

TRS Policy

Fraud, Waste, and Abuse

Purpose

To prevent, detect, and eliminate fraud, waste, and abuse at TRS and maintain an 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)
- Texas Government Code, Section 402.033 (relating to reporting fraudulent activities.)

Applies To

All TRS employees, TRICOT employees, and non-TRS workers (contract workers, unpaid interns, and volunteers), are expected to adhere to the standards of conduct outlined in this policy while conducting TRS business.

Definitions

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.

Fraud: As a matter of law, fraud is the wrongful or criminal deception intended to result in financial or personal gain, including but not limited to asset misappropriation, bribery, corruption, and financial statement deception. For the purpose of this policy, fraud is the use of an individual's employment or business relationship with TRS or TRICOT 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. A determination of fraud is made by the General Counsel based on the evidence gathered and the applicable law.

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.

General Statement

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

This policy should be read in conjunction with the TRS Employee Ethics Policy.

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 or TRICOT.
- Using TRS or TRICOT resources (e.g., email, servers, computers, facilities, or personnel) to conduct any business that does not relate to TRS or TRICOT business or directly benefit TRS or TRICOT, 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 employee or agent, to the TRS Board of Trustees, or externally.
- Intentionally destroying records, furniture, equipment, information, or other assets without authorization.
- Intentional timesheet misreporting.
- Signing up for a class or other activity requiring the expenditure of 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, TRICOT employees, and non-TRS workers covered by this policy must promptly report any detected or suspected fraud, waste, or abuse to the managers or executives identified below. It is the intent of management to maintain the confidentiality, to the extent possible and in accordance with applicable law, 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 their manager or Chief Officer. Employees, TRICOT employees, and non-TRS workers may choose to make the report to the Executive Director, Chief Audit Executive, Chief Compliance Officer, or the TRS Fraud and Ethics Hotline. The report may be verbal or written and may be made by anyone having knowledge of the suspected activity.

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.

A report can be submitted to TRS' Fraud and Ethics Hotline with an option to remain anonymous: <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 TRS and TRICOT employees and to preserve the integrity of the investigation, the reporting employee:

- Should not contact the employee or other individual(s) reported for any purpose, except for normal job duties, including efforts to gather additional information or demand restitution; and
- Should not discuss their 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 Ethics & Fraud Prevention Risk Report. **All allegations of impropriety reported under this policy must be investigated regardless of the employee's length of service, position, or title.**

When a report of fraud, waste, or abuse is communicated to the Chief Compliance Officer, they or their designee will notify relevant executive team members, and any designees, to investigate the report and inform them of their investigation results.

The General Counsel will review the investigative materials and make a legal determination of whether there is fraud, waste, or abuse and will report any positive determinations to the Executive Director. The Executive Director, in consultation with the General Counsel, as deemed necessary, will determine whether: (a) TRS or TRICOT resources have been lost, misappropriated, or misused;

(b) any unlawful or prohibited conduct has occurred in relation to TRS or TRICOT operations; or (c) the findings warrant referral to outside enforcement and/or prosecutorial agencies.

The Executive Director or the Chief Compliance Officer, or their designees, where appropriate, shall provide a report to the Chair of the Board of Trustees' Audit, Compliance, and Ethics Committee, of matters reviewed under this Policy and will coordinate with the Chief Audit Executive or General Counsel to contact prosecutorial and or regulatory agencies, including the State Auditor's Office, as appropriate.

When an investigation involves executives, TRS' reputation, or material matters, the Executive Director, in consultation with the General Counsel, shall determine the actions appropriate to recover any losses, and in consultation with the Chief Organizational Excellence Officer, and others as appropriate, shall determine employee appropriate corrective action pursuant to this policy.

Employees shall cooperate with any investigation under this Policy.

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 and investigations made under this policy.

Awareness Training

TRS maintains an ongoing program of fraud, waste, and abuse awareness training to ensure that all TRS, TRICOT employees, and non-TRS workers understand this policy and their roles and responsibilities in detecting, reporting, and preventing fraud, waste, and abuse. TRS employees, TRICOT employees, and non-TRS workers are required to complete classroom or online training annually. Compliance with the training requirements is reported to the Executive Director. Information is readily available to TRS and TRICOT employees regarding fraud, waste, and abuse prevention resources through multiple channels of communication, including access to this policy through both the Policies and Procedures page, and the Legal & Compliance page on the TRS intranet.

Corrective Action

For TRS and TRICOT Employees – corrective action, in accordance with relevant disciplinary procedures, 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;
- Condone, permit, 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.

For 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.

TRS Employees, TRICOT employees, and non-TRS workers Tricot employees may also face criminal and civil penalties under applicable 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.

Policy Type: Agency-Wide	First Issued: January 2006
Contact: Chief Compliance Officer	Last Review: September 30, 2020
Department Sponsor(s): L&C	Next Review Due Date: September 2026
Reviewing Department(s): L&C	Version Number: V. April 2024
Review Cycle: Every Two Years	Version Approved Date: April 30, 2024
Intranet Location: TRS SharePoint, Executive and IMD tab; Legal & Compliance, Policies and Procedures, and the L&C Ethics Home Page	DocuSigned by:  704GG82DG3G749B...