



FRAUD POLICY WEBB COUNTY, TEXAS

BACKGROUND Webb County as public steward is committed to protect public assets and prevent fraud, waste and abuse. All employees, Supervisors and County Officials/Department Heads should be aware of potential “red flags” which may lead to fraud.

PURPOSE Communicate the County’s policy regarding what constitutes fraud, the deterrence and review of suspected misconduct and dishonesty by employees, management and others, and outline the rules and procedures which must be followed when fraud is suspected. It is the intent of this policy to establish and maintain a fair, ethical, and honest business environment for all employees, Department Heads, County Officials, consultants, vendors, contractors, and any other parties with whom Webb County maintains a business relationship. Fraud not only involves loss of revenue, but decreased morale and productivity. This policy is to be reviewed and revised as necessary to maintain intent and applicability.

SCOPE Policy applies to any fraud or suspected fraud involving employees, Department Heads, County Officials, consultants, vendors, contractors, and any other parties with whom Webb County maintains a business relationship.

DEFINITIONS **Abuse** – Violations and circumventions of departmental or county regulations which impair the effective and efficient execution of operations.

Some examples of abuse are as follows:

- Unauthorized use of County resources (computers, software, databases, other information) for non-County purposes
- Use of information gained as County employee for personal gain, such as an employee using non-confidential taxpayer information to get new customers for his/her outside business
- Improper handling or reporting of money or financial transaction
- Profiting by self or others as a result of inside knowledge
- Destruction or intentional disappearance of records, furniture, fixtures or equipment
- Accepting or seeking anything of material value from vendors or persons providing services or material to the County for personal benefit
- Abuse of purchase order authority, such as false travel or expense reports
- Accepting or seeking anything of material value from vendors or persons providing services or material to the County

County funds – Currency, checks, or other negotiable instruments belonging to Webb County, or for which the County is the fiscal agent or has a fiduciary responsibility.

DEFINITIONS
(continued)

County property – Any tangible item owned by Webb County.

Fraud – Theft, intentional waste or abuse of County funds, property or time; it encompasses an array of irregularities and illegal acts characterized by internal or external deception. It can be perpetrated for the benefit of, or to the detriment of, the County, and by persons outside as well as inside the County.

Examples of fraud include, but are not limited to:

- Stealing, misappropriation of County funds, supplies, etc.
- Forgery, unauthorized alteration, or falsification of any government document
- Unauthorized use or misuse of County property or records
- Intentional misrepresentation by County personnel regarding payroll records or the payroll records of others
- Making, presenting, or using any record, document, or thing with the knowledge that it is false
- Intentional destruction, concealment, removal or other impairment to the verity, legibility, or availability of a government record
- Processing, selling, or offering to sell a governmental record or a blank governmental record form with the intent that it be used unlawfully or with the knowledge that it was obtained unlawfully
- Using or claiming to hold an educational degree that is fraudulent, fictitious, or has been revoked, with the intent to obtain employment, promotion, or other benefit
- Credit card abuse or falsification of transaction
- Making a false statement to obtain property, credit, or services
- Fraudulent transfer of a motor vehicle
- Securing execution of a document by deception
- Fraudulent destruction, removal, or concealment of a writing
- Simulating legal process
- Fraudulent use or possession of identifying information without that person's consent
- Stealing an unsigned check or receiving an unsigned check with the intent to use it or sell it
- Serious abuse of County time such as unauthorized time away from work or use of County time for personal business
- Theft or unauthorized removal of County records, County property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers, inmates or visitors).
- Willful destruction or damage of County records, County property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers, inmates or visitors)
- Neglecting or subverting job responsibilities in exchange for an actual or promised award

Lighthouse Services, Inc. (Fraud Hotline) – Webb County's confidential reporting services provider that will enable employees, management, officials, vendors and constituents to report fraud, abuse, ethics, and compliance violations.

DEFINITIONS
(continued)

Red Flags – A set of circumstances that are unusual in nature or vary from the normal activity. It is a signal that something is out of the ordinary and may need to be investigated further. Red flags do not indicate guilt or innocence but merely provide possible warning signs of fraud.

The most frequently cited “red flags” of fraud are:

- Changes in an employee’s lifestyle, spending habits or behavior
- Poorly written or poorly enforced internal controls, procedures, policies or security
- Irregular/ unexplained variances in financial information
- Inventory shortages
- Failure to take action on results of internal/external audits or reviews
- Excessively rewriting records under the guise of neatness.
- Frequent complaints from customers
- Missing files
- Ignored employee comments concerning possible fraud
- Refusal to leave custody of records during the day by the employee
- Working excessive overtime and refusing to take vacation time off

Retaliation – When an individual is discriminated against or penalized for reporting fraud or for cooperating, giving testimony, or participating in any manner in a review, proceeding, or hearing.

Unethical Behavior – Lacking moral principles; unwilling to adhere to proper rules of conduct.

Examples of unethical behavior include, but are not limited to the following:

- Deliberate deception
- Violation of conscience
- Failure to honor commitments
- Disregard of policies

Waste – Harmful or destructive use of property under one’s control. Waste may also be referred as the unnecessary incurring of costs as a result of inefficient practices, systems or controls.

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

- Damaging, destroying, or ruining materials or equipment
 - Improper maintenance or intentional mistreatment of equipment
 - Purchase of unneeded supplies or equipment
 - Purchase of goods at inflated prices
 - Failure to reuse or recycle major resources or reduce waste generation
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DETERRENCE

Deterrence consists of those actions taken to discourage acts of fraud and limit the exposure if fraud does occur. County Officials/Department Heads are responsible for the implementation and maintenance of effective internal controls. The Auditor's Office assists in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of the internal controls. Fraud occurs due to the following reasons:

- Poor internal controls and disregard for Webb County's policies and procedures including but not limited to:
 - Personnel Policies,
 - Budget,
 - Manual for Purchasing Policies and Procedures,
 - Purchasing Code of Ethics Policy
 - Policy for Drug, Alcohol, and Other Prohibited Substances,
 - Safety Manual, etc., and
 - Fraud Policy
- Management override of internal controls
- Collusion between management, employees, and/or third parties
- Poor or non-existing ethical standards
- Lack of supervisory control of staff

PREVENTION

The following internal controls minimize risks and help prevent fraud:

- Detailed departmental/office written policies and procedures
- Adherence to all organizational procedures, especially those concerning documentation and authorization of transactions
- Physical security and controlled access over assets such as locking doors and restricting access to certain areas
- Proper training of employees
- Independent review and monitoring of tasks by the department supervisor, such as approval processing of select items
- Separation of duties so that not one employee is responsible for a transaction from start to finish
- Clear lines of authority
- Conflict of interest statement forms that are enforced according to the Webb County Manual for Purchasing Policies and Procedures and the Purchasing Code of Ethics Policy
- Rotation of duties in positions more susceptible to fraud
- Ensuring that employees take regular vacations
- Regular independent reviews of areas susceptible to fraud

DUTY TO REPORT

Employees – Any employee who has knowledge of an occurrence of fraud, or has reason to suspect that fraud has occurred, shall immediately notify their supervisor. If the employee has reason to believe the employee's supervisor may be involved, the employee shall immediately notify the Department Head/County Official of their department.

However, if the employee has reason to suspect the Department Head/County Official may also be involved, the employee should contact the Lighthouse Services. Failure to report suspected fraud may result in disciplinary action or possible termination.

**DUTY TO REPORT
(continued)**

Supervisor – Upon notification of suspected fraud, or if the supervisor has reason to suspect that a fraud has occurred, the supervisor shall immediately notify the Department Head/County Official of their department.

However, if the supervisor has reason to believe that the Department Head/County Official may be involved in a fraud, the supervisor shall contact the Lighthouse Services. Failure to report suspected fraud may result in disciplinary action or possible termination.

Department Head/County Official – Upon notification of suspected fraud, or if the Department Head/County Official has reason to suspect that a fraud has occurred, the Department Head/County Official shall contact Lighthouse Services. The Department Head/County Official shall not attempt to investigate the suspected fraud or to discuss the matter with anyone other than Lighthouse Services. Due to the important, yet sensitive nature of suspected violations, effective professional follow-up is critical.

While appropriately concerned about “getting to the bottom” of such issues, Department Heads/County Officials should not in any circumstances perform any investigative or other follow-up steps on their own. All relevant matters, including suspected but unproven matters, should be referred immediately to Lighthouse Services. Failure to report suspected fraud may result in disciplinary action or possible termination.

Auditor’s Office – Upon notification or discovery of a suspected fraud, waste and/or abuse, the County Auditor’s Office will assess the suspected fraud and if merited, coordinate with the proper departments and/or authorities for review of allegations.

County employees, Department Heads, County Officials, and all others who are subject to this policy have a duty to report violations of this policy and to cooperate in the reviews, inquiries, and hearings conducted by the County. However, a person making false reports shall be subject to disciplinary action if he or she report information which he or she knows to be false or which he or she discloses with reckless disregard for its truth or falsify.

**PROTOCOL
AFTER
REPORTING**

Record Security – A successful review can only be performed if the documentation relating to an alleged fraud is available for review in its original form. Therefore, once a suspected fraud is reported, Department Head/County Official and/or supervisors shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the County Auditor’s Office obtains the records to begin the review.

Contacts/Protocols – After an initial assessment and a determination that the suspected fraud warrants additional review, the County Auditor will notify the proper Departments and/or authorities. The County Auditor, as necessary, shall coordinate the review with the appropriate law enforcement officials and shall report its findings as described below.

**PROTOCOL
AFTER
REPORTING
(continued)**

Confidentiality – All participants in a fraud review shall keep the details and results of such confidential except as expressly provided in this policy. However, the County Auditor may discuss with appropriate person(s) if such discussion would further the review.

Personnel Actions – If suspicion of fraud is substantiated by the review, disciplinary action shall be taken in conformance with the Webb County’s Personnel Policies. A false and vindictive allegation of fraud is a violation of this policy. All violations of this policy, including violations of the confidentiality provisions, shall result in disciplinary actions up to and including termination.

Retaliation – It is a violation of this policy for any individual to be discriminated against for reporting fraud or for cooperating, giving testimony, or participating in a review, proceeding, or hearing. Such individual falls under the protection of the Texas Whistle Blower Act. An employee who believes that he or she has experienced retaliation for making a report or assisting in a review shall report this as soon as possible to the County’s official hotline Lighthouse Fraud Hotline for proper authority’s review and/or action.

Media Issues – If the media becomes aware of a review, the appropriate supervisor or Department Head/County Official shall refer to the Public Information Officer. The alleged fraud and subsequent review shall not be discussed with the media.

**REVIEW
DISPOSITION**

At the conclusion of the review, the County Auditor’s will document the results in a report to the Commissioners Court, with a copy to the appropriate Deputy County Administrator and Department Head/County Official. If the report concludes that the allegations are founded, the report will be copied to Human Resource Director.

If the fraud has resulted in County property loss, the County Auditor shall report such loss to the Commissioners Court. The appropriate designated legal counsel shall seek restitution for any property loss.

Upon completion of the review and all legal and personnel actions, records will be returned by the investigative offices to the appropriate department.

CONSEQUENCES

Employees, Supervisors and County Officials found to have violated this policy will be subject to discipline by Commissioners Court in accordance with Personnel Policy, Civil Service Policy, and/or, State Ethics Commission, as applicable.

Parties doing business with the County, including vendors, consultants, contractors or their principals and employees, found to have violated this policy will be subject to termination of any business relationship with the County and exclusion from further business opportunities with the County.

As to any person subject to this policy or otherwise, the County may make referral of its findings to the appropriate law enforcement authority and be subject to criminal prosecution.

NO COERCION

No County Official or employee shall directly or indirectly use or threaten to use any official authority or any influence in any manner whatsoever, which tends to discourage, restrain, deter, prevent, interfere with, coerce, or discriminate against any person who in good faith reports, discloses, divulges, or provides any facts or information relative to an actual or suspected violation of this policy or other state, federal, or local laws.

CONFIDENTIALITY If members of the public suspect that fraud is being committed within the County, they may report it via the Lighthouse Services. At any time, anyone may call the hotline to report fraud and has the option to remain anonymous.

Webb County is committed to protecting the identity and confidentiality of callers thru its fraud hotline provided by Lighthouse Services.

County Officials, Department Heads, County employees, vendors and constituents shall cooperate with administrative reviews pursuant to this fraud policy. They shall not discuss the matter with anyone other than their supervisor, the Department Head/County Official, the County Auditor's Office and/or appropriate authority.

FRAUD HOTLINE Constituents, County Officials, Department Heads, employees, consultants, vendors, contractors, and any other parties with whom Webb County maintains a business relationship may report any fraud, waste and abuse to Lighthouse Services.

Confidential services are provided by Lighthouse Services and are available 24 hours a day, 7 days a week for use by employees and staff via:

Provided by:
**Lighthouse
Services Inc.**

- **Website:** www.lighthouse-services.com/webbcounty
- **Telephone:**
 - English: **833-920-0001** (not available from Mexico)
 - Spanish: **800-216-1288**
- **E-mail:** reports@lighthouse-services.com (must include County name with report)
- **Fax:** (215) 689-3885 (must include County name with report)

EXECUTED this 12th day of December 2018.

Hon. Tano E. Tijerina
Webb County Judge

Hon. Jesse Gonzalez
Commissioner, Precinct 1

Hon. Rosaura Tijerina
Commissioner, Precinct 2

Hon. John C. Galo
Commissioner, Precinct 3

Hon. Cynthia Y. Liendo
Commissioner, Precinct 4

ATTEST:

Hon. Margarita "Margie" Ramirez Ibarra Webb County Clerk