Responsibility

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) 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 Vice President for Business Operations 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 CEO shall recommend to the Board for its

approval completion of a forensic audit when it is deemed necessary and beneficial to the district.

The CEO 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 CEO or Vice President for Business Operations. If the report involves the either of the above mentioned, the employee shall report his/her suspicions to the Board Chairperson.

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.

### **Investigation**

The CEO shall have primary responsibility for conducting necessary investigations of reported fraudulent activity. Based on his/her judgment, the CEO shall coordinate investigative efforts with any of the following:

1. District solicitor.
2. District auditor.
3. Insurance agent.
4. External agencies.
5. Law enforcement officials.

If the CEO is involved in the complaint, the Board Chairperson is authorized to initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies s/he deems appropriate. Records shall be maintained for use in an investigation. If an investigation substantiates the occurrence of a fraudulent activity, the CEO 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 CEO and Board 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 two (2) 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 checks. No cash transactions shall be permitted.
3. Bank Reconciliations - Bank statements and cancelled checks shall be reconciled by individuals who are not 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. Training - Administrators shall be responsible for ensuring that employees under their supervision receive training regarding fraud prevention.

### References:

Whistleblower Law – 43 P.S. Sec. 1421 et seq.

Sarbanes Oxley Act of 2002 – 15 U.S.C. Sec. 7201 et seq.

Whistleblower Protection – 18 U.S.C. Sec. 1513