

**NORTHEASTERN  
EDUCATIONAL  
INTERMEDIATE  
UNIT 19**

SECTION: OPERATIONS  
TITLE: INTERNAL CONTROLS  
ADOPTED: August 23, 2011  
REVISED:

828. INTERNAL CONTROLS	
1. Authority	The Board expects all Board members, Intermediate Unit employees, volunteers, consultants, vendors, contractors and other parties that maintain a relationship with the Intermediate Unit to act with integrity, due diligence, and in accordance with law in their duties involving Intermediate Unit resources. The Board is entrusted with public funds, and no one connected with the Intermediate Unit 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 Intermediate Unit.</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 Intermediate Unit 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 Intermediate Unit.</li> <li>8. Destruction, removal, or inappropriate use of Intermediate Unit records, furniture, fixtures, or equipment.</li> <li>9. Failure to provide financial records to authorized state or local entities.</li> </ol>

<p>3. Delegation of Responsibility</p>	<p>10. Failure to cooperate fully with any financial auditors, investigators or law enforcement.</p> <p>11. Other dishonest or fraudulent acts involving Intermediate Unit monies or resources.</p> <p>The Executive Director or designee shall be responsible to develop and implement internal controls designed to prevent and detect fraud, financial impropriety, or fiscal irregularities within the Intermediate Unit, subject to review and approval by the Board.</p> <p>The Executive Director 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.</p> <p>Administrators are responsible to be alert to an indication of fraud, financial impropriety, or irregularity within their areas of responsibility.</p> <p>The Executive Director shall recommend to the Board for its approval completion of a forensic audit when it is deemed necessary and beneficial to the Intermediate Unit.</p> <p>The Executive Director shall ensure the appropriate authorities are notified, pursuant to state law, when cases of fraud, embezzlement or theft have been identified.</p>
<p>4. Guidelines</p> <p>43 P.S. Sec. 1423 18 U.S.C. Sec. 1513 Pol. 317</p>	<p><u>Reporting</u></p> <p>An employee who suspects fraud, impropriety, or irregularity shall immediately report his/her suspicions to the Executive Director.</p> <p>If the report involves the Executive Director, the employee shall report his/her suspicions to the Board President.</p> <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 Executive Director shall have primary responsibility for conducting necessary investigations of reported fraudulent activity.</p>

Based on his/her judgment, the Executive Director shall coordinate investigative efforts with the solicitor.

If the Executive Director is involved in the complaint, the Board President is authorized to initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies s/he deems appropriate.

Records shall be maintained for use in an investigation.

Individuals found to have altered or destroyed records shall be subject to disciplinary action.

If an investigation substantiates the occurrence of a fraudulent activity, the Executive Director shall present a report to the Board and appropriate personnel.

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.

#### Confidentiality

The Executive Director shall investigate reports of fraudulent activity in a manner that protects the confidentiality of the individuals and facts.

All employees involved in the investigation are required to maintain confidentiality regarding all information about the matter during the investigation.

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.

#### Prevention

In order to prevent fraud, the Board directs that a system of internal controls be followed that may include but are not limited to the following:

1. 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.

2. 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.
3. Bank Reconciliations - Bank statements and cancelled checks shall be reconciled by individuals who are not authorized to sign checks, nor involved in check processing.
4. Access to Checks - Physical and electronic access to Intermediate Unit checks and accounts shall be limited to those employees with designated business functions.
5. Capital Assets - The business office shall maintain updated lists of capital assets.
6. Training - Administrators shall be responsible for ensuring that employees under their supervision receive training regarding fraud prevention as part of new employees' induction.

References:

Whistleblower Law – 43 P.S. Sec. 1421 et seq.

Sarbanes Oxley Act of 2002 – 15 U.S.C. Sec. 7201 et seq.

Whistleblower Protection – 18 U.S.C. Sec. 1513

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