



Administrative Procedures

AP-716 FRAUD MANAGEMENT / LOSS REPORTING	Date of implementation: August 2020 Date of update:
	Related Administrative Procedures:

Purpose: The Division expects employees will, at all times, conduct themselves with personal integrity, ethics, honesty, impartiality and diligence in the performance of their duties. The Division is committed to an organizational culture that operates with integrity and promotes responsibility, ethical behaviour, excellence and accountability with respect to all decisions and practices.

This administrative procedure outlines the process to be followed for the identification, investigation, escalation and reporting of fraud at the Division. It may also apply to persons or organizations external to the Division who perpetuate fraud against it.

Definitions:

Fraud – is the deliberate act of deception, manipulation or trickery with the specific intent of gaining an unfair or dishonest personal gain or advantage. It may be perpetrated by one individual or completed in collusion with others. Fraud involves willful misrepresentation or deliberate concealment of material facts.

Examples of fraud or similar illegal activity by employees:

- Falsification or alteration of financial records
- Misuse of a purchasing card
- Theft of money or property
- Unauthorized use of public resources
- Misuse or corruption of files or data
- Claiming non-legitimate expenses or unworked hours
- Intentional damage of school division property
- Accepting bribes or kickbacks.

Examples of external third-party fraud or similar illegal acts:

- Misuse or corruption of school division files or data
- Deliberate short shipment by a supplier

- Deliberate substitution of inferior quality or defective goods by a supplier
- Intentional damage of school division property
- Bid-rigging, price fixing or kickbacks in the contracting process
- Fraudulent claims for social benefits, grants or other program payments, including refunds and rebates.

Scope:

This administrative procedure applies to all Board members, employees, volunteers and third-party contractors or consultants.

Guiding Principles:

- Fraud and the material misstatement of financial information can have a significant adverse effect on the Division's public image, reputation and its ability to achieve its mission and priorities.
- This administrative procedure is intended to increase awareness of key fraud indicators, the different types of fraud and fraud schemes that may exist and the roles/responsibilities of all staff in fraud prevention, deterrence and detection.
- The Division is committed to protecting its revenue, property, proprietary information and other assets. The Division will not tolerate any misuse or misappropriation of its assets.
- The Division will make every reasonable effort to protect itself against fraud and will establish and maintain a system of internal control to ensure, to the fullest extent possible, the prevention and detection of fraud.
- The Division will provide, as required, the necessary information and training to ensure that all staff are familiar with the types of improprieties that might occur within the workplace and be alert for any indications of such conduct.
- Provided there are reasonable grounds, the Division shall investigate any and all incidents of suspected or alleged acts of fraud. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the Division of any individual or party who becomes the subject of such an investigation.
- If a fraud is substantiated, appropriate disciplinary action shall be taken, up to and including dismissal.
- In the event that fraud is substantiated, the Division shall make every reasonable effort to seek restitution and obtain recovery of any and all losses from the offender(s), or other appropriate sources, including the Division's insurers.
- In the event of criminal misconduct, the police shall be notified as appropriate.

Procedures:

- 1) Duty to Report Suspicion of Fraud
 - a) Any act of fraud that is detected or suspected must be reported immediately and investigated in accordance with this administrative procedure as expeditiously as possible.
 - b) Any employee who has knowledge of an occurrence of a fraud or has reason to suspect that a fraud has occurred, shall notify their supervisor. If the employee has reason to believe that the employee's supervisor may be involved, the employee shall notify the Director and/or Chief Financial Officer (CFO).
- 2) Investigation of Suspicious or Allegations of Fraud
 - a) Responsibility for ensuring all reported allegations of fraud are investigated rests with the Director in conjunction with the CFO.
 - b) The Director and the CFO shall periodically report to the Board of alleged or suspected frauds of a material amount (\$500 or more) and shall ensure that all instances of alleged or suspected fraud are appropriately investigated.
 - c) The Director and the CFO may engage the services of forensic consultants and legal counsel, as appropriate.
 - d) Employees are expected to fully cooperate with management and any others involved in the investigation and make all reasonable efforts to be available to assist during the investigation.
 - e) All participants in a fraud investigation shall keep the details and results of the investigation confidential and shall not discuss the matter with anyone other than those involved in the investigation.
- 3) Special Investigations (Board Member, Director of Education, Senior Management)
 - a) Where a member of Senior Management is suspected of fraud, the employee may directly notify the Director.
 - b) Where the Director is suspected of fraud, the employee may directly notify the Board Chair.
 - c) Where a Board member is suspected of fraud, the employee may notify the Director or the CFO.
- 4) Employee Protection
 - a) In making a report, an individual must be acting in good faith with reasonable grounds for believing that there is a suspected fraud or questionable financial practices. An individual who makes an unsubstantiated report, which is knowingly false or made with frivolous or malicious intent, or knowingly false, will be subject to discipline, up to and including dismissal.

- b) This administrative procedure prohibits reprisals against individuals, acting in good faith, who report incidents of suspected fraud, or who act as witnesses in any subsequent investigation. The Division shall make every effort to ensure that an individual, who in good faith reports under this procedure, is protected from harassment, retaliation or adverse employment consequence. Anyone who retaliates against someone who has reported in good faith is subject to discipline, up to and including dismissal.

5) Implementation and Monitoring

- a) The Director, in collaboration with the CFO, shall establish procedures required to implement this administrative procedure and provide periodic reports to the Board.

6) Reporting to the Ministry

- a) All losses of trust money, public money or property over \$500 that are due to fraud or similar illegal acts by employees, suppliers or contractors of the Division must be reported to the Ministry.
- b) The following information should be included:
 - i) The nature of the incident, including when and how the incident was detected and the time period over which the incident occurred.
 - ii) If employees were involved, any disciplinary action taken.
 - iii) The amount of the loss.
 - iv) The action that management is taking to correct any deficiencies in internal controls.
 - v) Insurance claims/recoveries; and
 - vi) The reporting to law enforcement.
- c) Losses reported to the Ministry should be the actual or estimated direct costs attributable to the incident excluding any costs related to the investigation, reporting and follow-up. Property damage or loss should be valued at the estimated cost to restore or replace the property to a pre-incident condition. All losses should be reported gross of any recoveries, including insurance claims.
- d) School divisions will provide the information to the Ministry in the prescribed format.
- e) Losses will be reported to the Ministry at the point in time when the incident has been confirmed and applicable information outlined has been gathered. At minimum, the losses will be reported to the Ministry at least quarterly.