



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

**2024**

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

### **Overview**

Fannin County is committed to safeguarding of public assets and preventing fraud, waste, and abuse—all Fannin County employees, as public stewards must share in the commitment. Fannin County employees, especially supervisors and department heads/elected officials, must be aware of the circumstances, or "red flags", which may potentially lead to fraud. For the purpose of this administrative procedure, fraud, waste, and abuse are referred to as "fraud".

### **Purpose**

The purpose of this document is to communicate the County's policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others and to provide specific instructions regarding appropriate action in the event of suspected violations.

### **Scope**

This policy applies to any fraud, or suspected fraud, involving employees, department heads, officials, consultants, vendors, contractors, and any other parties with a business relationship with Fannin County.

### **Goal**

The intent of this policy is to establish and maintain a fair, ethical, and honest business environment for all county employees, customers, suppliers, and anyone else with whom the County has a relationship.

### **Definitions**

Fraud — Fraud encompasses an array of irregularities and illegal acts characterized by internal or external deception. Fraud 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 the following:

- Stealing or, misappropriation of funds, supplies, etc.
- Forgery or unauthorized alteration of any document
- Intentional misrepresentation by County personnel regarding payroll records or the payroll records of others

- Knowingly making a false entry in or false alteration of a governmental record
- Making, presenting, or using any record, document, or thing with the knowledge that it is false
- Intentional destruction, concealment, removal, or other otherwise impairs 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 be used unlawfully, or with the knowledge that it was obtained unlawfully
- Using or claiming to hold an education degree that is fraudulent, fictitious, or has been revoked, with the intent to obtain employment, promotion, or other benefit
- Credit card abuse or fabrication 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 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

**Waste-** Waste is defined as knowingly harming or knowingly using property under control in a destructive manner. Waste may also be referred to as the unnecessary incurring of costs because of inefficient practices, systems, or controls. Examples of waste include, but are 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

**Abuse**— Abuse refers to violations and circumventions of departmental or county regulations that impair the effective and efficient execution of operations. Some examples of abuse are as follows:

- Using County equipment or suppliers to conduct non-County business
- 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
- Unauthorized use of County resources (computers, software, databases, other information) for non-County purposes
- Abuse of purchase order authority, such as false travel or expense reports

- Use of information gained as a County employee for personal gain, such as an employee using confidential or non-confidential taxpayer information to get new customers for his/her outside business

### **Deterrence**

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposures if fraud does occur. Elected Officials/Department Heads are responsible for the implementation and maintenance of effective internal controls. The Internal audit division is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of internal controls.

Fraud occurs for the following reasons:

1. Poor Internal controls, especially disregarded for set policies and procedures
2. Management override of internal controls
3. Collusion between employees and/or third parties
4. Poor or non-existing ethical standards
5. Lack of control over staff by their supervisors **"Red Flags"**

The most frequently cited "red flags" of fraud are:

1. Changes in an employee's lifestyle, spending habits, or behavior
2. Poorly written or poorly enforced internal controls, procedures, policies, or security
3. Irregular/unexplained variances in financial information
4. Inventory shortages
5. Failure to take action on results of internal/external audits or reviews
6. Unusually high expenses or purchases
7. Frequent complaints from customers
8. Missing files
9. Ignored employee comments concerning possible fraud
10. Refusal to leave the custody of records during the day by the employee
11. Working excessive overtime and refusing to take vacation time off

### **Fraud Prevention**

The following internal controls should minimize the risk and help prevent fraud:

1. Detailed written policies and procedures and adherence to all policies and procedures, especially those concerning documentation and authorization of transactions
2. Physical security and controlled access over assets such as locking doors and restricting access to certain areas
3. Proper training of employees
4. Independent review and monitoring of tasks by the department supervisor, such as approval processing of selected items
5. Separation of duties so that no one employee is responsible for a transaction from start to finish

6. Clear lines of authority
7. Conflict of interest statements which are enforced
8. Rotation of duties in positions more susceptible to fraud
9. Ensuring that employees take regular vacations
10. Regular independent audits of areas susceptible to fraud

### **Reporting Fraud**

If an employee or members of the community suspects that fraud is being committed within the County, the individual shall report it to any of the following:

- The immediate supervisor,
- Department Head/Elected Official,
- County Auditor by phone (903)583-7451; via e-mail [awhipple@fanninco.net](mailto:awhipple@fanninco.net)
- External Auditor phone at (817)265-9989; or by mail to: Rutledge Crain & Company 3214 W Park Row, Suite E, Pantego, TX 76013
- Contact the Texas State Auditor's Office by phone at 1-800-TX-AUDIT (892-8348), by mail to State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, TX, 78711-2067, or by submitting to the fraud hotline website at <https://sao.fraud.texas.gov/ReportFraud/>

If reported to the immediate Supervisor, Department Head/Elected Official, the employee should simultaneously communicate directly with the County Auditor's Office to report the fraud.

When reporting to the County Auditor's office directly, the employee will have the option to remain anonymous. Every attempt will be made to protect the identity of the reporting individual. The County Auditor's Office is committed to protecting the employee's identity and confidentiality.

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Managers, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstance perform any investigative or other follow-up steps on their own. All relevant matters, including suspected but unproven, 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 funds may have occurred will be forwarded to the State Auditor's Office as required by the Texas Government Code, Section 321.022.

### **Retaliation**

The Texas Whistleblower Act protects employees who make good faith reports of violations from retaliation. An employee who believes that he or she has experienced retaliation for making a report or assisting in an investigation shall report this as soon as possible to the County Auditor at [awhipple@fanninco.net](mailto:awhipple@fanninco.net) or 903-583-7451.

## **Reporting Unethical Behavior**

Employees are encouraged to seek advice from the County's Personnel Department when faced with uncertain ethical decisions. The County Auditor is responsible for the administration, revision, interpretation, and application of this policy. This policy will be reviewed annually and revised as necessary.

### **Duty to Report**

County Officials, Department Heads, employees, and all others who are subject to this policy have a duty to report violations of this policy and to cooperate in investigations, inquiries, and hearings conducted by the County. However, a person making false reports shall be subject to disciplinary action if he or she reports information that he or she knows to be false.

### **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 that 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.

### **Consequences**

County Department Heads found to have violated this policy will be subject to discipline by Commissioners Court, including a written warning or reprimand, suspension, or termination in accordance with the procedures under which a department head may otherwise be disciplined.

County employees found to have violated this policy will be subject to discipline by their Department Head or Elected Official regarding violations of this policy, including a written warning or reprimand, suspension, or termination in accordance with the procedures under which the employee may otherwise be disciplined. County Officials who violate this policy may be subject to removal from office.

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 a referral of its findings to the appropriate law enforcement authority. Individuals may be subject to criminal prosecution under Texas Penal Code Chapters 32 and 36, as well as any other applicable statute.


Approved by the Fannin County Commissioners Court this 27 day of February, 2024.

  
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Newt Cunningham, Fannin County Judge

Date: 2-27-2024

  
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Dale McQueen, Commissioner Precinct 1

Date: 2-27-2024

  
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A.J. Self, Commissioner Precinct 2

Date: 2-27-2024

  
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Jerry Magness, Commissioner Precinct 3

Date: 2-27-2024

  
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Doug Kopf, Commissioner Precinct 4

Date: 02/27/2024