This introductory page outlines the contents of this policy on financial ethics. See the following sections for provisions on:

SECTION I General Provisions page 2
  1. Summary of related financial ethics governance documents

SECTION II Fraud and Financial Impropriety pages 2–5
  1. Definition
  2. Financial controls and oversight
  3. Fraud prevention
  4. Fraud investigations

SECTION III E-Rate Compliance Policy pages 5–11
  1. Definitions
  2. E-Rate goods and services
  3. Disclosure of interest
  4. Code of silence period
  5. Monitoring and compliance review
  6. Education and training

SECTION IV Standard Bidding and Contracting pages 11–14
  1. Code of silence
  2. Procurement methods
  3. Time period
  4. Violation
  5. Formal Complaints
SECTION I: GENERAL PROVISIONS

All Trustees, employees, vendors, contractors, 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
- Financial conflicts involving federal funds: 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: DC
- Disciplinary action for fraud by employees: DCD, DCE, and DF series

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, 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.
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 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.

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.

REPORTS

Any person who suspects fraud or financial impropriety in the District shall do one of the following:

1. Report the incidents to the office of the inspector general;
2. Report the suspicions immediately to any supervisor;
3. Call the District’s 24-hour Alertline;
4. Call the District’s 24-hour E-Rate Whistleblower hotline;
5. Report the suspicions to the Superintendent or designee; or

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.

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]

In coordination with legal counsel and other internal or external departments or agencies, as appropriate, the Superintendent, Board President, or a designee shall promptly investigate reports of potential fraud or financial impropriety.

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.

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 imple-
mented to prevent future misconduct. These measures shall be presented to the Board for review.

SECTION III: E-RATE COMPLIANCE POLICY

The E-Rate compliance policy specifically incorporates the requirements of the E-Rate settlement agreement, Appendix D—Compliance Agreement Regarding E-Rate, Internal Controls, Monitoring and Audit Requirements for the Houston Independent School District (“E-Rate compliance policy”). The Superintendent shall approve detailed regulations or procedures as needed to implement the provisions of this E-Rate compliance policy.

The Superintendent or designee shall establish a system of internal controls that ensures high-level management oversight and appropriate review of all District E-Rate program activities.

DEFINITIONS

E-Rate Employee is defined, per the Compliance Agreement as:

- 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:
  - 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.
- District Inspector General staff members responsible for auditing and monitoring the District’s compliance with the terms of this E-Rate Compliance Agreement and with E-Rate Program Rules.

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:

- Parent company;
- 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.

A list of E-Rate vendors/service providers for the District are provided in CAA(EXHIBIT).

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 Federal Communications Commission (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 minimis 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 Inspector General’s Office for proper disposal or donation to a charitable entity as determined by the Superintendent or designee. The Inspector General shall log the details of such occurrences, including disposition of items. Such log shall be provided to the E-Rate Compliance Officer monthly. Furthermore, E-Rate employees and Board members shall report to the E-Rate Compliance Officer all cases where gifts, entertainment, or other items of value have been offered by an E-Rate vendor/service provider. The E-Rate Compliance Officer 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 E-Rate 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 E-Rate Compliance Officer shall design specific language asserting the District’s policy and coordinate such with the District’s Legal Services and Procurement Departments to incorporate the language in future E-Rate Requests for Proposals and contracts and communication of such to all E-Rate participants.

Any questions regarding gifts and conflicts of interests should be communicated to the E-Rate Compliance Office or E-Rate Hotline at 1-800-483-2757.

Board members shall not knowingly accept campaign contributions from E-Rate vendors/service providers, including related officers and/or key employees. “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, consultant, or individual representing such an entity.

In the event that monetary receipts from E-Rate vendors/service providers, related officers, and/or key employees 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 single calendar year 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.

Board members shall submit copies of each potential campaign contribution to Board Services prior to formal acceptance 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 vendor/service providers, whichever occurs first. Board Services and the E-Rate Compliance Officer shall research such items against the current E-Rate vendor/service provider listing and public records 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 and their final disposition noted. Where the contributor is determined to be an E-Rate vendor/service provider, related officer, and/or key employee, the cumulative amounts for each respective E-Rate vendor/service provider taken as a whole shall be prepared on a calendar year basis. Upon comple-
tion of such research, Board Services shall provide the results and a copy of the campaign fund cumulative activity report to the respective Board member, Inspector General, and E-Rate Compliance Officer. The Board members shall have the final authority to reject or accept each contribution. Once the $500 threshold is reached, the Superintendent and the President of the Board of Education shall be informed by Board Services 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 dually recorded in the minutes, and future Board votes monitored by the Board President.

MONITORING BUSINESS RELATIONSHIPS

Board members shall report details of any business relationship with E-Rate vendors/service providers, related officers, and/or key employees to Board Services. 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 vendor/service providers, whichever occurs first. All such reports provided to Board Services 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. Board Services shall provide a copy of the cumulative transaction report to the respective Board member, Inspector General, and E-Rate Compliance Officer. 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 Superintendent and the President of the Board of Education shall be informed by Board Services 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 dually recorded in the minutes, and future Board votes monitored by the Board President.

Any questions regarding campaign receipts and business relationships should be communicated to the E-Rate Compliance Office or E-Rate Hotline.

AUDIT RESPONSIBILITY

The Inspector General shall consider campaign receipts and business relationships in its 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 through December 31 of the previous year and the July report covers the period January 1 through June 30 of the current year. The Disclosure of Interest Form shall be submitted to Board Services, who will distribute to the E-Rate Compliance Officer for review and any necessary follow-up. This form shall be retained by Board Services. [See CAA(EXHIBIT)]

CODE OF SILENCE PERIOD

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 Request for Proposal (RFP). Once a request for proposal is issued and until contract execution, E-Rate Program employees and Board members shall not communicate with any E-Rate vendor/service provider, related officers, and/or key employees except for certain limited conditions allowed to the Procurement Department as provided by the Compliance Agreement. The quiet period does not apply to communications regarding existing E-Rate contracts or day-to-day operational matters.

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:

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 has 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, a Universal Service Administration Company (USAC) whistleblower hotline shall be publicized to allow anonymous reports of known, alleged, or suspected noncompliance. Such hotline shall be monitored, and investigation results shall be reported to the Inspector General, E-Rate Compliance Officer, and Superintendent in a timely manner.
The Superintendent or designee shall require education and training for all E-Rate Program employees.

The training shall incorporate the following:

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, 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 all E-Rate Program Employees to receive and review USAC’s weekly “Schools and Libraries News Brief.” The E-Rate Compliance Officer and other appropriate District representatives responsible for ensuring compliance with the E-Rate Program Rules and Requirements and the E-Rate Compliance Agreement shall attend the applicant training session that USAC offers annually.

The District shall require all E-Rate Program employees to certify that they have attended training, and the E-Rate compliance officer shall retain those certifications in accordance with record retention requirements set forth in 47 CFR 54.516, and also in accordance with the guidance in the Schools and Libraries Universal Service Support Mechanism, Fifth Report and Order, 19 FCC Rcd 15808, 15823-25 (2004).

The Superintendent shall appoint a high-level District employee to serve as the E-Rate Compliance Officer, who shall be responsible for implementing the E-Rate Compliance Agreement and enforcing the E-Rate Compliance Policy. The E-Rate Compliance Officer...
shall report directly to the Superintendent. The E-Rate 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. The E-Rate Compliance Officer shall have experience or shall obtain the necessary training in substantive areas, including procurement, to satisfy all of the obligations set forth in the E-Rate Compliance Agreement outlining the roles and responsibilities of the E-Rate Compliance Officer.

ANNUAL AUDIT

The Board shall direct the inspector general to include within his or her annual scope of work the audit requirement outlined in the E-rate compliance agreement. The District may hire a third-party auditor to perform any required audits.

The District shall annually obtain and pay for an independent (i.e., third-party) audit, including an audit report (Independent Audit Report), of the District's compliance with the E-Rate Compliance Agreement, the E-Rate Compliance Policy, E-Rate Program Rules and Requirements, and all state and local procurement rules related to the applicable E-Rate Program Funding Year. The annual audit shall comply with the requirements set forth in the E-Rate Compliance Agreement.

REFERENCES

See CAA(EXHIBIT) for a list of E-Rate vendors/service providers, including related officers and/or key employees, which is updated at least quarterly, and the Board Members’ Disclosure of Interest form.

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. It is important to avoid both the appearance of conflicts and actual conflicts of interest.

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, or actual or potential subcontractor of a vendor, or any other individual, or for profit or non-profit organizations acting through or on behalf of any person seeking an award or on behalf of a group of interested individuals or members.

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 2267 for
construction services or any other procurement method authorized by state law.

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.

**APPLICABILITY**

“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. 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 will 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 the Inspector General or employees reporting to the Inspector General. 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**

DATE ISSUED: 1/9/2012
LDU 2011.13
CAA(LOCAL)-X
The “Code of Silence” time period shall begin 30 calendar days prior to the issuance of an RFP, bid, or other competitive solicitation (as defined under procurement method above) and will officially end upon execution of the awarded contract by all required parties. A weekly e-mail notification 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 shall remain in effect until the execution of the awarded contract by all required parties. The Office of Finance shall also provide public notice on the District’s Web site 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 public 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 Project Manager.

Nothing in this policy shall prohibit the Procurement Committee’s representative 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.

Any suspected violation of this policy shall be investigated by the Inspector General or an outside law firm and may result in any recommendation for award, or any RFP, bid, or other competitive solici-
citation award, or bid award to the potential vendor, or vendor’s representative, or may result in a vendor’s contract being deemed void or voidable. The potential vendor or vendor’s representative determined to have violated this rule shall be subject to debarment from bidding and contracting activities of current and future projects for a period 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 received campaign contributions, gifts, donations, or any other items of value from such Vendor Representatives during the Code of Silence, shall abstain from voting of such matters for a period 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 Representative during the Code of Silence, it shall be their duty to return the contribution within ten days after becoming aware of the conflict with this policy.

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 Inspector General.