

Fraud, Waste, and Abuse

Purpose

To maintain a fraud, waste, and abuse awareness program that includes employee training and guidelines for reporting suspected fraud, waste, and abuse.

References

- Texas Gov. Exec. Order No. RP-36, 29 Tex. Reg. 7239 (2004) (relating to preventing, detecting, and eliminating fraud, waste and abuse)
- Texas Government Code, Section 321.022 (relating to requirement for state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office)

Applies To

All TRS employees and non-TRS workers (contract workers, unpaid interns and volunteers).

NOTE: Non-TRS workers assigned to TRS are expected to adhere to the standards of conduct outlined in this policy while on TRS premises or otherwise conducting TRS business.

Definitions

Fraud: The use of one's employment or business relationship with TRS either for improper or unauthorized personal or third-party (including TRS) enrichment or advantage, or for the improper or unauthorized detriment to TRS, through the deliberate misuse or misapplication of TRS processes, resources, or assets.

Fraud Risk Assessment: The identification and analysis of fraud risk for determining appropriate management strategies and controls, such as an Enterprise Risk Management assessment.

Waste: The careless or needless expenditure of TRS funds or the consumption of TRS property that results from deficient practices, systems, controls, or decisions.

Abuse: The intentional excessive or intentional improper use of TRS or, if applicable, state resources to the detriment or potential detriment of TRS. This definition includes the intentional destruction, damage, sabotage, diversion, manipulation, misapplication, maltreatment, or misuse of said resources.

Detriment: Determined by the Executive Director, the detriment to TRS caused by fraud, waste, or abuse must be of some importance to TRS under the particular circumstances, having more than an incidental impact on TRS, but not necessarily having a material, significant, or consequential impact on TRS in every situation.

General Statement

TRS maintains a culture of honesty and ethical behavior. Fraud, waste, and abuse are prohibited at TRS. A coordinated system of internal processes and controls is maintained at TRS to reduce the potential for the occurrence of fraud, waste and abuse and to minimize their impact in the event they occur. TRS employees and non-TRS workers participate in an ongoing program of awareness and education.

Covered Acts

An illustrative list of acts that are covered by this policy is presented below. This list is not comprehensive and is provided only as an example of acts covered by this policy. In addition to direct commission of a covered act, use of one's authority or position to influence or coerce another to commit a covered act will be viewed the same as having committed the act directly and will subject that employee to corrective action as well.

- Any fraudulent act.
- Forging or altering any document or software, so that the resulting payments or debits are credited or charged to the wrong person.
- Misappropriation of funds, securities, supplies or other assets.
- Taking, for one's personal use, any assets that belong to TRS.
- Using TRS resources (e.g., email, servers, computers, facilities, or personnel) to conduct any business that does not relate to TRS business or directly benefit TRS, such as personal business or activities.
- Seeking or receiving payment from an employer, member, retiree, beneficiary, or other employee in exchange for processing a TRS application, making a TRS-related decision which favors that person, or providing or manipulating any other TRS-related service to the employer, member, retiree, beneficiary, or other employee.
- Intentionally distorting the truth to a member, a retiree, a beneficiary, a reporting employer, or an entity in a contractual relationship with TRS to convince the person, employer, or entity to give up money, property, some right or entitlement, or other possession rightfully belonging to that person, employer, or other entity for personal reasons, such as personal gain or recognition, or to benefit TRS improperly.
- Intentionally taking any action that results in a benefit, advantage, or outcome to which the recipient is not entitled such as circumventing established procedures or policy to meet targets resulting in increased incentive compensation or intentionally misrepresenting performance data to another TRS employee or agent, to the Board of Trustees, or externally.
- Intentionally destroying records, furniture, equipment, information, or other assets without authorization that belong to TRS.
- Intentional timesheet misreporting.
- Signing up for a class or other activity requiring the expenditure of TRS funds and then inexcusably failing to attend the class or activity.
- Taking steps intended to hinder the detection of any of the above activities.

Reporting Procedure

All employees and non-TRIS workers covered by this policy must promptly report any detected or suspected fraud, waste, or abuse. It is the intent of management to maintain the confidentiality, to the extent possible, of any employee reporting such activities. An employee acting in good faith in reporting detected or suspected fraud, waste, or abuse will not be subject to any reprisals, retaliation, threats, coercion, or similar acts for having disclosed such activities.

An employee should make a report under this policy to the employee's manager or Chief Officer. Employees and non-TRIS workers may choose to make the report to the Executive Director, Chief Audit Executive, Chief Compliance Officer, General Counsel, or TRIS' Fraud and Ethics Hotline if the reporting employee believes it is necessary under the circumstances.

If a report is made to an employee's manager, the manager must promptly consult with the Chief Compliance Officer and the Chief Officer /Department Director. The Chief Compliance Officer must promptly notify the Executive Director. The Executive Director, working in conjunction with the General Counsel and Chief Compliance Officer or their designees, will promptly notify the individuals assigned to investigate the report.

The report may be verbal or written, and may be made by anyone having knowledge of the suspected activity.

If the employee chooses, an anonymous report can be submitted to TRIS' Fraud and Ethics Hotline: <http://trstexas.ethicspoint.com> or by calling 1-866-897-5071, or to the Texas State Auditor's Office by using their website: <https://sao.fraud.texas.gov>, or by calling 1-800-TX-AUDIT (1-800-892- 8348).

After making the initial report, the reporting employee should not take any further action to investigate. To protect the personal safety and privacy of TRIS employees and to preserve the integrity of the investigation, the reporting employee:

- Should not contact the employee or other individual who has been reported for any purpose, except for normal job duties, including efforts to gather additional information or demand restitution; and
- Should not discuss the report with anyone other than the personnel assigned to the inquiry.

Detection and Investigation

All managers should take steps necessary to be familiar with the opportunities for impropriety that exist in their area of responsibility, and be alert for any indication of fraud, waste, or abuse described in this policy. All managers should be aware of fraud risks impacting their respective areas, as well as the agency-wide fraud assessment. **All allegations of impropriety reported under this policy must be investigated, regardless of the employee's length of service, position, or title.**

If a report is made to Chief Compliance Officer through a hotline, Organizational Excellence, or other means, a Triage Team composed of the Deputy Director, General Counsel, Chief Compliance Officer, Chief Organizational Excellence Officer, and Chief Audit Executive, or their designees, receives and investigates the report and informs the Executive Director of the investigation results.

The Executive Director, in consultation with the Triage Team as deemed necessary, will determine whether: (a) TRS resources may have been lost, misappropriated, or misused; (b) any unlawful or prohibited conduct has occurred in relation to TRS operations; or (c) the findings warrant referral to outside enforcement and/or prosecutorial agencies. If so, the Executive Director or the Chief Compliance Officer, or their designees, where appropriate, shall provide a report to the Board of Trustees Audit, Compliance, and Ethics Committee Chair and will coordinate with the Chief Audit Executive or General Counsel to contact such agencies, including the State Auditor's Office, as appropriate. The Executive Director, in consultation with the General Counsel, shall determine the actions appropriate to recover any losses.

Confidentiality

To the extent allowed by law and consistent with responsibilities under this policy, employees who make or receive a report under this policy or who have responsibilities for investigation or other actions under this policy shall at all times maintain the confidentiality of communications made under this policy.

Awareness Training

TRS maintains an ongoing program of fraud, waste, and abuse awareness training to ensure that all TRS employees understand this policy and their roles and responsibilities in detecting and preventing fraud, waste, and abuse. TRS employees and Non-TRS Workers are required to complete classroom or online training annually. Compliance with the training requirements are reported to the Executive Director. Information shall be readily available at all times to TRS employees regarding fraud, waste, and abuse prevention resources through multiple channels of communication.

Corrective Action

Employees – corrective action, up to and including termination, may be taken against employees who:

- Have been found to have committed any of the covered acts or other activities prohibited in this policy or other acts determined to be fraudulent, wasteful, or abusive;
- Condoned, permitted, or have knowledge of prohibited conduct and do not take appropriate action to report such activity;
- Fail to cooperate or make false statements in connection with investigations under this policy;
- Exercise reprisal, retaliation, threats, coercion, or similar acts against another employee for making a report under this policy; or
- Knowingly make a false report of fraud, waste, or abuse.

Non-TRS Workers – violation of this policy may result in notification to the contractor that the contract worker may no longer provide services to TRS or in termination of an internship, as applicable.

Employees and Non-TRS Workers may also face criminal and civil penalties under Texas state law for conduct that violates this policy.

This policy does not constitute a contract, a promise or guarantee of employment, or a guarantee of access to TRS premises or information resources, as applicable, and may be modified, superseded, or eliminated by TRS without notice to the employee.