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# **Lubbock County Fraud, Waste and Abuse Policy**

**Adopted**

**By Lubbock County Commissioners Court**

**Effective Date:**

**February 12, 2024**

## **OVERVIEW**

The Lubbock County Fraud, Waste and Abuse Policy is established to enhance Lubbock County policies and to facilitate in the definition of fraud, the common signs of fraud, and the development of controls that will aid in the detection and prevention of fraud, waste and abuse against Lubbock County. It is the intent of Lubbock County to promote consistent organizational behaviour that places an emphasis in the prevention and detection of fraud by providing guidelines and assigning responsibility for the development of controls as well as to conduct investigations. Each member of the management team should be familiar with the types of fraud that might occur within his or her area of responsibility and should be alert for any indication or red flags of fraud. All County employees should be aware of what constitutes fraud as well as ways in which to prevent fraud.

## **SCOPE**

This policy applies to any fraudulent or suspected fraudulent activity involving not only Lubbock County employees but also officials, directors, consultants, vendors, contractors, outside agencies, and/or unknown third parties having a business relationship with Lubbock County. Investigations will be performed without regard to length of service, title/position, or relationship.

## **PURPOSE**

The purpose of this administrative procedure is to:

- communicate the County's policy regarding the protection and proper use of County resources, assets and funds,
- aid in the definition of what constitutes fraud,
- list common types of and red flags of fraud,
- aid in the detection of fraud, waste, and abuse within and or against Lubbock County,
- aid in the prevention of fraud, waste, and abuse within and or against Lubbock County, and
- to establish procedures for the reporting and/or the investigation of suspected fraud or misuse of Lubbock County assets or resources by employees and others.

**Any irregularity that is suspected or detected must be reported immediately to [stopfraud@lubbockcounty.gov](mailto:stopfraud@lubbockcounty.gov).**

## **DEFINITIONS**

**Fraud** – Fraud encompasses an array of irregularities, dishonest and illegal acts characterized by internal or external deception. It can be perpetrated for the benefit of an individual or to the detriment of the County; and/or by persons outside as well as inside the County.

Fraud designed to benefit the organization generally produces benefit by exploiting an unfair or dishonest advantage that also may deceive an outside party. Perpetrators of such frauds usually benefit indirectly, since the personal benefit usually accrues when the organization is aided by the act.

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 and other irregularities by County personnel in County records, including the intentional misstatement of the results of operations.
- 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 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 transactions
- 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 a 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.
- Profiting as a result of insider knowledge of the County's activities
- Disclosure of confidential information and proprietary information to outside parties
- Impropriety in reporting transactions
- Accepting or seeking anything of from contractors, vendors, or other persons providing services/materials to the County
- Any similar acts

**Waste** – Waste is defined as 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 process
- Failure to reuse or recycle major resources or reduce waste generation

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

- Using County equipment or supplies 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 for financial transaction
- Profiting by self or others as a result of inside knowledge
- Destruction or intentional disappearance of records, furniture, fixture, or equipment
- 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
- Accepting or seeking anything of material value from vendors or persons providing services or material to the County
- 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

## **DETERRENCE**

Consists of those actions taken to discourage the perpetration of fraud and limits the exposure if fraud does occur. Elected Officials/Department heads are responsible for obtaining knowledge of what constitutes fraud as well as the implementation and maintenance of effective internal controls within their department to deter fraud. The internal audit division is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of internal controls. Audit activities should be specifically designed in a manner which provides a review of the control environment and the inherent potential for fraud.

## **RED FLAGS OF FRAUD**

- Changes in an employee's lifestyle, spending habits or behaviour.
- Poorly written or poorly enforced internal controls, procedures, policies or security
- Irregular/ unexplained variances in financial information
- Inventory shortage
- Failure to take action on results of internal/external audits or reviews
- Unusually high expense or purchases
- 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

## **PREVENTION**

- Detailed written policies and procedures with the adherence to all policies and 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 all Lubbock County employees to include basic internal controls, the definition of fraud waste and abuse as well as the red flags of fraud.
- Independent review and monitoring of tasks by the department supervisor, such as approval processing of select items such as travel and training expenses and credit card purchases.
- Separation of duties so that no one employee is responsible for a transaction from start to finish
- Rotation of duties in positions more susceptible to fraud
- Conflict of interest statements which are enforced
- Ensuring that employees take regular vacation
- Clear lines of authority
- Regular independent audits of areas susceptible to fraud

**OTHER IRREGULARITIES** – Identification or allegations of personal improprieties or irregularities whether moral, ethical or behavioral, should be resolved by departmental management and the human resources department, rather than audit related departments or agencies.

**INVESTIGATION RESPONSIBILITIES** – The Authorized Fraud Review Team, under the direction of the County Auditor, has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Authorized Fraud Review Team, assigned by the Lubbock County Commissioners Court will issue a report to the appropriate designated personnel and if appropriate, to the Lubbock County Criminal District Attorney, the Lubbock County Commissioners Court and/or the Lubbock County

Board of Judges. Decisions to prosecute and/or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with the Lubbock County District Attorney, as will final decisions on disposition of the case.

Additionally, if the County Auditor, or the Authorized Fraud Review Team under his/her direction, has reasonable cause to believe any state grant funds received by the County may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the use of the state grant funds, the County Auditor shall report this finding to the State Auditor in compliance with Section 321.022 of the Government Code. The State Auditor may investigate the report or may monitor any ongoing investigation.

**AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD** – members of the Authorized Fraud Review Team will have free and unrestricted access to all County records and premises. The Authorized Fraud Review Team shall have the authority, when it is within the scope of their investigation, to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities.

**CONFIDENTIALITY** – The Auditor’s Office treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify their department head, the County Auditor and/or the Internal Auditor Manager immediately, and should not attempt to personally conduct investigations or interview/interrogate anyone related to any suspected fraudulent acts (see Reporting below).

**WHISTLE BLOWING** – Employees may not retaliate against a whistleblower for reporting any activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of employment (including but not limited to threats of physical harm, dismissal, transfer to an undesirable job assignment, demotion, suspension, or impact on salary or wages). A whistleblower is defined as an employee who informs a manager or supervisor, or other responsible official about an activity which that person believes to be fraudulent or dishonest.

Whistleblowers who believe that they have been retaliated against may file a written complaint with the Human Resources Department. Any complaint of retaliation will be promptly investigated by the Human Resources Department, and the Criminal District Attorney’s Office, and appropriate remedial measures will be taken if allegations of retaliation are proven. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.(SFP)

**REPORTING** - Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact their Department Director, the County Auditor, and/or the Internal Audit Manager immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Criminal District Attorney's Office. Only information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to the allegation, the crime, the fraud, the forgery, the misappropriation, or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Criminal District Attorney's Office or the County Auditor.

**TERMINATION** – If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representative or the Human Resources Director and the Civil District Attorney; and if necessary, by outside counsel before any such action is taken. The County Auditor or the Internal Audit Manager do not have the authority to terminate an employee that is not in their department. The decision to terminate an employee is made by the employee's department head/Elected Official. However, should the Authorized Fraud Unit believe that the management's decision is inappropriate for the facts presented, the facts will be presented to the Commissioners Court and the Criminal District Attorney.

**ADMINISTRATION** - The County Auditor, with assistance from the Criminal District Attorney's Office, is responsible for the administration, revision, interpretation, and application of this policy. This policy will be reviewed annually and revised as needed. All revisions will be submitted to the Criminal District Attorney's Office as well as to the Commissioners Court for approval.

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