



## **FRAUD, WASTE, AND ABUSE POLICY**

Victoria County is strongly committed to good stewardship of public assets and resources, and to preventing fraud, waste, and abuse. All County employees are expected to do their part and share in these commitments. Employees of Victoria County, along with County department heads and elected officials, must stay aware of warning signs ("red flags") concerning fraud. For the purposes of this policy, fraud, waste, and abuse are referred to together as "fraud".

### **Policy Scope**

This policy applies to any fraud (or suspected fraud) involving employees, department heads, elected officials, consultants, vendors, contractors, or any other parties having a working, professional, or business relationship with Victoria County.

### **Policy Goals**

This policy is intended to maintain a fair, ethical, and honest business and working environment for all County employees, customers, suppliers, or anyone else Victoria County has a professional or business relationship with.

### **Definitions**

**Fraud:** This includes a variety of irregularities and/or illegal acts involving internal or external deception. Fraud can be committed for the benefit of or against the County. Fraud can be perpetrated by people outside as well as inside the County. Examples of fraud include (but are not limited to) the following:

- Stealing or misappropriating funds, supplies, materials, etcetera.
- Forgery or unauthorized changing of a document.
- Intentionally misrepresenting payroll records or the payroll records of others.
- Knowingly making a false change or false alterations to a government record.
- Making, presenting, or using a record, document, or similar object with the knowledge that it is false or a fake.
- Intentionally destroying, hiding, removing, or committing other acts that impair the accuracy, legibility, or availability of a government record.
- Processing, selling, or offering to sell a completed or blank government record or form with the intention that it be used unlawfully, or with knowledge that it was obtained unlawfully.
- Using or claiming to hold an educational degree or certificate or a professional certification which has been revoked, or is fraudulent or fictitious, with intent to obtain employment, promotion, or other benefits from the County.

- Unlawfully using a County Purchasing Card or creating false transactions.
- Making a false statement to obtain property, credit, or services.
- Transferring a motor vehicle title in a fraudulent way.
- Securing signatures to or execution of a document by using deception.
- Using or possessing identifying information about an individual without that individual's consent outside of the scope of official duties.
- Stealing an unsigned check, or receiving an unsigned check with the intent to use or sell it.

**Waste:** The harmful or destructive use of property under a person's control. Waste may also be viewed as an unnecessary cost due to inefficient County practices, systems, or controls.

Examples of waste include (but are not limited to) the following:

- Damaging, destroying, or ruining materials or equipment intentionally.
- Maintaining County equipment improperly, or intentionally mistreating it.
- Purchasing unneeded goods or services.
- Buying goods or services at inflated prices.
- Failing to reuse or recycle certain resources, or to reduce waste generation.

**Abuse:** Violating and/or going around County regulations and/or departmental rules in ways that hinder efficient and effective County operations. Examples of abuse include (but are not limited to) the following:

- Using County equipment or supplies for non-County-related business.
- Utilizing internal County information to attract new customers for a County employee's private business.
- Improperly handling or reporting monetary or financial transactions.
- Profiting personally or helping others profit through using inside County knowledge.
- Destroying or causing the disappearance of records, furniture, fixtures, or equipment.
- Illegally accepting or seeking anything of value for personal benefit from vendors or persons providing goods or services to the County.
- Using County resources such as computers, software, databases, or other digital information for non-County-related purposes.
- Misusing purchase order authority, including creating false travel claims or expense reports.
- Utilizing proprietary information acquired as a County employee or department head/elected official for personal gain.

### **Deterrence**

Through this policy and other official actions, Victoria County seeks to deter fraud, and limit exposure should fraud occur. The department heads/elected officials are responsible for creating and monitoring effective internal controls within their departments or offices, including cash controls. The County Auditor's Office can assist in this by examining/evaluating the effectiveness and types of internal County controls. Fraud may occur for reasons that include (but are not limited to) the following:

1. Poorly planned or implemented internal controls.
2. Disregard for rules, policies, or procedures.
3. Supervisors overriding established internal controls.

4. Collusion between employees and third parties such as vendors.
5. Poor ethical standards or low expectations for ethical behavior.
6. Lack of effective control over personnel by department heads/elected officials.

### **"Red Flags"**

Noticeable "red flags" can arise when fraud is being planned or committed. Among the most common "red flags" for fraud in County government are:

1. Swift or drastic changes in a County employee's lifestyle, spending habits, or behavior.
2. Ineffective internal controls, policies, procedures, or lack of enforcement for violations.
3. Irregular or unexplained discrepancies in financial information.
4. Inventory shortages or abrupt changes.
5. Failure to take action on results of internal/external audits or reviews.
6. Unusually high levels or expenses of purchases.
7. Frequent complaints from County customers, residents, and/or vendors.
8. Missing digital or paper documents/files.
9. Comments concerning possible or ongoing fraud are ignored.
10. Employee(s) will not hand over records or give custody of documents to others during the work day.
11. Excessive overtime charges and/or employees refusing to take time off.

### **Fraud Prevention**

The following internal controls are intended to minimize risks and prevent fraud:

1. Creation of detailed written rules, policies, and procedures.
2. County employees, department heads, and elected officials follow all policies and procedures, especially those concerning documenting and/or authorizing transactions.
3. Physical security of and controlled access to assets, such as locking doors and restricting access to certain areas.
4. Proper and consistent training of employees.
5. Independent review and monitoring of employee tasks by a department head/elected official, including approval and/or processing of selected items.
6. Separation of duties so that no individual employee is responsible for a transaction from start to finish.
7. Clear lines of reporting and authority.
8. Conflict of interest statements that are enforceable.
9. Rotation of duties in positions that can be more susceptible to fraud, such as those involving cash handling.
10. Timekeeping that ensures County employees and department heads/elected officials take time off.
11. Regular external audits of County business or operational areas that are at risk for fraud.

### **Reporting Fraud**

If a County employee, customer, vendor, community member, or other person suspects that fraud is being committed within the County, they must report it to any of the following:

- A supervisor on duty.
- The department head/elected official in charge of that department or office where fraud may be occurring.

- The Victoria County Auditor's Office: By phone at 575-8451, via email at msamford@vctx.org, or by regular mail sent to the Victoria County Auditor's Office at 115 N. Bridge St. #122, Victoria, TX, 77901.
- The outside auditing firm used by Victoria County: Harrison, Waldrop & Uherek LLP by phone at 573-3255, via email at hwullp@hwullp.com, or by regular mail sent to Harrison, Waldrop & Uherek LLP at 101 S. Main #400, Victoria, TX, 77901.
- The Texas State Auditor's Office by phone at 1-800-TX-AUDIT (892-8348), by regular mail sent to the Texas State Auditor's Office, Attn: Investigations at P.O. Box 12067, Austin, TX, 78711, or by submitting information to their fraud hotline website at <https://sao.fraud.texas.gov/ReportFraud>

A supervisor or department head/elected official should immediately refer reports of fraud to the County Auditor's Office. A County employee may communicate directly with the County Auditor to report fraud, and that employee will have the option to remain anonymous. Every effort will be made to protect the identities of individuals reporting fraud in Victoria County. The County is committed to the confidentiality of fraud reporting.

Due to the important yet sensitive nature of many real or perceived fraud violations, effective professional follow-up is essential. All relevant matters, including suspected fraud allegations, should be referred immediately to those with follow-up responsibility. Matters brought to the attention of the County Auditor's Office in which fraud, waste, or abuse of state funds may have occurred will be forwarded to the State Auditor's Office as required by Texas Government Code Chapter 321.022.

### **Retaliation**

The Texas Whistleblower Act protects employees from retaliation who make good faith reports of violations. An employee that believes they have experienced retaliation for reporting fraud or for assisting in a fraud investigation must report this as soon as possible to the Victoria County Auditor at 575-8451.

### **Reporting Unethical Behavior**

County employees are encouraged to seek advice when faced with uncertain ethical situations or decisions. The Victoria County Auditor is responsible for administering, revising, interpreting, and applying this Fraud, Waste, and Abuse Policy. The policy will be reviewed at least yearly, and revised as necessary.

### **Duty to Report**

County employees, department heads/elected officials, and all others to whom this policy applies have a duty to report violations of the policy, and to cooperate in any investigations or inquiries conducted by the County. Any County employee or department head/elected official will be subject to disciplinary action if they make a report which they know to be false, or disclose information with reckless disregard as to its truth or fidelity.

**Coercion**

No County employee or department head/elected official shall directly or indirectly use or threaten to use any official authority or influence they possess in ways that would discourage, restrain, deter, prevent, interfere with, coerce, or discriminate against anyone who in good faith reports, discloses, or provides information concerning an actual or suspected violation of this policy or applicable laws.

**Consequences**

County department heads found to be in violation of this policy will be subject to discipline by Commissioners Court, including reprimand, suspension, or termination in accordance with County policy. County employees who violate this policy will be subject to discipline by their department head/elected official, including reprimand, suspension, or termination in line with County policy.

Parties doing business with the County such as vendors or contractors (or their principals and employees) found in violation of this policy will be subject to termination of any business relationship with Victoria County plus exclusion from future business opportunities with the County. For any person or business this policy applies to, the County may also make a referral of facts and findings to the appropriate law enforcement agency for criminal investigation.