



State of Arizona Accounting Manual

Topic 05 Internal Controls
Section 35 Related Party Transactions

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INTRODUCTION

The management of each agency is charged with the fiduciary responsibility to safeguard public funds and to use resources wisely. A major factor in fulfilling this responsibility and achieving agency goals is to ensure that adequate internal controls exist. The prevention and elimination of conflicts of interest is an example of a control objective that, when in place and effective, aids in the achievement of an agency's goals.

Conflict of interest laws, rules and policies govern interactions between public employees' financial interests and the public interest. Arizona's conflict of interest statutes, A.R.S. § 38-501 et seq., apply to "all public officers and employees...of the State."

Violations of the conflict of interest statutes, rules or policies may result in disciplinary action, up to and including dismissal, as well as criminal prosecution.

POLICY & PROCEDURES

1. It is the responsibility of any public officer and employee of the State to:
 - 1.1. Be aware of the conflict of interest requirements of State law.
 - 1.2. Recognize conflict of interest situations.
 - 1.3. Take appropriate action in each conflict of interest situations.
 - 1.4. Adhere to the provisions of A.R.S. § 38-503 by disclosing whether he or a relative has a substantial interest in any contract, sale, purchase or service to the State and by refraining from voting upon or participating in any manner as an officer or employee in such contract, sale or purchase.
2. Management at each agency is responsible for monitoring any transactions that occur between the agency, agency management or individuals or organizations in or with which agency management or its employees have a substantial or remote interest.
 - 2.1. Documentation relating to any such transactions is to be collected and maintained on file.

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- 2.2. Transactions that may involve a conflict of interest should be immediately reported to the OAG, GAO or Auditor General.