

Fraud Prevention and Management

RATIONALE:

To provide a clear and standard procedure for processing and addressing suspicion or allegations of fraud at Hamilton-Wentworth District School Board (HWDSB).

This process applies to all trustees and employees of the Board. It may also apply to persons or organizations external to the Board who may perpetuate fraud against it.

TERMINOLOGY:

Fraud: A 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 done in collusion with others. It involves willful misrepresentation or deliberate concealment of material facts.

Types of fraud could include, but are not limited to, the following:

- a) forgery or alteration of cheques or other banking documents and records;
- b) theft, embezzlement or misappropriation of funds, supplies and services, resources, other assets or time;
- c) any irregularity in the handling or reporting of money transactions, including the falsification, destruction or removal of corporate records;
- d) any computer related activity involving the alteration, destruction, forgery, manipulation of data or unauthorized access for fraudulent purposes;
- e) any claim for reimbursement of business expenses that is either intentionally inflated or not a bonafide business expense of the Board;
- f) any claim for compensation/pay (inflated timesheet);
- g) any claim for reimbursement of benefit expenses under the Board benefit plans provided to employees that is either intentionally inflated or falsified;
- h) the unauthorized use of Board money, property, resources, or authority for personal gain or other non-Board related purposes;
- i) misuse or abuse of authority in the context of purchasing goods or services;
- j) false claims for grants, contributions or any program/service payments, including refunds and rebates;
- k) seeking or accepting anything of material value from vendors of the Board (bribes, commissions) in violation of the conflict of interest;
- l) making personal purchases on Board Purchasing/Credit Cards.

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PROCEDURES:

1.0 SENIOR MANAGEMENT AND STAFF RESPONSIBILITIES

- 1.1 Senior Management is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud.
- 1.2 Fraud awareness training shall be provided to all employees and trustees.
- 1.3 All newly hired employees shall receive information on the Fraud Management policy and procedure, during new employee orientation activities.
- 1.4 All employees and trustees shall be required to make an annual declaration with respect to the Fraud Management policy and procedure.

2.0 DUTY TO REPORT SUSPICION OF FRAUD

- 2.1 In accordance with the Fraud Management policy, any act of fraud that is detected or suspected must be reported immediately.
- 2.2 Any employee who has knowledge of an occurrence of a fraud, or has reason to suspect that a fraud has occurred, shall immediately notify his/her manager/supervisor. If the employee has reason to believe that his/her supervisor may be involved, the employee shall immediately notify his/her Superintendent. If the employee has reason to believe that his/her Superintendent may also be involved, the employee shall then notify the Director of Education and/or one of the Associate Directors.
- 2.3 Upon notification from an employee of a suspected fraud, the manager/supervisor shall immediately notify his/her Superintendent.
- 2.4 The manager/supervisor shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than those involved.
- 2.5 Upon notification from an employee or manager/supervisor of a suspected fraud, the Superintendent shall immediately contact the Director of Education and/or one of the Associate Directors.

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- 2.6 The Superintendent shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than those involved.
- 2.7 Upon notification of a suspected fraud of a material amount, the Director of Education and the Associate Director shall inform the Chair of Audit Committee of the alleged or suspected fraud and shall ensure that all instances of alleged or suspected fraud are appropriately investigated.
- 2.8 The Director of Education and the Associate Director, may, at their discretion, involve outside services (Audit Management Firm or Board legal counsel).

3.0 SECURITY OF EVIDENCE

- 3.1 Where there are reasonable grounds to indicate that a fraud has occurred, the evidence must be secured.
- 3.2 Once a suspected fraud is reported, immediate action shall be taken to prevent the theft, alteration, or destruction of relevant records.
- 3.3 Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist and preventing the individual suspected of committing the fraud from having access to the records.
- 3.4 The records must be adequately secured until they are required to begin the audit investigation. Continuity of evidence must be maintained throughout the investigation.
- 3.5 The Chair of the Audit Committee shall have unrestricted access to all necessary Board records and personnel.

4.0 INVESTIGATION OF SUSPICIONS OR ALLEGATIONS OF FRAUD

- 4.1 In accordance with the Fraud Management policy, any suspected or alleged act of fraud that is reported, must be promptly investigated.
- 4.2 Investigation of suspected or alleged acts of fraud shall be managed with appropriate Board staff, limiting the number of staff members involved in the investigation to the fullest extent possible.

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- 4.3 Employees are expected to fully cooperate with management and any others involved in the investigation.
- 4.4 The Director of Education and the Associate Director may, in consultation with Board forensic consultants and Board legal counsel, involve the services of the Audit Committee Chair. The Audit Committee Chair may assume primary responsibility for the investigation of all activity as defined above.
- 4.5 The Audit Committee Chair will notify the Director of Education and the Associate Directors of a reported allegation of fraud upon the commencement of the investigation, to the extent practicable and appropriate. Throughout the investigation, these officials should be kept informed of pertinent investigative findings.
- 4.6 Depending on the severity of the matter, the Chair of the Audit Committee may call a meeting of the Audit Committee to apprise them of the situation and seek further advice from them. This action is in accordance with the Audit Committee Regulation (361/10) to the Education Act, Section 9.6.

5.0 SPECIAL INVESTIGATIONS

- 5.1 Where one of the Associate Directors is suspected of fraud, the employee will contact the Director of Education directly. The Director of Education will notify the Chair of the Board and the Chair of the Audit Committee. The Chair of the Audit Committee will conduct an initial review and report the results to the Director of Education and the Chair of the Board.
- 5.2 Where the Director of Education is suspected of fraud, the employee will contact the Chair of the Board directly. The Chair of the Board will then notify the Chair of the Audit Committee and one of the Associate Directors. The Associate Director will conduct an initial review and report the results directly back to the Chair of the Board and the Chair of the Audit Committee.
- 5.3 Where a Trustee is suspected of fraud, the employee will contact the Director of Education or one of the Associate Directors directly. The Director of Education will conduct an initial review and report the results back to the Chair of the Board, and/or the Associate Directors, and/or the Chair of the Audit Committee.

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6.0 CONFIDENTIALITY

- 6.1 All participants in a fraud investigation shall keep the details and results of the investigation confidential, shall not discuss the matter with anyone other than those involved in the investigation, and shall sign confidentiality agreements to that effect.

7.0 WHISTLE-BLOWER PROTECTION

- 7.1 An employee making an allegation of suspected improper activity in good faith will be protected from discrimination or dismissal.
- 7.2 The Board will not tolerate any retaliation directly or indirectly against anyone who, in good faith, makes an allegation of wrongdoing.
- 7.3 The Board will not reveal the identity of any person who makes a good faith allegation and who asks that their identity remain confidential. To the fullest extent possible, the anonymity of the person providing the information will be maintained.

8.0 FOLLOW UP ACTIONS

- 8.1 Unless exceptional circumstances exist, an employee under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the investigation, and before any final disciplinary action is taken.
- 8.2 When such notice has been given, the employee against whom allegations have been made will be given opportunity to submit a written response to the Director of Education within five (5) business days. This requirement is subject to any collective agreement provisions respecting the rights of employees during disciplinary proceedings.
- 8.3 When the investigation substantiates a fraud, the appropriate disciplinary action shall be taken, up to and including dismissal.
- 8.4 Where there are reasonable grounds to indicate that criminal misconduct has occurred, the Director of Education and one of the Associate Directors, subject to the advice of Board forensic consultants and Board legal counsel, will notify the Hamilton Police Services, as deemed by the Director of Education and/or Audit Committee Chair.

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- 8.5 The Board 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 Board's insurers.

9.0 MEDIA

- 9.1 Matters related to an alleged fraud or audit investigation shall not be discussed with the media. Any staff person or elected official contacted by the media with respect to an investigation shall refer the media to the Board's Manager of Communications and Community Engagement or designate.

10.0 POST INVESTIGATION

Documentation

- 10.1 Upon completion of the investigation including all legal and personnel actions, any records, documents and other evidentiary material will be returned to the appropriate department.

Reporting

- 10.2 Upon conclusion of the investigation, the results shall be reported to the Chair of the Audit Committee and added to the next Audit Committee Agenda.
- 10.3 The Chair of the Audit Committee shall provide a report to the Board of Trustees, at the commencement and conclusion of any investigation under this policy and shall keep the Board of Trustees apprised of any significant developments that unfold during the investigation.
- 10.4 All information relating to investigations undertaken under this policy will be reported to the external auditors, to allow them to discharge their statutory responsibilities.
- 10.5 At the request of the Chair of the Audit Committee, a status report will be provided on investigations conducted during the year, and any previous investigations that remain open.

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Risk Assessment

- 10.6 Upon completion of any fraud investigation, the Board will conduct a risk assessment of the incident and ensure, to the fullest extent possible, that corrective and preventative measures are put in place to reduce the chance of recurrence and consider the possibility of the same type of incident having occurred elsewhere in the Board and the potential need for further investigation.