

FISCAL MANAGEMENT GOALS AND OBJECTIVES
FINANCIAL ETHICS

CAA
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Section I: General Provisions

All Trustees, employees, vendors, contractors, agents, consultants, volunteers, and any other parties who are involved in the District's financial transactions shall act with integrity and diligence in duties involving the District's fiscal resources.

Note: See the following policies and/or administrative regulations regarding conflicts of interest, ethics, and financial oversight:

- Code of ethics:
 - for Board members—BBF
 - for employees—DH
 - Financial conflicts of interest:
 - for public officials—BBFA
 - for all employees—DBD
 - for vendors—CHE
 - Compliance with state and federal grant and award requirements: CB, CBB
 - Financial conflicts and gifts and gratuities regarding federal funds: CB, CBB
 - Systems for monitoring the District's investment program: CDA
 - Budget planning and evaluation: CE
 - Compliance with accounting regulations: CFC
 - Activity fund management: CFD
 - Criminal history record information for employees: DBAA, DC
 - Disciplinary action for fraud by employees: DCD, DCE, and DF series
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**Section II: Fraud and
Financial Impropriety**

The District prohibits fraud and financial impropriety, as defined below, in the actions of its Trustees, employees, vendors, contractors, agents, consultants, volunteers, and any other individuals or entities seeking or maintaining a business relationship with the District.

Definition

Fraud is defined as a knowing or intentional misrepresentation or knowing or intentional concealment or omission of a material fact made to induce another to act to ~~his or her~~ their detriment.

Fraud and financial impropriety shall include, but not be limited to:

1. Forgery or unauthorized alteration of any document or account belonging to the District.
2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
3. Misappropriation of funds, securities, supplies, or other District assets, including employee time.
4. Impropriety in the handling of money or reporting of District financial transactions.
5. Profiteering as a result of insider knowledge of District information or activities.
6. Unauthorized disclosure of confidential or proprietary information to outside parties.
7. Unauthorized disclosure of investment activities engaged in or contemplated by the District.
8. Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the District, except as otherwise permitted by law or District policy. [See CB, DBD]
9. Inappropriately destroying, removing, or using District property, including but not limited to records, furniture, fixtures, or equipment, except as authorized by District policy.
10. Failure to provide financial records required by state or local entities.
11. Failure to disclose conflicts of interest as required by law or District policy.
12. Submission of any document or record known to be false or altered with the intent of having it accepted as a genuine record.

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13. Intentionally destroying, concealing, removing, or otherwise impairing the verity, legibility, or availability of documents or records.
14. Any other dishonest or fraudulent act regarding the finances of the District.
15. Failure to comply with requirements imposed by law, the awarding agency, or a pass-through entity for state and federal awards.

Financial Controls
and Oversight

Each employee who supervises or prepares District financial reports or transactions shall set an example of honest and ethical behavior and shall actively monitor ~~his or her~~ their area of responsibility for fraud and financial impropriety.

Fraud Prevention

The Superintendent or designee shall maintain a system of internal controls to deter and monitor for fraud or financial impropriety in the District. [See BJA(LOCAL)]

Reports

Any employee who knows or suspects fraud or financial impropriety in the District or who witnesses a District-related crime may report the fraud, financial impropriety, or crime to any of the following:

1. Any peace officer with authority to investigate the crime;
2. ~~The chief audit executive~~ External audit;
3. Any supervisor;
4. The Office of Ethics and Compliance;
5. The District's 24-hour *Ethics Hotline*;
6. The general counsel's office;
7. The Superintendent or designee; or
8. Any person with authority to investigate the suspicions.

Reports of suspected fraud or financial impropriety shall be treated as confidential to the extent permitted by law. Limited disclosure may be necessary to complete a full investigation or to comply with law. All employees involved in an investigation shall be advised to keep information about the investigation confidential with the exception that any employee represented by a lawyer or other designated representative for purposes of the investigation may share information with their lawyer or designated representative.

*Protection from
Retaliation*

Neither the Board nor any District employee shall unlawfully retaliate against a person who in good faith reports perceived fraud, financial impropriety, or crime. [See DG]

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Investigations

~~The Superintendent shall assign allegations to an appropriate investigative unit. Generally, criminal allegations, not including fraud or financial impropriety, shall be assigned to~~ Prior to assignment, staff from the Houston Independent School District (HISD) Office of Legal Services, Office of Finance and Operations, and Office of the Chief of Police shall meet to determine the appropriate investigative unit. Such recommendation will be made to the Superintendent for assignment. ~~, and allegations of fraud and financial impropriety shall be assigned to the Office of Ethics and Compliance or the Office of Internal Audit, depending on the nature and severity of the allegations.~~

Each investigative unit shall conduct and/or coordinate all investigations assigned to it. The investigative unit shall coordinate with the Office of Legal Services ~~District's general counsel, and other internal or external departments or agencies, on investigations as appropriate.~~

Response

If an investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee shall promptly inform the Board of the report, the investigation, and any responsive action taken or recommended by the administration.

If an employee is found to have committed fraud or financial impropriety, the Superintendent or designee shall take or recommend appropriate disciplinary action, which may include termination of employment.

If a contractor, vendor, consultant, volunteer, or other party involved in the District's financial transactions is found to have committed fraud or financial impropriety, the District shall take appropriate action, which may include cancellation of the District's relationship with that party.

When circumstances warrant, the Board, Superintendent, or designee may refer matters to appropriate law enforcement or regulatory authorities. In cases involving monetary loss to the District, the District may seek to recover lost or misappropriated funds.

The final disposition of the matter and any decision to file a criminal complaint or to refer the matter to the appropriate law enforcement or regulatory agency for independent investigation shall be made in consultation with legal counsel.

Federal Awards
Disclosure

In connection with federal awards, the ~~The~~ District shall promptly disclose, in a timely manner in writing to the federal awarding agency or pass through entity, all violations whenever the District has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity

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	violations potentially affecting <u>found in federal law, including the Civil False Claims Act. This provision applies to any activities or subawards of</u> a federal grant award. [See <u>the CBB series</u>]
Analysis of Fraud	After an investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee, in conjunction with the chief audit executive, as appropriate, shall analyze conditions or factors that may have contributed to the fraudulent or improper activity. The Superintendent or designee shall ensure that appropriate administrative procedures are developed and implemented to prevent future misconduct. These measures shall be presented to the Board for review.
Section III: Ethics and Compliance Program and E-Rate Compliance	The Superintendent or designee shall establish a system of internal controls that ensures high-level management oversight and appropriate review of all District Ethics and Compliance activities and E-Rate program activities.
Definitions <i>E-Rate</i>	E-Rate is the commonly used name for the Schools and Libraries Program of the Universal Service Fund. The E-Rate program is administered by the Universal Service Administrative Company (USAC) under the direction of the Federal Communications Commission (FCC). The E-Rate program provides discounts to assist schools and libraries to obtain affordable internet access, telecommunications, internal connections, and related equipment.
<i>E-Rate Personnel</i>	E-Rate personnel includes: • All District officers, Board members, and employees involved in any aspect of the E-Rate program. • Contractors (except for service providers that provide E-Rate-supported services to the District), consultants, agents, and other entities and individuals involved on behalf of the District with the E-Rate program, including individuals who: • Prepare, review, approve, sign, or submit E-Rate applications or other forms related to the E-Rate program, or • Determine whether services are eligible for funding, prepare bids, or communicate or work with E-Rate service providers, E-Rate consultants, or USAC. • Office of Internal Audit <u>Ethics and Compliance</u> staff members responsible for auditing and monitoring the District's compliance with E-Rate program rules.
<i>E-Rate Vendor / Service Provider</i>	An E-Rate vendor/service provider is defined as any external entity or individual, and any affiliates, involved in any aspect of the District's E-Rate program, including, but not limited to:

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- Parent companies;
- Subsidiary companies;
- Joint ventures;
- Resellers;
- Consultants/contractors of the above entities;
- Board members/officers/owners of the above entities; and
- Employees/representatives/salespersons of the above entities.

Gifts and Conflicts
of Interest

The appearance of a conflict of interest is just as important as a real conflict. If an outside independent party might question the intent of a transaction or relationship, such transaction or relationship is deemed to create the appearance of a conflict and therefore should be avoided.

E-Rate program personnel are prohibited from accepting gifts, meals, entertainment, or anything of value from any outside entity, or any consultant or other individual representing such an entity that provides or seeks to provide goods or services pursuant to the E-Rate program, either directly or through any entity associated with the E-Rate vendor/service provider. An exception applies for items of *de minimus* intrinsic value, such as single greeting cards, basic key chains, and basic pens.

Where an E-Rate vendor/service provider ignores the E-Rate personnel's rejection of a gift, entertainment, or anything of value, or if the item was accepted by mistake, such items shall either be immediately returned to the vendor with an explanation that such items are not allowed pursuant to District policy or immediately submitted to the Office of Ethics and Compliance for proper disposal or donation to a charitable entity as determined by the Superintendent or designee. The Office of Ethics and Compliance shall log the details of such occurrences, including the disposition of the items. E-Rate personnel shall report to the Office of Ethics and Compliance all cases where gifts, entertainment, or other items of value have been offered by an E-Rate vendor/service provider. The Office of Ethics and Compliance shall take the appropriate steps to log the details of such occurrences, including any disposition of items, and communicate the District's policy to such E-Rate vendor or service provider.

Specific language asserting the District's policy shall be included in all E-Rate-related procurement documents and contracts.

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~~Any~~ Questions regarding gifts and conflicts of interests should be communicated to the Office of Ethics and Compliance [via email to Ethics@houstonisd.org](mailto:Ethics@houstonisd.org) or the District's Ethics Hotline at (800) 455-9551.

Campaign Receipts
and Business
Relationships

Board members shall not knowingly accept campaign contributions from, or have a business relationship with, E-Rate vendors/service providers or individuals or entities seeking to provide goods or services pursuant to the E-Rate program, including related officers and/or key employees.

In the event that monetary contributions from E-Rate vendors/service providers are made to a Board member, that Board member shall be prohibited from voting on specific E-Rate contracts for three years if:

- Cumulative funds in excess of \$500 in campaign contributions in a 365-day period are received from an E-Rate vendor/service provider taken as a whole, or
- Cumulative funds in excess of \$2,000 in a single calendar year in the course of any business relationship are received from an E-Rate vendor/service provider taken as a whole.

Monitoring
Campaign Receipts

Board members shall submit copies of each potential campaign contribution to Board Services prior to formal acceptance of or cashing such funds. Submissions shall be made within seven business days of donation date, or prior to any vote on any related contracts for contributions from known E-Rate vendors/service providers, whichever occurs first. Board Services and the Office of Ethics and Compliance shall research the items within 15 business days of receipt by the District to identify contributions from sources that require monitoring. All such contributions provided to Board Services shall be logged by the Office of Ethics and Compliance and their final disposition noted. Where the contributor is determined to be an E-Rate vendor/service provider, the ethics and compliance officer shall prepare a report on a calendar-year basis of the cumulative amounts for each respective E-Rate vendor/service provider taken as a whole. Upon completion of the research, the Office of Ethics and Compliance shall provide the results to the respective Board member ~~and chief audit executive~~. The Board members shall have the final authority to reject or accept each contribution. Once the \$500 threshold is reached, the ethics and compliance officer shall inform the Superintendent and the President of the Board of Education that the maximum campaign receipt limit has been reached and the Board member is no longer eligible to vote on any contract with such E-Rate vendor/service provider for a

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three-year period from the date the maximum campaign contribution was dated, not deposited. Such action shall be reported in an abstention listing and provided to all Board members.

Monitoring Business
Relationships

Board members shall report details of any business relationship with E-Rate vendors/service providers to the Office of Ethics and Compliance. ~~Details shall include company or related officer and/or key employee's name, date(s) of business transaction(s), and dollar amount(s). Report of such shall be made within seven business days of transaction date, or prior to any vote on any related contracts with known E-Rate vendors/service providers, whichever occurs first. All such reports provided to the Office of Ethics and Compliance shall be logged, and cumulative transaction amounts for each respective E-Rate vendor/service provider taken as a whole shall be prepared on a calendar year basis. The Office of Ethics and Compliance shall provide a copy of the cumulative transaction report to the respective Board member and the chief audit executive.~~ Once transactions from an E-Rate vendor/service provider to a Board member reach a total of \$2,000 in a single calendar year, ~~the Office of Ethics and Compliance shall inform the Superintendent and the President of the Board of Education that the annual maximum limit has been reached and~~ the Board member is no longer eligible to vote on any contract with such E-Rate vendor/service provider for a three-year period from the date the maximum amount was reached as determined by transaction date, not deposit date. ~~Such action shall be reported in an abstention listing and provided to all Board members.~~

Any questions regarding campaign receipts and business relationships should be communicated to the Office of Ethics and Compliance or the Ethics Hotline.

~~Audit
Responsibility~~

~~The chief audit executive shall consider campaign receipts and business relationships in his or her routine risk assessment for inclusion in the annual internal audit plan, where appropriate.~~

Disclosure of
Interest

Board members shall complete the District's Disclosure of Interest Form covering E-Rate matters on January 15 and July 15 of each year. The January report covers the period July 1–December 31 of the previous year and the July report covers the period January 1–June 30 of the current year. The Disclosure of Interest Form shall be submitted to Board Services, which will distribute the form to ~~the ethics and compliance officer~~ Ethics and Compliance for review and any necessary follow-up. This form shall be retained by Board Services. ~~[See CAA(EXHIBIT)]~~

Monitoring and
Compliance Review

The Superintendent or designee shall establish a system of internal monitoring and compliance review, including the steps to be taken if any person suspects that:

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1. Any bid, proposal, or submission for E-Rate funding or other E-Rate program-related conduct is not in accordance with ~~the District's E-Rate compliance policy;~~ Board policy; ~~with~~ District-approved procurement procedures; local, state, or federal competitive bid statutes; other applicable laws, regulations, and procedures; or with E-Rate program rules and requirements;
2. Any gifts or other items of value have been offered or received by any party associated with, seeking to participate in, or otherwise involved in the District's E-Rate program; or
3. The District or any of its E-Rate vendors have improperly requested payment for goods or services not provided, or has overcharged for E-Rate goods and services.

As part of its monitoring and compliance review, the District's Ethics Hotline shall be publicized to allow anonymous reports of known, alleged, or suspected E-Rate noncompliance. The hotline shall be monitored by the Office of Ethics and Compliance ~~and Superintendent~~ in a timely manner.

Education / Training

The Superintendent or designee shall require education or training for all E-Rate program personnel.

The District shall consider the following sources:

1. Training materials available from USAC;
2. Information about E-Rate program rules (as periodically updated) typically found in the USAC Weekly Newsletter;
3. ~~The District's E-Rate Compliance~~ HISD policy;
4. Applicable federal, state, and local procurement laws;
5. The District's Conflict of Interest and Gift policies and the prohibition on gifts and other things of value;
6. E-Rate program rules regarding submission of invoices to USAC;
7. Commission rules and orders requiring a fair and open competitive bidding process; and
8. Consequences of noncompliance with E-Rate program rules and requirements, including cancellation of commitments, recoupment of disbursed E-Rate funds, suspension and debarment from the E-Rate program, criminal and civil prosecution, and appropriate disciplinary action, which may include termination of employment.

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As part of the E-Rate training program, the Superintendent or designee shall require that the appropriate District representatives responsible for ensuring compliance with the E-Rate program rules and requirements and the E-Rate compliance program participate in the applicant training provided annually by USAC.

Compliance Officer

A high-level District employee shall serve as the ethics and compliance officer, who shall:

- Maintain and enforce E-Rate compliance.
- ~~Report directly to the chief audit executive.~~
- Have experience or obtain the necessary training in substantive areas, including procurement.

The ethics and compliance officer and any employees under their immediate supervision shall not be affiliated with or compensated by any service provider, consultant, or other outside entity with whom the District does business related to the E-Rate program.

~~Periodic Audit~~

~~The Board shall direct the chief audit executive to include within their annual scope of work a periodic enterprise risk assessment and audit plan. The District may hire a third-party auditor to perform any required audits.~~

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**Section IV: Standard
Bidding and
Contracting**

The Superintendent shall establish procedures to ensure that the competitive bidding process for E-Rate goods and services is fair and open, and consistent with the rules and requirements of the FCC.

Code of Silence

The District shall implement a Code of Silence to enforce its commitment to ethical contracting standards and improve accountability and public confidence.

*Vendor
Relationships—
Conflicts of
Interest*

It is important to avoid both the appearance of conflicts and actual conflicts of interest. The appearance of a conflict of interest is just as important as a real conflict. If an outside independent party might question the intent of a transaction or relationship, such transaction or relationship is deemed to create the appearance of a conflict and therefore, should be avoided. Circumstances related to an appearance of conflict include those that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that a Board member or administrator has compromised objectivity related to a vendor relationship. [See BBFA]

For purposes of this policy, “vendor’s representative” shall mean an employee, partner, director, Board member or officer of a potential vendor or consultant, lobbyist, actual or potential subcontractor of a vendor, or any other individual or for-profit or nonprofit organization acting through or on behalf of any person seeking an award or on behalf of a group of interested individuals or members.

*Procurement
Methods*

Texas Education Code Section 44.031 allows for the purchase of goods and services through one of the following methods:

- Competitive bidding for services other than construction services;
- Competitive sealed proposals for services other than construction services;
- An interlocal agreement;
- A request for proposals for services other than construction services;
- A method provided by Government Code Chapter 2269 for construction services;
- The reverse auction procedure as defined by Section 21.55062(d); or
- The formation of a political subdivision incorporated under Section 304.001, Local Government Code.

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Applicability

The Code of Silence period applies to the acquisition of goods or services using the procurement methods identified above.

“Code of Silence” shall mean a prohibition on any communication regarding any request for proposals (RFP), bid, or other competitive solicitation (as defined in the procurement methods above) between:

1. Any person who seeks an award from the District or its affiliated entities (including, but not limited to, the HISD Foundation and the HISD Public Facility Corporation), including a potential vendor or vendor’s representative; and
2. A Board member, the Superintendent, senior staff member, principal, department head, director, manager, or other District representative who has influence in the evaluation or selection process.

Furthermore, campaign contributions, gifts, donations, and any other items of value are prohibited between the parties defined above for any known contract under consideration during the Code of Silence period.

Also, candidates who have filed for election to the Board of Education are subject to these limitations after the date on which the candidate has filed for office. HISD shall review historical campaign finance reports to identify campaign contributions for the applicable period and hold newly elected Board members accountable as existing Board members during the Code of Silence period.

Exception

The Code of Silence shall not apply to communication with the District’s attorneys, Purchasing Services staff, supplier diversity staff, controller, assistant controller, or chief financial officer who are not serving on the particular Project Evaluation Committee; or the Office of Ethics and Compliance ~~Internal Audit or employees reporting to the chief audit executive~~. Such communications shall be limited to the purpose of obtaining clarification or information concerning the subject solicitation. An exception also applies to the Audit Committee of the Board of Education, other specific members of the Board of Education for the purposes of the selection of external auditors or the Board’s legal counsel, and any other specific circumstances approved by the Board of Education.

Time Period

The Code of Silence time period shall begin upon the issuance of an RFP, bid, or other competitive solicitation (as defined under Procurement Method, above) and shall officially end the day after approval of the awarded contract by the Board of Education at an appropriately called meeting. Even after the Code of Silence has

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ended, at no time after the approval of an RFP, bid, or other competitive solicitation (as defined under Procurement Method, above) by the Board of Education shall a vendor, potential vendor, or District employee attempt to improperly influence the negotiations of any contract that has been properly awarded in the appropriately called meeting.

A weekly email notification regarding the Code of Silence shall be sent to the Board of Education, Superintendent, senior staff member, department head, director, manager, or any other District representative who has influence in the evaluation or selection process for each RFP, bid, or other competitive solicitation (as defined under Procurement Method, above), and the Code of Silence shall remain in effect until the approval by the Board of Education as stated above. The Office of Finance shall also provide public notice on the District's website at the same time the e-mail notification is sent.

Regardless of the above time period, it is not acceptable for a potential vendor to participate in determining the scope of work, strategic direction, technical specifications, or evaluation criteria of such projects.

Nothing contained in this policy shall prohibit any potential vendor or vendor's representative from:

1. Making public representations at scheduled pre-bid conferences or scheduled selection and negotiation committee meetings;
2. Engaging in contract negotiations during any scheduled meeting;
3. Making a public presentation to the Board during any duly noticed public meeting; or
4. Conducting business on contracts previously executed and currently in force.

The potential vendor or vendor's representative shall send all written communication directly to the designated Purchasing Services representative.

Nothing in this policy shall prohibit the Evaluation Committee's representative, who shall be an employee from the Purchasing Services Department, from contacting and communicating with a potential vendor or vendor's representative for the purposes of obtaining further clarifying information regarding a response to an RFP, bid, or competitive solicitation. Such contact shall be in writing

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and shall be provided to the members of the applicable Evaluation Committee, including any response thereto.

Violation

Any suspected violation of this policy shall be investigated by the Office of Ethics and Compliance ~~chief audit executive~~, in consultation with the general counsel, Board counsel, and/or a contracted outside law firm. The investigation may result in the District deeming as void or voidable:

1. Any RFP, bid, or other competitive solicitation award;
2. Any bid award to the potential vendor or the vendor's representative; and
3. Any vendor's contract.

The potential vendor or vendor's representative determined to have violated this rule shall be subject to debarment from bidding and contracting activities regarding current and future projects for a period of up to two calendar years (24 months). In addition to any other penalty provided by law, violation of this rule by a District employee shall subject the employee to disciplinary action up to and including dismissal. Board members and candidates who have filed for election to the Board; who have violated the Code of Silence; and/or who have received campaign contributions, gifts, donations, or any other items of value from such vendor's representatives during the Code of Silence shall abstain from voting on such matters for a period of up to two calendar years (24 months).

In the event that a Board member or candidate unknowingly accepts a campaign contribution, gift, donation, or any other item of value from a vendor's representative during the Code of Silence, the Board member or candidate shall return the contribution within ten days after becoming aware of the conflict with this policy.

*Formal
Complaints*

This policy is not intended to prohibit contractors and their representatives from issuing formal complaints or concerns about potential conflicts of interest during the Code of Silence. Such concerns should be communicated to the chief audit executive.

Effective Date

~~This policy shall be effective as of the adoption date, November 12, 2021.~~