

## **400.4 Fraud Prevention, Identification and Reporting**

The Division's Fraud Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against Lethbridge School Division (the "Division"). It is the intent of the Division to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Prevention encompasses an ethical environment, periodic fraud risk assessment and preventive internal control such as authority limits, policies and procedures. A strong tone at the top supported with preventive controls along with effectively implemented process serve as strong and effective deterrents for fraud. The Division shall ensure detection and prevention of fraud by establishing procedures, checks and controls to prevent fraud and detect fraud if and when it occurs.

In addition to the above, the Division will be responsible to:

- Educate Employees with the types of improprieties that might occur in their area,
- Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization,
- Promote employee awareness of ethical principles subscribed to by the Division.

The most effective method of preventive fraud is creation of an ethical and transparent environment that promotes all employees to actively participate in protecting the Division's reputation, resources and promoting stakeholder confidence in the Division. This involves:

- Disclosure of conflict of interest
- Enforcement of Division Policies & Rules
- Compliance with code of conduct of the Division
- Compliance with code of Internal Procedures and conduct in dealing with securities/financial instruments of the Division
- Fraud awareness and training
- Continuous Fraud risk monitoring and control

This policy and procedure applies to any irregularity, or suspected irregularity, involving employees as well as volunteers, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Division.

1. Fraud will not be tolerated. Employees who commit an act of fraud will be subject to disciplinary action, which may result in termination and/or formal criminal charges. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Division.

2. The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:
  - Any dishonest or fraudulent act
  - Misappropriation of funds, securities, supplies, or other assets (including theft)
  - Impropriety in the handling or reporting of money or financial transactions (including false accounting and/or making fraudulent statements)
  - Profiteering as a result of insider knowledge of Division activities
  - Disclosing confidential and proprietary information to outside parties
  - Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Division. Exception: Gifts less than \$100 in value.
  - Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
  - Any similar or related irregularity
3. Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by school/department administration and the through the Human Resources Department rather than the Fraud Investigation Team. If there is any question as to whether an action constitutes fraud, contact any Designated Officer for guidance.
4. Designation of Officers:
  - 4.1 The Superintendent is named the Chief Officer for the purpose of the overall administration.
  - 4.2 The Director of Finance is named the Designated Officer for the purpose of dealing with and investigating reports.
  - 4.3 The Associate Superintendent, Business Affairs is named the Alternative Designated Officer for the purpose of dealing with disclosures against either the Superintendent or the Director of Finance.
  - 4.4 In the event that disclosure to the Designated Officer is not appropriate due to conflict of interest with respect to the nature of the disclosure or the person involved; the disclosure should be made to the Alternative Designated Officer. The Alternative Designated Officer shall have all the powers of the Designated Officer for the purpose of the disclosure.
5. The Fraud Investigation Team includes the applicable Designated Officer (as indicated above). The Fraud Investigation Team can also be expanded, depending on the circumstances, to include additional members of the Finance Department, Information Technology department, and other staff/resources that may be considered appropriate for the investigation of the report.
6. The Fraud Investigation Team has the primary responsibility for the investigation of all suspected fraudulent acts as defined by this policy. The Fraud Investigation Team is responsible for the following:
  - 6.1 Coordinate the investigation of all reported instances of fraud in a timely manner
  - 6.2 Notify the Division's Chief Officer of all suspected instances of fraud

- 6.3 Document the investigation and its results. The distribution of the report will be based on the circumstances of the case and the need to mitigate future occurrences of similar situations.
  - 6.4 Discuss the results with the Division's Chief Officer and/or with other Designated Officers in order to determine the appropriate course of action. 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 legal counsel and senior management, as will final decisions on disposition of the case.
  - 6.5 If the investigation substantiates that fraudulent activities have occurred, the Fraud Investigation Team will issue reports to appropriate designated personnel (including but not limited to the Human Resources Department, direct supervisors of the Employee, and the superintendent) and, if appropriate, to the Board of Trustees through the Board Audit Committee.
  - 6.6 Ensure that the investigation documentation is retained in accordance with Policy 805.7 Preservation and Disposal of Records and obligations under the *Freedom of Information and Protection of Privacy Act*.
7. The Fraud Investigation Team treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Division immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. 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 Division from potential civil liability.
  8. Members of the Fraud Investigation Team will have:
    - Unrestricted access to all Division records and premises, whether owned or rented; and
    - 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 might use or have custody of any such items or facilities when it is within the scope of their investigation.
  9. Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.
- 9.1 An Employee who discovers or suspects fraudulent activity will contact the Division immediately through the Division's online "FRAUD TIPS" form. 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 Investigations Team. No information concerning the



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status of an investigation will be given out. The proper response to any inquiry: "I am not at liberty to

discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

9.2 The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by a Designated Officer.

10. If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and Business Affairs and, if necessary, by outside counsel, before any such action is taken. The Fraud Investigation Team does not have the authority to terminate an employee. The decision to terminate an employee is made by the Superintendent or Designate. Should the Fraud Investigation Team believe the management decision inappropriate for the facts presented, the facts will be presented to the Superintendent for a decision.

### References

Legal References: Freedom of Information and Protection of Privacy Act.  
Division Policies: Appendix A - Policy 400.1 – Employee Code of Conduct  
Policy 400.3 – Whistleblower Protection  
Policy 400.4 – Fraud Identification and Reporting  
Form 400.4 – Fraud Tips Form  
Other: ATA Code of Conduct