

# EAST STROUDSBURG AREA SCHOOL DISTRICT

SECTION: OPERATIONS

TITLE: FRAUD

ADOPTED: October 15, 2007

REVISED:

828. FRAUD	
1. Authority P.L. 107- <u>204</u>	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.
2. Definitions	<p><b>Fraud, financial improprieties, or irregularities</b> include but are not limited to:</p> <ol style="list-style-type: none"> <li>1. Forgery or unauthorized alteration of any document or account belonging to the district.</li> <li>2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.</li> <li>3. Misappropriation of funds, securities, supplies, or other assets.</li> <li>4. Impropriety in handling money or reporting financial transactions.</li> <li>5. Profiteering because of insider information of district information or activities.</li> <li>6. Disclosure of confidential and/or proprietary information to outside parties.</li> <li>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.</li> <li>8. Destruction, removal, or inappropriate use of district records, furniture, fixtures, or equipment.</li> <li>9. Failure to provide financial records to authorized state or local entities.</li> <li>10. Failure to cooperate fully with any financial auditors, investigators or law enforcement.</li> <li>11. Other dishonest or fraudulent acts involving district monies or resources.</li> </ol>
3. Delegation of Responsibility	The <del>Business Manager</del> <u>Chief Financial Officer</u> or designee shall be responsible to <del>develop and</del> implement <u>and maintain a system of</u> internal controls designed to prevent and detect <u>potential risks</u> , 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.~~

4. Guidelines

Reporting

All employees shall be alert for any indication of fraud, financial impropriety or irregularity within their area of responsibility.

43 P.S. 1423  
18 U.S.C.  
Sec. 1513  
Pol. 317,  
417, 517

An employee who suspects fraud, impropriety, or irregularity shall immediately report his/her suspicions to Lighthouse, the District's third party reporting service. ~~Lighthouse will notify the Superintendent~~District Compliance Officer. Reports can be placed anonymously by contacting Lighthouse:

**• Website: [www.lighthouse-services.com/esasd](http://www.lighthouse-services.com/esasd)**

**• Anonymous Reporting App: Keyword: esasd**

**• Toll-Free Telephone:**

- o English speaking USA and Canada: 833-926-2371
- o Spanish speaking USA and Canada: 800-216-1288

**• E-mail: [reports@lighthouse-services.com](mailto:reports@lighthouse-services.com) (must include company name with report)**

**• Fax: (215) 689-3885 (must include company name with report)**

The District Compliance Officer can be reached, in writing, at the Administration Office, East Stroudsburg Area School District, 50 Vine Street, East Stroudsburg, Pennsylvania 18301; by emailing [fraud@esasd.net](mailto:fraud@esasd.net); or reports can be placed anonymously by calling the ESASD Fraud Hotline — (570) 424-7837.

~~If the report involves the Superintendent~~District Compliance Officer, ~~the employee shall report his/her suspicions to the Board President~~Director of Human Resources, who shall be responsible to conduct an investigation in place of the District Compliance Officer.

	<p>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.</p> <p><u>Investigation</u></p> <p>The Superintendent <u>appoints the Director of Administrative Services as the District Compliance Officer.</u> <u>The Compliance Officer shall receive complaints filed with Lighthouse, the District's third party administrator from individuals who allege that this policy has been violated.</u> <u>The Compliance Officer shall have primary responsibility for conducting necessary investigations of reported fraudulent activity.</u></p>
	<p>Based on his/her judgment, the <del>Superintendent</del><u>Compliance Officer</u> shall coordinate investigative efforts with the district solicitor, district auditor and insurance agent.</p> <p>If the <del>Superintendent</del><u>District Compliance Officer</u> is involved in the complaint, the <del>Board President</del><u>Director of Human Resources</u> is authorized to initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies s/he deems appropriate.</p> <p>Records shall be maintained for use in an investigation.</p> <p>Individuals found to have altered or destroyed records shall be subject to disciplinary action.</p> <p>If an investigation substantiates the occurrence of a fraudulent activity, the Superintendent shall present a report to the Board and appropriate personnel.</p> <p><del>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.</del></p> <p><u>The final disposition of the matter regarding employee discipline and decision to file a criminal complaint or refer the matter to law enforcement and/or a regulatory agency for independent investigation shall be determined by the Board and Superintendent in consultation with legal counsel.</u></p> <p><u>Confidentiality</u></p> <p>The <del>Superintendent</del><u>District Compliance Officer</u> shall investigate reports of fraudulent activity in a manner that protects the confidentiality of <del>the individuals</del><u>all parties</u> and <del>the facts,</del> <u>in cooperation with appropriate individuals and agencies.</u></p> <p>All employees involved in the investigation are required to maintain confidentiality regarding all information about the matter during the investigation.</p>

	<p>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.</p>
	<p><u>Prevention</u></p> <p>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:</p> <p>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.</p> <p>Payments - Payments shall be made only by checks. No cash transactions shall be permitted. Check signers shall be approved annually by the Board and will consist of persons not involved in the transaction. All checks shall have at least two (2) signatures.</p> <p>Bank Reconciliations - Bank statements and cancelled checks shall be reconciled by individuals who are not authorized to sign checks, nor involved in check processing.</p> <p>Access to Checks - Physical and electronic access to school district checks and accounts shall be limited to those employees with designated business functions.</p> <p>Capital Assets - The business office shall maintain updated lists of district capital assets.</p> <p>Training - Administrators shall be responsible for ensuring that employees under their supervision receive training regarding fraud prevention.</p> <p>References:</p> <p><a href="#"><u>43 P.S. 1421 et seq.</u></a></p> <p><a href="#"><u>43 P.S. 1423</u></a></p> <p>Sarbanes Oxley Act of 2002 – 15 U.S.C. Sec. 7201 et seq</p> <p>Whistleblower Protection – 18 U.S.C. Sec. 1513</p> <p>Board Policy – 317, <a href="#"><u>417, 517</u></a></p>