TEXAS WORKFORCE COMMISSION LETTER

ID/No:	WD 16-08, Change 1
Date:	October 28, 2008
Keyword:	Administration
Effective:	Immediately

To: Local Workforce Development Board Executive Directors
Commission Executive Offices
Integrated Service Area Managers

From: Laurence M. Jones, Director, Workforce Development Division

Subject: **Prevention and Detection of Fraud, Waste, Theft, and Program Abuse—*Update***

PURPOSE:

To provide Local Workforce Development Boards (Boards) with:

- information regarding prevention and detection of fraud, waste, theft, and program abuse;
- guidance on the establishment of prevention and detection systems;
- links to risk assessment and deterrence tools, best practices information, and training on the Texas Workforce Commission (Commission) Intranet site to assist Boards in preventing and detecting fraud, waste, theft, and program abuse *[note: The Intranet site is not available to the general public]*;
- **requirements for training Board staff and Texas Workforce Center staff on preventing and detecting fraud; and**
- **information on the Commission's new Fraud Prevention and Detection computer-based training (CBT) module created to assist Boards in preventing and detecting fraud.**

CHANGES TO WD LETTER 16-08:

New information in this WD Letter is indicated by:

- A strikethrough of the original language, which indicates that language has been deleted; and
- **Bold** typeface, which indicates new or clarifying language.

BACKGROUND:

On July 12, 2004, Governor Rick Perry issued an executive order on preventing, detecting, and eliminating fraud, waste, and abuse. The Governor stressed the importance of maintaining the highest standards of conduct, integrity, and impartiality in state government, and noted that contractors for state services have a fiduciary responsibility to prevent, detect, and report fraud. The Governor also

charged each state agency to comply with initiatives and directives to prevent, detect, and eliminate fraud, waste, and abuse in government.

In response, the Commission developed the following:

- Risk assessment tools to help determine vulnerabilities;
- Best practices that eliminate fraud in contracting, contract management, and procurement;
- Common components of fraud prevention and detection; **and**
- **Fraud Prevention and Detection CBT module.**

Through this process, the Commission gained a greater understanding of how to deal with the threats of fraud, waste, theft, and program abuse faced across all agency operations. In developing these prevention systems, including the performance of detailed risk assessment by division, process, and core administrative function, the Commission has equipped itself to meet that challenge.

The Commission is committed to equipping Boards with the tools to help them meet the challenges of preventing and detecting fraud, waste, theft, and program abuse.

While recognizing that some Boards have already developed systems for preventing and detecting fraud, waste, theft, and program abuse based on the information and materials received, the Commission has determined that additional information will enhance those established systems, and support those Boards that have not yet established prevention and detection systems.

PROCEDURES:

Boards must establish prevention and detection systems and methodologies for eliminating fraud, waste, theft, and program abuse. These systems and methodologies must consist of the following: **NLF**

A. Code of Conduct

Boards must establish written codes of conduct specifying ethical standards and policies, which preclude acceptance of gifts and require professional, respectful, lawful, and nondiscriminatory behavior toward individuals and groups. Additionally, the code of conduct must address the following: **NLF**

- Conflicts of interest;
- Confidentiality of information;
- Fair dealing;
- Protection and proper use of Commission assets;
- Related party transactions;
- Illegal acts;
- Compliance with laws, rules, and regulations; and
- Monitoring the code of conduct.

An Ethical Decisions training course, with tools and resources to guide Board and Texas Workforce Center staff in making ethical work-related decisions, is available at:
http://intra.twc.state.tx.us/intranet/train/cbt/itsecu/index.html.

B. Fraud Risk Assessment, Prevention, and Detection Best Practices

Boards must perform a detailed risk assessment to determine potential risks and identify potential fraud schemes. Risk assessments must include, at a minimum, the following administrative functions and services: **NLF**

- Finance and Accounting;
- Purchasing and Contracting;
- Information Technology (IT); and
- Human Resources Management.

In creating the most efficient and effective system of prevention and detection, it is recommended that Boards develop systems and methodologies that include the following: **LF**

- Strong, clear organizational policies and procedures, drawing on best practices that eliminate or reduce the potential for fraud in contracting, contract management, and procurement;
- Local policies and procedures detailing how the Board will prevent waste, theft, and program abuse; and
- Posters displaying fraud, waste, theft, and program abuse policies and procedures for all employees.

Boards must provide annual training on fraud prevention and detection to: **NLF**

- **Board staff; and**
- **Texas Workforce Center staff.**

To train Board staff and Texas Workforce Center staff, Boards may: **LF**

- **use the Fraud Prevention and Detection CBT module at: http://intra/intranet/train/html/wc_fraud_prevention_detection_intro.html; or**
- **create a locally developed CBT module or other type of training.**

In addition, it is recommended that Boards provide: **LF**

- training for all new Board members~~, Board staff, and Texas Workforce Center staff~~; and
- annual refresher training **for all Board members**.

C. Identity Theft Prevention

It is recommended that Boards develop an identity theft deterrence checklist that includes: **LF**

- IT guidelines on the protection of sensitive data; and
- identity theft measures and authentication guidelines.

Information on creating deterrence checklists is located at:
http://intra/intranet/wf/docs/fraud_id_theft.xls.

D. Data Security and Integrity

It is recommended that Boards require Board staff and Texas Workforce Center staff to take the Information Technology Security Awareness training located at: http://intra.twc.state.tx.us/intranet/train/html/insight_mand_twc_rpsh.html. **LF**

Because Boards are responsible for the accuracy and completeness of all information entered into The Workforce Information System of Texas (TWIST), Boards must ensure that: **NLF**

- strong oversight and initiatives for monitoring data integrity are developed and implemented to guarantee the timely, complete, and accurate entry of customer data into TWIST; and
- a systematic review of customer data entered into TWIST is conducted to ensure that implementation.

Additional prevention and detection tools, including risk assessment, best practices, and identity theft deterrence checklists to assist in preventing and detecting fraud, waste, theft, and program abuse are located at:
http://intra/intranet/wf/html/bdtools.html.

INQUIRIES:

Direct inquiries regarding this WD Letter to wfpolicy.clarifications@twc.state.tx.us.

RESCISSIONS:

WD Letter 16-08

REFERENCE:

WD Letter 09-04, issued February 2, 2004, and entitled "Child Care: Automation Security Awareness Training"
WD Letter 05-04, Change 1, issued May 26, 2004, and entitled "Change and Clarification Overpayment Recovery of Child Care Related Funds"
WD Letter 40-05, issued July 1, 2005, and entitled "Financial Manual for Grants and Contracts"
WD Letter 32-06, issued May 22, 2006, and entitled "Access and Security in The Workforce Information System of Texas and WorkInTexas.com"
WD Letter 59-06, Change 1, issued February 2, 2007, and entitled "Requirements for Reporting, Fact-Finding, and Prosecutions of Fraud, Waste, Theft, and Program Abuse Cases, and Collection of Overpayments—Update"
WD Letter 32-07, issued May 10, 2007, and entitled "Semiannual Security Verification Procedures for the Cash Draw and Expenditure Reporting System"
WD Letter 31-07, issued July 3, 2007, and entitled "Workforce Investment Act: Ineligible Participants"
WD Letter 53-07, issued August 28, 2007, and entitled "Child Care Eligibility: Calculating and Verifying Work Hours for Self-Employed Parents"
WD Letter 61-07, issued September 21, 2007, and entitled "Workforce Automated Systems' Data Entry Deadlines for Board Contract Year 2008"
WD Letter 06-07, Change 1, issued April 10, 2008, and entitled "The Workforce Information System of Texas: New Data Integrity Process—Update"

WD Letter 25-08, issued July 16, 2008, and entitled "Cash Draw and Expenditure Reporting System Instructions for Allocations to Local Workforce Development Boards"

Technical Assistance Bulletin 136, issued December 15, 2006, and entitled "Texas Workforce Commission's Procedures for Investigating Fraud and Abuse of Trade Readjustment Allowances"

Technical Assistance Bulletin 141, issued February 16, 2007, and entitled "New TWIST Data Integrity Process Overview"

FLEXIBILITY RATINGS:

No Local Flexibility (NLF): This rating indicates that Boards must comply with the federal and state laws, rules, policies, and required procedures set forth in this WD Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by "must" or "shall."

Local Flexibility (LF): This rating indicates that Boards have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All information with an LF rating is indicated by "may" or "recommend."