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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 others seeking or maintaining a business relationship with the District.

Definition

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.

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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. Any other dishonest act regarding the finances of the District.
13. 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 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 person who suspects fraud or financial impropriety in the District shall do one of the following:

1. Report the incidents to the chief audit executive;
2. Report the suspicions immediately to any supervisor;
3. Call the District's 24-hour *Alertline*;

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4. Call the District's 24-hour E-Rate whistleblower hotline; or
5. Report the suspicions to the Superintendent or designee.

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 in furtherance of that representation.

*Protection from
Retaliation*

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

Fraud Investigations

In coordination with the District's General Counsel and other internal or external departments or agencies, as appropriate, the Superintendent, Board President, or the chief audit executive shall promptly investigate reports of potential fraud or financial impropriety.

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

The District shall disclose, in a timely manner in writing to the federal awarding agency or pass-through entity, all violations of

	<p>federal criminal law involving fraud, bribery, or gratuity violations potentially affecting a federal grant award. [See CBB]</p>
Analysis of Fraud	<p>After any investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee 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.</p>
Section III: Ethics and Compliance Program and E-Rate Compliance	<p>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.</p>
Definitions	
E-Rate	<p>As defined by the Telecommunications Act of 1996, E-Rate is the commonly used name for the Schools and Libraries Program of the Universal Service Fund, which is administered by the Universal Service Administrative Company (USAC) under the direction of the Federal Communications Commission (FCC). The program provides discounts to assist schools and libraries to obtain affordable telecommunications and Internet access.</p>
E-Rate Employee	<p>An E-Rate employee is defined as:</p> <ul style="list-style-type: none">• 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, and other entities and individuals involved on behalf of the District with the E-Rate Program, including individuals who:<ul style="list-style-type: none">• Prepare, review, approve, sign, or submit E-Rate applications, technology plans, 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 staff members responsible for auditing and monitoring the District's compliance with E-Rate Program rules.
E-Rate Vendor / Service Provider	<p>An E-Rate vendor/service provider is defined as any external entity or individual involved in any aspect of the District's E-Rate Program, including, but not limited to:</p> <ul style="list-style-type: none">• A parent company;

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- 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.

E-Rate Goods and Services

The Superintendent or designee 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.

Gifts and Conflicts of Interest

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

E-Rate Program employees and Board members 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 employee or Board member rejection of a gift, entertainment, or anything of value, 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 Ethics and Compliance Office for proper disposal or donation to a charitable entity as determined by the Superintendent or designee. The Ethics and Compliance Office shall log the details of such occurrences, including the disposition of the items. E-Rate employees and Board members shall report to the Ethics and Compliance Office all cases where gifts, entertainment, or other items of value have been offered by an E-Rate vendor/service provider. The Ethics and Compliance Office 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. In addition, the ethics and compliance officer shall request such vendor or service provider

certify his or her understanding of the District's policy or risk exclusion from the District's E-Rate Program.

The Ethics and Compliance Officer shall coordinate with the District's Legal Services and Procurement departments to incorporate specific language asserting the District's policy in future E-Rate Requests for Proposals (RFP) and contracts, and communicate such to all E-Rate participants.

Any questions regarding gifts and conflicts of interests should be communicated to the Ethics and Compliance Office or E-Rate hotline at (800) 483-2757.

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, as defined above. "Business relationship" is defined as a Board member's acceptance or receipt of amounts in excess of \$2,000 in a single calendar year in the course of any business dealings with an E-Rate vendor.

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 check 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 Ethics and Compliance Office 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 Ethics and Compliance Office 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 Ethics and Compliance Office shall provide the results to the

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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 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 Ethics and Compliance Office. 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 Ethics and Compliance Office 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 Ethics and Compliance Office 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 Ethics and Compliance Office 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 Ethics and Compliance Office or the E-Rate 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–

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	<p>June 30 of the current year. The Disclosure of Interest Form shall be submitted to Board Services, which will distribute to the ethics and compliance officer for review and any necessary follow-up. This form shall be retained by Board Services. [See CAA(EXHIBIT)]</p>
<p>E-Rate “Code of Silence” Period</p>	<p>E-Rate Program employees and Board members, to the best of their knowledge, shall not communicate with any E-Rate vendor/service provider, related officers, and/or key employees for a 30-day calendar period prior to the issuance of a RFP. Once an RFP is issued and until contract execution, E-Rate Program employees and Board members shall not communicate with any E-Rate vendor/service provider except for certain limited conditions allowed to the Procurement Department as provided by the E-Rate Program Rules and Requirements. The “Code of Silence” shall not apply to communications regarding existing E-Rate contracts or day-to-day operational matters.</p>
<p>Monitoring and Compliance Review</p>	<p>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:</p> <ol style="list-style-type: none">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; or3. 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. <p>As part of its monitoring and compliance review, a USAC whistleblower hotline shall be publicized to allow anonymous reports of known, alleged, or suspected noncompliance. The hotline shall be monitored by the Office of Internal Audit, and investigation results shall be reported to the Ethics and Compliance Office and Superintendent in a timely manner.</p>
<p>Education and Training</p>	<p>The Superintendent or designee shall require education and training for all E-Rate Program employees.</p> <p>The District training shall consider the following:</p>

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1. Training materials available from USAC;
2. Information about E-Rate Program rules (as periodically updated);
3. The District's E-Rate Compliance 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.

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 attend the applicant training provided annually by USAC.

The District shall require all E-Rate Program employees to certify that they have attended the annual District training, and the Ethics and Compliance Officer shall retain the certifications for ten years thereafter.

Compliance Officer

A high-level District employee shall serve as the Ethics and Compliance Officer, who shall:

- Maintain and enforce the E-Rate Compliance Policy and Ethics and Compliance Program.
- 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 his or her 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.

Annual Audit

The Board shall direct the chief audit executive to include within his or her 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.

Section IV: Standard Bidding and Contracting

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

Code of Silence—
Purpose

*Vendor Relationships—
Conflicts of Interest*

It is important to avoid both the appearance of conflicts and actual conflicts of interest. The implication from the appearance of a conflict of interest is just as important as the implication from a real conflict. If an outside independent party might question the intent of a transaction or relationship, such transaction or relationship is deemed to impact 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;
- A request for proposals for services other than construction services or a method provided by Government Code Chapter 2269 for construction services; or
- Any other procurement method authorized by state law.

Applicability

The Code of Silence period applies to the acquisition of goods or services using the procurement methods identified above as well as renewal periods for contracts previously awarded by the Board of Education with multiple one-year renewal options.

“Code of Silence” shall mean a prohibition on any communication regarding any 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 general counsel, finance attorney, procurement project manager, general manager of procurement, general manager of business assistance, supplier diversity specialists, controller, assistant controller, chief financial officer, who are not serving on the particular Procurement Committee; or the Office of 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 upon approval of the awarded contract by the Board of Education at an appropriately called meeting. Even after the Code of Silence has ended, at no time after the approval of an RFP 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 e-mail notification regarding the Code of Silence shall be sent to the Board of Education, Superintendent, senior staff member, department head, director, manager, or other District representative who has influence in the evaluation or selection process for each RFP, RFP renewal, bid, or other competitive solicitation, 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 procurement representative.

Nothing in this policy shall prohibit the Procurement Committee's representative, who shall be an employee from the Procurement Office, from initiating a contact with a potential vendor or vendor's representative and subsequent communication related thereto for the purposes of obtaining further clarifying information regarding a response to an RFP, bid, or competitive solicitation. Such contact shall be in writing and shall be provided to the members of the applicable Procurement Committee, including any response thereto.

Violation

Any suspected violation of this policy shall be investigated by the 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, February 9, 2018.