



State of Arizona Accounting Manual

Topic 05 Internal Controls
Section 30 **Fraud, Theft, Waste and Abuse**

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INTRODUCTION

The purpose of this section of SAAM is to clarify agency responsibilities to effectively implement internal controls that aid in the prevention and detection of fraud, theft, waste, or abuse, along with the requirements for reporting. This policy applies to any fraud, theft, waste, or abuse or suspected fraud, theft, waste, or abuse involving any employee (including management), consultant, vendor, contractor, outside agency, or person doing business with an agency or in any other relationship with an agency.

State financial policy does not tolerate any type of fraud or theft and all instances must be reported to the GAO, the Auditor General and the Attorney General. It is management's responsibility to control waste and abuse; however, this does not relieve agency management of reporting any abuse or excessive waste. The GAO is available for consultation regarding internal controls and opportunities to reduce waste and abuse. The State's policy is to promote consistent, legal, and ethical organizational behavior by assigning responsibility for reporting fraud, theft, waste or abuse.

This policy strengthens the foundation established by the *Code of Conduct for State of Arizona Employee Engaged in Accounting, Financial, and Budgeting Activities* published as a part of SAAM Section 0515, which addresses the moral, ethical, legal and professional aspects of personal conduct. This section of SAAM further demonstrates and clarifies the State's intention to hold its employees to high standards of ethical conduct through additional internal controls and policy.

Although the *Code of Conduct* was originally intended for staff engaged in accounting, financial and budgeting activities, the concepts are also applicable for all management and staff involved in awarding contract or grants, or involved in establishing or applying policies which impact State finances directly or indirectly.

Failure to comply with this policy subjects an employee to possible disciplinary action, as appropriate, including and up to immediate termination. Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with the State or in any other relationship with the State could result in cancellation of the underlying contract or other relationship between the entity and the State.

The State will thoroughly and expeditiously investigate any reported cases of suspected fraud to determine if disciplinary action, financial recovery and/or criminal prosecution should be taken. All reports of suspected fraud must be handled under the strictest confidentiality. Information related to the matter should only be given to the GAO, the Auditor General, the Attorney General, or others directly involved in the investigation,

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such as law enforcement, agency and State Human Resources, and essential agency management.

The State Comptroller will refer the matter to the Attorney General to consider prosecution if the results of an investigation indicate the possibility of criminal activity.

POLICY & PROCEDURES

1. Anyone suspecting fraud, theft, waste or abuse related to State activities is required to report it to the GAO, the Auditor General, or the Attorney General. The GAO has established the e-mail address reportfraud@azdoa.gov to facilitate this reporting.
2. Any State employee or contractor of the State who receives a report of suspected activity that may involve fraud, theft, waste or abuse must report this information timely, normally within one business day.
3. As appropriate, the GAO, Auditor General, Attorney General, or appropriate law enforcement entity shall conduct investigations of potential fraud, theft, waste or abuse by State employees, public assistance recipients, providers, contractors, subgrantees, etc.
4. If necessary, employees reporting activities related to fraud, theft, waste or abuse will be contacted for additional information.
5. Periodic communication through State and agency newsletters and meetings should emphasize the responsibilities and channels to report suspected fraud, theft, waste or abuse.
6. When reporting fraud, theft, waste or abuse, informants may remain anonymous but are encouraged to cooperate with investigators and should provide as much detail and evidence of the alleged fraudulent act as possible