



Fraud and Ethics Compliance

United ISD
Administrator Leadership Academy
July 27, 2009



Session Objectives

- I. Awareness of District's Fraud Policy
- II. Awareness of District's Ethics Policy
- III. Awareness of District's Fraud and Ethics Hotline
- IV. Responsibility for Internal Controls
- V. Conflict of Interest disclosure requirements



UISD's Fraud & Related Policies

- Local Policy CAA
- Conflict of Interest
 - DBD Legal/Local/Exhibit
- Educator Code of Ethics
 - DH Legal/Local/Exhibit

www.uisd.net (Board of Trustees tab)



CAA Local Board Policy

- Originally adopted in 2005
- Created in response to SAS 99
- Definition and prohibition of fraud and financial improprieties.
- Requires prompt reporting, investigation and follow-up of suspected fraud.



Educator Code of Ethics

- The Educator Code of Ethics applies to **ALL** School District Employees
- Standard professional practice & conduct
- Campuses/Departments should review this annually and with new employees
- Included in Employee Handbook



What is “Tone at the Top”?

- The ethical atmosphere created by the organization’s leadership.
- Employees pay close attention to the actions of their bosses. Therefore, conduct your own activities on a high ethical level.
- Employees pay close attention to their peers. Therefore, clearly communicate to employees the behavior that is expected of them.



The Ethics Quick Test

- Is the action legal?
- Does it comply with our values?
- If you do it, will you feel bad?
- How will it look in the newspaper?
- If you know it's wrong, don't do it!
- If you're not sure, ask.
- Keep asking until you get an answer.

Courtesy of Texas Instruments



The Fraud & Ethics Hotline

- Started in November 2008
- a confidential reporting tool to enable employees to report fraud, ethics and compliance violations.
- It is operated by a third party outside of Texas:
Lighthouse Services, Inc.
- Operators are bilingual (English & Spanish)
- Guidelines have safeguards on harassment, confidentiality and malicious allegations.



What should be reported?

- DO REPORT - ethical violations, conflict of interest, violation of the law, violation of board policy, misuse of district property, improper conduct, fraud, theft or embezzlement, vandalism, bribery and kickbacks, and falsification of contracts, reports or records, etc.
- DO NOT REPORT - Complaints or grievances involving wages, working conditions, discrimination, and other personnel issues; these should be reported in accordance with Board Policy DGBA (Local), Employee Complaints/Grievances.



How can I make a report?

Reports can be made 24 hours a day, 7 days a week and 365 days a year by calling toll free:

Lighthouse Services, Inc.

1-800-398-1496 (English)

1-800-216-1288 (Spanish)



Promoting the Hotline

- Posters should be in common areas such as Teachers' Lounge
- Posters are available in English and in Spanish
- Guidelines, Q&A, Poster is available online at <http://www.uisd.net/internalaudit/fraud.htm>



Internal Controls

- Internal controls are the policies and procedures used to provide reasonable assurance that your campus'/department's goals and objectives will be achieved.
(operations, compliance, financial)
- Internal Controls are everyone's responsibility.



Internal Control Elements

1. Control Environment – Tone at the top
2. Risk Assessment – What could go wrong?
3. Control Activities – policies and procedures that your campus/department has in place.
4. Information and Communication – information that is identified and communicated
5. Monitoring – management oversight



Internal Controls and Fraud

- Weak internal controls can lead to fraud!
- You are in the best position to identify weaknesses.
- SAS 99 questionnaire sent in June 2009 is a method whereby the district can assess the risk of fraud.
- Fraud susceptibility ~ student activity funds, Kronos, equipment, inventory, purchasing, student program eligibility, altering documents

The Fraud Triangle

Opportunity



Incentive/Pressure

Rationalization



Conflict of Interest Form

- Should be completed at least annually, or when it occurs
- Should be completed by employees in a position to affect a financial decision involving the business entity or real property
- <http://www.uisd.net/forms/Purchasing/905-003.pdf>



Conflict of Interest Form

- Complete by August 31, 2009
- Supervisor should sign off
- Send completed forms to Purchasing Dept. – Keep a copy
- Affidavit only required for “yes” response *when employee is the owner* and should be notarized



Questions

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