

Fraud Prevention Policy and Procedure

GRAY COLLEGIATE ACADEMY (“GCA” or the “School”) RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.

SCOPE AND PURPOSE

This Policy applies to any and all contractors, Education Management Organizations (“EMOs”), vendors, agents, intermediaries, and their respective employees, contractors, subcontractors, or agents (collectively “Relevant Parties”) that are employed by, contracted, provide services to, or work with GCA.

The purpose of this Policy and Procedure is to promote and guide the conduct of all Relevant Parties associated with GCA, with a view to the avoidance of fraud and corruption and management of situations, which may be regarded as unethical conduct or behavior and to demonstrate that GCA is committed to the detection and investigation of any such occurrences.

POLICY

GCA has the fiduciary duty and responsibility to comply with the South Carolina Charter Schools Act, S.C. Code §§ 59-40-10 et seq. (the “Act”), including the responsibility to regularly monitor its legal and fiscal compliance. GCA is committed to conducting oversight of and protecting state and federal dollars, its revenue, expenditure and assets from any attempt by Relevant Parties of the School to gain financial or other benefits by deceit, bias or dishonest conduct.

GCA’s commitment to fraud and corruption control will be managed by ensuring that fraudulent or corrupt activity is prevented, conflicts of interest are avoided, and auditing systems are in place to deter and/or identify corrupt activities.

All information, including but not limited to third-party reports, of suspected fraudulent and/or corrupt activity by a Relevant Party will be fully investigated and appropriate action taken.

All Relevant Parties should be made aware of GCA’s intention to (i) debar, suspend or dismiss a Relevant Party in the event of corruption or fraud against GCA; (ii) report internal and/or external fraudulent or corrupt activity to law enforcement; and/or (iii) prosecute Relevant Parties found to be involved in fraudulent and/or corrupt behavior. GCA has full authority to pursue recovery of any financial loss by any legal means, including through civil proceedings.

1. DEFINITIONS

Corruption means dishonest activity in which a Relevant Party acts contrary to the interests of GCA and abuses his/her position of trust in order to achieve some personal gain or advantage.

Corrupt conduct includes asking for or receiving a financial or other benefit of any kind, undue influence of an officer, employee, board member of GCA for financial or other benefit of any kind, the acceptance of a bribe, in any form, which is punishable under federal or South Carolina law including but not limited to S.C. Code of Laws section 59-40-75.

Fraud means, in the broadest sense, a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Consequently, fraud includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.

Fraud can occur internally, within the School, or externally from third parties. Examples of fraud, for the purpose of this Policy, include but are not limited to:

- Theft and/or misappropriation of School revenue in the form of cash, checks, money order, electronic funds transfer or other negotiable instrument;
- Theft of equipment, parts, software, and office supplies from GCA;
- Deliberate over-ordering of materials or services to allow a proportion to be used for personal purposes;
- Submission of sham taxation arrangements for an employee or contractor to circumvent GCA's procedures for engagement of employees and contractors;
- Intentional submission of fraudulent, false, or redundant applications or invoices for reimbursement;
- Unauthorized amendment or correction to previously authorized forms;
- Knowingly executing a contract without authorization and/or knowing payment of funds without authorization which does not align with GCA's charter contract or GCA's charter;
- Payment of fictitious employees or suppliers;
- Falsification of time, training, or attendance records;
- Damage, destruction or falsification of documents for the purpose of material gain; and
- Misrepresentation of qualifications in order to secure a position of employment.

2. AUTHORITY TO INVESTIGATE AND DEBAR, SUSPEND, OR TERMINATE CONTRACT

Upon receipt of a credible report, or upon discovery of credible information, of suspected fraudulent and/or corrupt conduct of a Relevant Party, the GCA Board has the authority to investigate the report and/or information of suspected fraudulent and/or corrupt conduct, to demand a third-party audit of the relevant records, and issue a report of findings. The GCA Board has absolute discretion to determine the scope of the investigation.

GCA has the primary fiduciary duty to investigate reports or information of suspected fraudulent and/or corrupt conduct of its Relevant Parties. GCA may seek the opinion of an independent third-party that specializes in fraud detection, forensic accounting, or similar field to assess the presence of fraud before rendering a decision. If the Relevant Party does not provide full cooperation providing documents, information, etc. as requested by the independent third party, the Board can reach a presumptive conclusion about the presence of fraud.

Any Relevant Party for which GCA has found documented evidence of fraud or corrupt activity within the scope of work performed for GCA, and/or documented evidence of a refusal to provide evidence requested during the investigation of suspected fraud or corrupt activity, after consultation with GCA's attorney, GCA shall have authority to demand corrective action, debar, or suspend the vendor from further work and/or explore payment suspension and contract termination with the Relevant Party. GCA will work with its legal counsel to decide if the contractor or vendor must be reported to the applicable law enforcement.

3. CAUSES FOR DEBARMENT, SUSPENSION, OR TERMINATION

The causes for debarment, suspension, or termination may include, but are not limited to, the following:

- a. conviction for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of such contract or subcontract;
- b. conviction under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as Relevant Party for GCA;
- c. conviction under State or Federal antitrust statutes arising out of the submission of bids or proposals;
- d. a determination by the GCA Board that a Relevant Party engaged in corruption or fraudulent conduct;
- e. any other cause which constitutes extreme circumstances so serious and compelling as to affect responsibility as a School contractor, including debarment, suspension, or termination by another governmental entity for cause;
- f. for violation of the ethical standards set forth in South Carolina State Ethics Act (S.C. Code of Laws §§ 30-4-10 thru 30-4-165).

4. RECOVERY OF LOSSES

In each case where there is clear evidence of fraud or corruption, GCA, in consultation with its attorney, will consider all reasonable avenues available for recovering any funds lost or compensation for other fraud losses. Due consideration will be given to the likely benefits of recovery action exceeding the funds and/or resources required for the recovery action.

5. RIGHT TO PROTEST DECISION OF SCHOOL

The suspended, debarred, or terminated Relevant Party that has been issued sanctions or investigation costs by GCA pursuant to this Policy, has the right to protest the decision of GCA. The protest shall be submitted in writing to the principal, setting forth the grounds and facts applicable thereto for the protest, within fourteen (14) days after such suspended Relevant Party has received written notice of the School's decision to suspend, debar, or terminate the contract. The filing of a protest shall not stay the performance of the contract unless fraudulent.

6. AUTHORITY TO RESOLVE PROTESTS

The principal shall have authority to settle and resolve a protest of an appealing Relevant Party who was suspended, debarred, or terminate.

7. DECISION OF SCHOOL

Decision – If the protest is not resolved by mutual agreement, the principal shall issue a decision in writing within thirty (30) days. The decision shall:

- a. State the reasons for the action taken, and
- b. Inform the protestant of its right to administrative review as provided in Section 10 of this Policy

Notice of Decision – A copy of the decision shall be mailed or otherwise furnished immediately to the protestant and any other party intervening.

Finality of Decision – A decision shall be final and conclusive, unless any person adversely affected by the decision appeals administratively.

Failure to Render Timely Decision - If the written decision required under this Section is not entered within thirty (30) days after written request for a said decision, or within such longer period as may be agreed upon, then the Relevant Party shall proceed as if an adverse decision had been received.

8. RIGHT TO ADMINISTRATIVE APPEAL

Board of Directors

Prior to commencing any other action at law or in equity, a party aggrieved from a determination by the principal which is authorized under this Policy and Procedure, shall seek review of such determination to the School's Board of Directors.

Procedures

Time Limit for Filing an Appeal - A determination by the principal shall be final and conclusive unless any person adversely affected by the decision requests a review by the School Board of Directors, in writing, setting forth the reasons for such review, to the principal within ten (10) days of its receipt of the decision.

Upon receipt of an appeal from an aggrieved party, principal shall schedule a review of the appeal. The protestant may also request an appearance before the School Board of Directors. The Board of Directors, within ten (10) days of completion of its review, shall, in writing, affirm, alter or deny the decision. Such decision shall include findings of fact and conclusions of law including a statement of the underlying facts supporting such findings. The decision shall also state whether the debarment or suspension being contested was in accordance with this Policy, and in the best interest of the School.

The administrative review by the School Board of Directors shall not be limited to any prior determination. Any prior School determination shall not be conclusive as to any findings and conclusions. Any person who is aggrieved by a final decision shall have exhausted all administrative remedies available within this Policy and Procedure prior to seeking judicial review pursuant to S.C. Code of Laws § 59-40-90. The decision of the Board of Directors shall be presumed final and conclusive unless such proceedings for review are instituted by filing a petition in the Administrative Law Court within thirty (30) days after such final decision.

Policy Effective: 3/29/21

Credit/Debit Card Usage Policy and Procedures

GRAY COLLEGIATE ACADEMY (“GCA” or the “School”) RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.

POLICY:

To establish the basic structure for the use of GCA’s debit or credit cards under the direction of the Board of Directors.

GCA recognizes the value of credit or debit cards as an efficient method of payment and record keeping for certain expenses. The Board, therefore, authorizes the use credit or debit cards. The authorization, handling, and use of credit or debit cards is approved in order to provide a convenient and efficient means to purchase goods and services from vendors.

- The Board affirms that credit or debit cards shall only be used in connection with Board-approved or School-related activities and that only the expenses that are for the benefit of GCA and serve a valid and proper public purpose shall be paid for by credit or debit cards.
- Under no circumstances shall credit or debit cards be used for personal purchases or the purchase of alcoholic beverages, regardless of whether the purchase of such beverages is made in connection with a meal.

Any use of the credit or debit card that violates this policy, procedures, or State statute may result in disciplinary action, up to and including termination.

The Board directs the GCA Principal to determine and specify those employees authorized to use credit or debit cards. The Principal shall be responsible for giving direction to and supervising such employees` use of credit or debit cards.

All receipts for related purchases must be submitted to the Principal or Principal’s assistant/bookkeeper; failure to timely submit receipts in accordance with this policy may result in disciplinary action.

If credit/debit cards are issued, they should be assigned to certain employees and should be used only for School-related expenditures. All charges must be supported by proper documentation to be eligible for payment by the School.

Monthly credit/debit card statements must be reconciled to the general ledger and approved by the Principal and CFO.

PROCEDURES:

Credit and Debit Card Usage

GCA credit and debit cards are to be used for School purchases only. No personal use with GCA cards is permitted, under any circumstance.

Prohibited Purchases

- No personal purchases of any kind (personal purchases are defined as purchases of goods intended for non-work-related use or use other than official School business).
- Cash advances including use of the card or card number at Automated Teller Machines (ATMs), inside bank branches or at cash advance, quasi-cash and money transfer locations such as Western Union, Telecheck, etc.
- No gift certificates/cards, stored value cards, calling cards, pre-paid cards or similar products may be purchased with GCA credit or debit cards.

- Alcoholic beverages.
- Tobacco products.
- Consultant and Contractor services.

Limitations

- Debit card usage is expected to be limited to transactions that cannot be paid with a check via the Principal's or operating account. Meal and entertainment expenses should be charged to GCA employees' personal credit cards and submitted for reimbursement on a reimbursement form.
- GCA employees are not issued credit cards, only debit cards.
- Employees shall not use the School debit card for any single transaction that exceeds \$1,000.00 with an exception for travel. *Please refer to Travel Section.* The daily limit allowed by GCA's financial institution is set at \$3,000.
 - Any expenditures exceeding \$1,000.00 must be purchased via the Accounting Office and/or Business Manager.
- Splitting a single transaction into several transactions to avoid the prescribed spending limits is specifically forbidden.

Security

Cardholders should always treat GCA cards with at least the same level of care as one does their personal credit or debit card. The card should be maintained in a secure location and the card account number should be carefully guarded.

The assigned cardholder should assure that all credit/debit card purchases are made in accordance with this Policy and that credit cards/debit are properly issued and secured.

Cardholder must report a lost/stolen card to the issuing agency immediately after loss. Cardholder must also notify the Accounting Office and/or Business Manager who will follow up with the card company to ensure that the account has been closed.

Travel Card Usage

When travel has been approved in compliance with procedure, an employee may charge the following travel related transactions on the School card:

- Registration
- Airline Ticket
- Hotel
- Parking
- Taxi/Shuttle
- Vehicle Escort Services
- Rental Car (if feasible)
- Meals

The following items may NOT be charged on the School credit/debit cards:

- Fuel for personal vehicles

Gratuities

GCA may occasionally purchase meals for team members in alignment with the *Travel and Meal Policy*. Such expenses can be paid with GCA's card. Gratuities may not exceed 18% of the cost of meal.

Policy Effective: 3/29/21

Credit/Debit Card Usage Agreement

I agree to the following regarding the use of the School credit or debit card:

1. I will ensure that the credit/ debit card is used only for approved, School purchases only.
I will ensure that the credit card is not used for personal purchases.
2. I will ensure that single transactions are not split into several transactions to avoid the prescribed spending limits.
3. I understand that any unauthorized purchases may result in personal reimbursement.
4. I will report a lost or stolen card immediately.
5. If a card is assigned to me, I will return the card upon leaving the School's employment.
6. I understand that the School can terminate my privilege to use the credit/debit card at any time for any reason and without prior notice.
7. I will adhere to the Credit/Debit Card Procedure and the requirements for using the credit debit card.
8. I am aware that violations of credit/debit card regulations or blatant misuse will be reported to my immediate supervisor. Repeated violations may result in loss of credit/debit card privileges and could lead to additional disciplinary action including termination of employment.

Signature of Responsible Employee _____

Date _____

Cash Receipt Policy

GRAY COLLEGIATE ACADEMY (“GCA” or the “School”) RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.

POLICY:

To establish the basic structure for receiving payment for GCA under the direction of the Board of Directors.

PROCEDURES:

General Information

All School funds deposits must be made in accordance with procedures outlined below. GCA is accountable to the taxpayers who provide these funds. The Board of Directors will contract with an external auditor to complete an audit each year to ensure that we are following established practices for recording funding.

Cash Receipt

Payments made to GCA must be recorded in the GCA QuickBooks accounting system. Most GCA funds are received via wire transfer from its charter authorizer once per month. GCA will also accept receipts locally via cash, checks, credit card, and PayPal.

After receipt of cash or check payment, a copy of the check or cash receipt must be retained. After making the deposit, a copy of the deposit slip and supporting documentation must be submitted to the Accounting Office for recording in QuickBooks.

Responsibility of the Business Manager

The Business Manager is responsible for the following to ensure that best practice and procedures are met:

- Maintains files on all funding for GCA;
- Enters all cash receipt in GCA’s accounting software
- Records all revenue for GCA, including special services, and maintains all information in the School’s accounting software
- Provides revenue records monthly
- Maintains accurate account ledgers
- Prepares monthly financial statements
- Maintains files on accounting data
- Reconciles bank statements monthly

Policy Effective: 3/29/21

Accounts Payable Policy

GRAY COLLEGIATE ACADEMY (“GCA” or the “School”) RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART.

POLICY:

To establish the basic structure for the School, under the direction of its Board of Directors, to make payments to third parties.

Only valid accounts payable transactions based on documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable.

Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

PROCEDURES:

General Information

All disbursements of School funds must be made in accordance with procedures outlined below. The School is accountable to the taxpayers who provide these funds. The School will contract with an external auditor to complete an audit each year to ensure that it is following established practices for making disbursements.

Contracted Services

Occasionally, payments are made to individuals or organizations that have contracted to perform certain services. These payments are taxable, and an IRS Form W-9 should be completed by individuals or organizations performing the contracted services. Transactions for these services must be flagged in the accounting system as a 1099 invoice. This process will ensure that a 1099 is produced by the system for these vendors. The Business Manager must receive and review a copy of all contracts for the School prior to service engagement. Final contract approval by the Principal is required prior to service engagement.

Purchase Approval

All School expenditures must be approved in accordance with the *Procurement Policy*.

Expense Reimbursements

All expenditures must be handled in accordance with the *Procurement Policy*. However, in the event of an emergency where the normal process of obtaining goods or services is not feasible, GCA staff can seek reimbursement for the goods or services they purchased with personal payment method once approved by the Principal. All emergency purchases cannot exceed \$1,000.00 in cost.

Employees must submit an Expense Reimbursement Form within a reasonable timeframe from the day of the purchase. Business Manager will determine the definition of reasonable timeframe on a case-by-case basis.

Travel Reimbursement

All GCA staff must follow the guidelines outlined in the *GCA Travel and Meal Policy* when conducting travel related expenses. To be eligible for reimbursement, all travel for GCA staff must be properly authorized by the Principal in writing. Travel to schools as required by job duties are not subject to the Pre-Authorization Form. To claim expenditures, GCA staff must submit an Expense Reimbursement Form within 10 business days after returning from a travel. The Expense Reimbursement Form must contain expenses that actually incurred.

Invoices

All invoices must be reviewed and signed by the Principal to confirm that the goods or services outlined on the invoice have been received by the School. All invoices must contain the date of purchase, name and address of vendor, quantity and description of goods or services rendered, and the amount. The Business Manager will process the invoice once an approved invoice is received from the School.

Recurring Monthly Invoices

Vendors that have active contracts on file with the Business Manger may submit recurring monthly invoices to be processed without principal signatures. The Business Manager is responsible for reviewing all recurring monthly invoices to ensure that the invoice matches the cost outlined in the contract.

The amount on the recurring monthly invoice must be comparable each month. Comparable is defined as no more than a difference of 5% in cost. The Principal must review the recurring monthly invoice if a large difference is noted on the invoice. The Principal must sign off on the invoice and provide an explanation on the amount difference.

Credit and Debit Cards

See *Credit/Debit Card Policy*.

Segregation of Duties

All School expenditures must be approved in writing by the Principal and/or Business Manager, in accordance with the *Procurement Policy*.

Responsibility of the Business Manager

The Business Manager is responsible for the following to ensure that best practices and procedures are met:

- Maintains files on all purchase orders for GCA.
- Enters all accounts payable information in the School's accounting software.
- Writes all checks for the School, including special services, and maintains all information in the School's accounting software.
- Provides expenditure records monthly.
- Maintain accurate account ledgers.
- Prepare monthly financial statements.
- Maintains files on accounting data.
- Reconciles accounts payable bank statements monthly.

Policy Effective: 3/29/21