

# Shelby County Board of Education

2018

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## FRAUD, WASTE, and ABUSE

### I. PURPOSE

To provide guidelines to prevent, detect, and appropriately respond to acts of fraudulent activities.

### II. SCOPE

This policy shall apply to any suspected or actual fraudulent activity involving District assets by employees and/or any individual/entity (e.g., charter schools, vendors, and agencies) engaging in business on behalf of Shelby County Schools (hereafter referred to as District representative).

### III. DEFINITION

**Abuse** - behavior that is deficient when compared to behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances and includes the misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, or noncompliance with provisions of laws, regulations, contracts, or grant agreements (U.S. Government Accountability Office, Government Auditing Standards, Dec. 2011).

**District Representative** - employees and/or any individual/entity (e.g., charter schools, vendors, and agencies) engaging in business on behalf of Shelby County Schools.

**Fraud** - an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable Federal or State Law.

**Fraudulent activity** – the use of one’s position for personal gain through the deliberate misuse or misapplication (including waste and abuse) of the District’s assets or for the personal gain of others.

**Public official** - a person elected or appointed to any office of a public entity.

**Waste** – the careless or needless expenditure of District funds or the consumption of District property, that results from deficient practices, systems, controls, or decisions. Waste does not necessarily involve fraud, or noncompliance with provisions of laws, regulations, contracts, or grant agreements.

**Retaliation** - an adverse action taken as a result of an employee filing a complaint or grievance.

#### **IV. POLICY STATEMENT**

##### **A. General Statement**

Shelby County Schools is committed to the responsible stewardship of its resources and strives to ensure that the District, including its operational practices and assets are safeguarded from the consequences of fraudulent activity. Fraudulent activity may include, but is not limited to:

- Use of District resources for personal gain
- Theft of inventory
- Misappropriation of funds
- Purchases for personal use
- Kickbacks/bribery
- Falsifying official documents (i.e., payroll records, academic records, drill reports)

Participation in any form of fraudulent activity involving Shelby County Schools’ assets by any District representative shall be prohibited. The District shall, therefore, establish guidelines to prevent, detect, and appropriately respond to acts of fraudulent activity. Such guidelines shall at a minimum align with the principles outlined in the TN Internal Control and Compliance Manual and

- Promote an anti-fraud culture
- Provide fraud awareness training that clearly communicates expected behaviors of District representatives; the effects of fraudulent activity; reporting mechanisms; and potential consequences
- Provide a system for District representatives and others to report information regarding suspected and/or known fraudulent activity. Such

system must be adequately publicized and allow individuals to make reports anonymously via telephone, email, internet, mail or in person

- Require the District to continuously monitor established internal controls and conduct periodic fraud risk assessments

In the absence of specific guidance governing fraudulent activities, District representatives shall not be relieved from exercising the highest ethical standards.

#### B. Methods for Reporting Suspected Fraudulent Activity

In accordance with the Local Government Instances of Fraud Reporting Act, public officials with knowledge based upon available information that theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct involving public money, property, or services has occurred shall report the information in a reasonable amount of time to the office of the Comptroller of the Treasury. Citizens and District representatives suspecting fraudulent activity, including waste and abuse of District assets are strongly encouraged to report such activities via the following available options:

- Contact a supervisor  
Employees may use an internal reporting system through supervisory channels to report fraudulent activities. In the event the suspected fraudulent activity involves the immediate supervisor, the employee may direct his/her suspicion to the next supervisory level or directly to the office for internal audit.  
  
Supervisors receiving reports of fraudulent activity shall immediately contact the office responsible for internal audit for Shelby County Schools
- Contact the office responsible for internal audit for Shelby County Schools at 901-416-5436
- Contact the Shelby County Schools Fraud Hotline at  
1-844-910-0088 (English speaking)  
1-800-216-1288 (Spanish speaking)  
[www.lighthouse-services.com/scsk12](http://www.lighthouse-services.com/scsk12)
- Contact the State Audit Hotline for Fraud, Waste, and Abuse 1-800-232-5454 or at <http://www.comptroller.tn.gov/hotline>

Individuals desiring to mail or present information in person may do so at the Francis Coe Building (Francis Coe) 160 S. Hollywood, Memphis, TN 38112, Room 312.

This shall not contravene the rights and responsibilities of employees and/or others set forth in any State or Federal laws, including but not limited to T.C.A. 50-1-304, 49-50-1401 et seq., 8-50-601 et seq., federal or state human rights and/or civil rights laws of the United States Constitution.

To the greatest extent permitted by law, all reports of fraudulent activity shall remain confidential. Activities associated with investigations shall not be disclosed or discussed with anyone other than those who have a legitimate need to know. Any employee found violating this confidentiality may be subject to disciplinary action up to and including termination from employment.

C. Whistleblower Protection (see policy 4039 Employee Whistleblower Protection <http://www.scsk12.org/policy/pm/4000/4039.html>)

Any act of retaliation, including but not limited to harassment and/or discrimination against an employee reporting suspicion of any fraudulent activity in accordance with this policy shall be prohibited by the District. Disciplinary measures up to and including termination from employment with the District shall apply to any employee acting in a retaliatory manner against another employee who complains or files a grievance in accordance with this policy.

D. Investigations of Alleged Fraudulent Activities

Reports of fraudulent activity shall be immediately and decisively addressed by the office responsible for internal audit. Employees involved in suspected fraudulent activity are expected to cooperate in authorized investigations. Under no circumstance shall an employee, excluding appropriate staff in the office responsible for internal audit, attempt to (1) contact the suspected individual regarding the issue; (2) discuss the allegations and/or facts with anyone unless specifically instructed by the Superintendent or his/her designee; or (3) conduct investigations related to any suspected fraudulent activity.

Information provided to the District regarding fraudulent activities will be immediately investigated by the office responsible for internal audit to determine further actions as deemed necessary, including, but not be limited to, disciplinary and/or legal actions and external reporting obligations.

When disciplinary actions are required, the offices responsible for human resources, labor relations, internal audit and general counsel as deemed necessary shall consult prior to any action being administered. Applicable statutes and District policies relative to employee discipline shall be observed.

**E. Training**

Fraud awareness training shall be provided to employees as deemed appropriate.

**F. Sanctions**

Violations of this policy, administrative rules and regulations, and/or guidelines may result in legal action, disciplinary actions up to and including termination from employment, and/or restitution to the District for losses or damages.

**V. RESPONSIBILITY**

- A. Employees shall be responsible for acting in an honest and ethical manner; and complying with requirements of this policy and administrative rules and regulations and/or guidance.
- B. Management shall be responsible for initiating measures to prevent and detect fraudulent activities.
- C. Internal Audit is responsible for providing support to management in determining the adequacy of established internal controls; conducting investigations of suspected fraud; and reporting cases of fraud as appropriate.
- D. The Superintendent shall be responsible for ensuring that this policy is followed.

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Legal References:

- 1. T.C.A. 8-50-601-603
- 2. T.C.A. 50-1-304
- 3. T.C.A. 49-50-1401-1411
- 4. T.C.A. 49-2-301
- 5. T.C.A. 8-4-501-505
- 6. U.S. Const. amend. I
- 7. T.C.A. 10-7-504
- 8. TN Internal Control and Compliance Manual for Governmental Entities and Other Audited Entities in Tennessee

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Cross References:

- 1. 4002 Staff Ethics
- 2. 4003 Conflict of Interest
- 3. 4010 Harassment of Employees
- 4. 4055 Employment-Related Complaints and Grievances
- 5. 1009 Non-Discrimination Statement
- 6. 4039 Employee Whistleblower Protection
- 7. 7007 School Support Organizations