



HOW TO PREVENT THOSE FRAUD, FLAWED OR SHADES OF GREY SITUATIONS THAT CAN HARM YOUR SCHOOL

If you suspect there is fraud...

- Consult your school's fraud policy or plan for guidance on next steps.
- If there is no plan in place, bring your concerns to the board or finance committee.
Make sure your concerns are documented with factually accurate information. No guesses!
We recommend that the board develop a policy for each risk area to ensure staff know how to proceed if they suspect fraud.
- The board should put the right team in place to investigate.
Hire an independent party such as an auditor or independent fraud examiner to lead the investigation and avoid conflicts of interest and bias.
- Pursue an internal or external resolution.
In the case of fraud:
 - **Assess the cost benefit analysis to the school of all proposed resolutions.**
 - **Consult the school's insurance policy to determine whether they need to be notified.**

BE PROACTIVE: Prevent fraud and mitigate risk

Plan Ahead

- Implement the proper controls and policies to prevent fraud in the first place.
Recommended policies: Employee Dishonesty & Insurance, Procurement, Cash and Credit Card
- Develop an annual risk management plan.
 - **Perform a risk assessment of the entire school to identify high fraud risk areas**
 - **Periodically test and monitor high risk areas for fraud**
 - **Identify all risks to the school and determine which risks to (1) accept, (2) avoid, (3) mitigate or (4) transfer based on the risks potential impact to the school**

Set the Tone

- Ensure the board sets this tone: **This is a NO FRAUD, HIGH ACCOUNTABILITY zone.**
- Set clear thresholds and create transparency for bidding, approvals, decision-making criteria, and reporting.
- Empower approvers to ask questions, then ask again until they understand.
- Clearly define the role of Board Treasurer and everyone else on the finance team.

Consider implementing the following checks and balances:

- Person opening checks should not be reconciling the bank account
- Person creating new vendors should not be processing invoices
- Person receiving invoices should not have access to write off accounts receivable

Know Your Numbers

- Produce thorough financial reports for transparency.
- Ensure school leaders and board members understand reasons for variances, low cash levels and contingency plans.
- Follow best practices
 - Don't deal in petty cash
 - Limit the number of credit cards or don't use them at all and make sure every intended purchase is approved before the swipe, with consideration for a de minimum threshold (\$50 or 100 purchases) being allowed
 - Limit the number of signers on bank accounts
 - Have someone independent approve and sign all payable accounts
 - Have someone independent write off old accounts receivable

Get Good Advice

- Work with an independent accountant to vet financial policies and procedures.
- Work with a lawyer to review all policies organization-wide.
- Stay up to date on key regulatory changes and educational opportunities.
- Consult with schools who have learned from their mistakes.