

## FRAUD PREVENTION AND FISCAL MANAGEMENT

### 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 the 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 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 persons 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 Superintendent shall be responsible for maintaining internal controls that are designed to identify potential risks, evaluate the nature and extent of those risks, and manage them effectively.

An internal controls audit will be done on a regular basis as defined by the Administration and School Board based on best practices by an outside public accounting firm. In the case of

### Legal References:

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findings from an internal controls audit, the Superintendent, or designee shall provide a corrective action plan to the Board within 90 days of receiving the internal controls audit report.

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

Implementation of the action plan will be done by the Superintendent or designee and shall include a forensic audit by an independent company if deemed necessary.

The Superintendent and Board Chair 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 Chair. Employees who bring forth 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:**

1. The Superintendent shall have primary responsibility for conducting necessary investigations of reported fraudulent activity.
2. The Superintendent shall coordinate investigative efforts with the district auditor, insurance agent, external agencies, and law enforcement officials, if applicable.
3. If the Superintendent is involved in the complaint, the Board Chair shall initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies s/he deems appropriate.
4. Records shall be maintained for use in the investigation.
5. Individuals found to have altered or destroyed records shall be subject to disciplinary action.
6. If an investigation substantiates the occurrence of a fraudulent activity, the Superintendent shall present a report to the Board and appropriate personnel.
7. 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

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investigation. Results of an investigation shall not be disclosed to or discussed with anyone other than those individuals with 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 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. Payment – Payments shall be made only by checks. No cash transactions shall be permitted. Check signers shall be approved annually on the recommendation by the School Treasurer and will consist of persons not involved in the transaction.
3. Bank Reconciliations – Bank statements and cancelled 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.
6. Training – Administrators shall be responsible for ensuring that employees under their supervision receive annual training regarding fraud prevention.

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