

SECTION 2: ETHICS, FRAUD, AND COMPLIANCE

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What's New?

General Information

All Board of Trustees, employees, vendors, contractors, consultants, volunteers and other parties involved with the District's financial transactions shall act with integrity and diligence in duties involving the District's financial resources. Fraud and other dishonest acts will not be tolerated by the District. Violators shall be disciplined, may be terminated and may be reported to the appropriate authorities.

Board Policy

The following Board Policy should be referenced for additional information associated with this section of the manual:

<u>Policy Code</u>	<u>Title: Subtitle</u>
CAA (LOCAL)	Fiscal Management Goals and Objectives: Financial Ethics
CBB (LEGAL)	State and Federal Revenue Sources: Federal
CFC (LEGAL)	Accounting: Audits

Section 2: Ethics, Fraud and Compliance

CFD (LOCAL)	Accounting: Activity Funds Management
DBD (LEGAL, LOCAL)	Employment Requirements and Restrictions: Conflict of Interest
DH (LEGAL, LOCAL)	Employee Standards of Conduct

Financial Controls and Oversight

Each employee who supervises or prepares District financial reports or transactions shall set an example of honest and ethical behavior and shall actively monitor his or her area of responsibility for fraud and financial impropriety. Compliance monitors and verifies that internal controls are in place for use of standard practices.

Fraud or Financial Impropriety

Fraud and financial impropriety shall include, but not be limited to, the following:

- Forgery or unauthorized alteration of any document or account belonging to the District.
- Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
- Misappropriation of funds, securities, supplies, or other District assets, including employee time.
- Impropriety in the handling of money or reporting of District financial transactions.
- Profiteering as a result of insider knowledge of District information or activities.
- Unauthorized disclosure of confidential or proprietary information to outside parties.
- Unauthorized disclosure of investment activities engaged in or contemplated by the District.
- Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the District, except as otherwise permitted by law or District policy.
- Inappropriately destroying, removing, or using records, furniture, fixtures, or equipment.
- Failure to provide financial records required by state or local entities.
- Failure to disclose conflicts of interest as required by law or District policy.
- Any other dishonest act regarding the finances of the District.
- Failure to comply with requirements imposed by law, the awarding agency, or a pass-through entity for state and federal awards

Reporting Fraud or Other Dishonest Acts

Any person who suspects fraud or financial impropriety in the District shall report their suspicions immediately to any supervisor, the Superintendent or designee, the Board of Trustees' President, or local law enforcement. If anonymity is desired please use the Fraud and Ethics Reporting Hotline, discussed below.

Reports of suspected fraud or financial impropriety shall be treated as confidential to the extent permitted by law. Limited disclosure may be necessary to complete a full investigation or to comply with the law.

Fraud and Ethics Reporting Hotline

The District provides an additional resource to employees to report instances of suspected fraud, violation of District policy, or misuse of District property where their anonymity is desired.

The hotline can be used to report the following incidents anonymously:

- Alcohol and Substance Abuse
- Bribery
- Conduct Violations

- Conflict of Interest
- Discrimination
- Embezzlement
- Ethical Violations
- Falsification of Contracts, Reports or Records
- Fraud
- Improper Conduct
- Internal Controls
- Kickbacks
- Misuse of District Property
- Quality of Service
- Sabotage
- Sexual Harassment
- Theft
- Threats
- Unsafe Working Conditions
- Vandalism
- Violation of District Policy
- Violation of the Law
- Wrongful Discharge

Incidents can be reported on the hotline (through a third-party vendor) via telephone or their web-based service.

Employees are encouraged to use the hotline service in cases where their anonymity is desired. Please follow the company standard practices for all complaints or issues not requiring anonymity.

- (800) 398-1496 – English
- (800) 216-1288 – Spanish
- www.lighthouse-services.com
 - The web version is in English only and requires the following username and password:
 - Username: galenapark
 - Password: 10910

Fraud Investigations

District staff will be responsible for conducting all fraud investigations unless, depending on the scope of the investigation, an outside person or organization is deemed necessary. If an investigation substantiates fraud, the report shall be provided to the Superintendent, Chief Financial Officer, and Human Resource Services. The report shall include the findings, action(s) taken and/or recommendation(s) for action. If any employee is found to have committed fraud, they shall be subject to disciplinary action, up to and including termination of employment and referral to law enforcement or regulatory agencies, as appropriate. In cases involving monetary loss to the District, the District may seek to recover lost or misappropriated funds.

All employees involved in an investigation shall be advised to keep information about the investigation confidential.

Audits

Audits may be conducted throughout the fiscal year by internal staff, regulatory agencies, or external auditors. Audits include the Annual Financial Audit, the Single Audit (federal grant funds), activity accounts, change funds, payroll, attendance accounting, PEIMS (Public Education Information Management System), drop-out, state compensatory education, or other audits as deemed appropriate. The two most comprehensive audits are noted below:

Annual Financial Audit

An Annual Financial Audit must be conducted by an independent Certified Public Accountant (CPA) firm selected by the District, approved by the Board of Trustees, and reviewed by the TEA Division of Financial Compliance. The Annual Financial Audit must be submitted to the TEA Division of Financial Compliance by the established deadline of 150 days after the end of the fiscal year. For the District's fiscal year ending August 31st, the report shall be filed by January 28th.

The District has engaged an external auditor to conduct the Annual Financial Audit for each fiscal year. The role of the CPA firm is to conduct a District-wide audit of the District's financial statements, internal control procedures, and to test transactions to determine compliance with federal, state and local regulations.

All financial transactions shall be in accordance with federal, state, and local audit guidelines. The Financial Accountability System Resource Guide (FASRG) posted on the TEA website (www.tea.texas.gov) shall be utilized to ensure awareness of audit compliance areas

Single Audit

The Single Audit Act and the Uniform Guidance require school districts that expend total federal financial assistance equal to or in excess of \$750,000 in a fiscal year to have an audit performed in accordance with the Act. School Districts expending less than \$750,000 in federal financial assistance in a fiscal year are not required to have either an audit under the Single Audit Act, the Uniform Guidance or a program audit, however, they must maintain records to support federal financial assistance programs and must have a financial audit performed under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS), also referred to as the Yellow Book. The Single Audit must be conducted in accordance with Education Department General Administrative Regulations (EDGAR) 2 CFR 200.

The District has engaged an external auditor to conduct the Single Audit for each fiscal year. The role of the CPA firm is to determine the major program(s) for the fiscal year and to issue an opinion on the federal statements for the federal program(s) and test transactions to determine compliance with internal controls and federal program guidelines.

References to Additional Information

Financial Accountability System Resource Guide (FASRG)
Generally Accepted Auditing Standards (GAAS)
Government Auditing Standards (GAS)
Education Department General Administrative Regulations (EDGAR) 2 CFR 200.