



Arkansas Community Correction

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ADMINISTRATIVE DIRECTIVE: 18-21 Fraud, Waste and Abuse of Resources

TO: Arkansas Community Correction Employees

FROM: Sheila Sharp, Director

SUPERSEDES: AD 05-12

APPROVED: _____ Signature on File

EFFECTIVE: June 11, 2018

I. POLICY. It is ACC policy to establish and maintain systems and procedures that aid in the prevention of fraud and support the ACC culture and environment of honesty and ethical behavior, consistent with R1-19-4-505 of the Arkansas Financial Management Guide.

II. GUIDELINES.

A. The ACC Code of Ethics and Rules of Conduct represent ACC's commitment to the culture of ethical and efficient provision of services. The Code of Ethics describes the expected behavior of ACC employees providing services and supports the culture of ethical and efficient service provided to the citizens of the State.

1. New employees are introduced to the Code of Ethics when completing the on-line New Hire Orientation course. Each employee completing orientation must sign and date an Orientation Acknowledgement statement (Employee Training and Certification policy), signifying he/she read and understand the Code.
2. Employees must have access to the Code of Ethics and Rules of Conduct policy and must review and sign a statement acknowledging the policy during their annual performance review. The acknowledgment must be sent to the Human Resources section for inclusion in the employee's personnel file.

B. Investigations. ACC is committed to a thorough investigation of alleged ethical violations, fraud, waste and abuse. The Office of Accounting's Internal Audit Section is responsible for coordinating all investigations and is authorized to request assistance from ACC employees that have the experience required to assist or perform such investigations. Investigations will be conducted in a confidential manner. If an investigation indicates that a loss of state funds has occurred, the amount of loss must be

reported to the Division of Legislative Audit in accordance with the Arkansas Financial Management Guide. In addition, any loss of state funds involving criminal activity must be reported to the Arkansas State Police for a criminal investigation.

1. ACC employees must not be retaliated against for reporting in good faith, occurrences of ethical violations, fraud, waste and abuse of government resources, as stated in the Arkansas Whistleblower Act (Arkansas law sections 21-1-601-609).
2. Employees may report allegations of ethical violations or fraud to the Arkansas State Employees' Fraud, Waste, and Abuse Report Center or to the Office of Accounting – Internal Audit Section as described on the poster for reporting fraud, waste and abuse.

C. Evaluation of Anti-Fraud Processes and Controls.

1. In accordance with R1-19-4-505, ACC will reduce fraud opportunities by identifying fraud risks, mitigating fraud risks and implementing preventive and detective internal controls.
2. The identification of fraud risks will be conducted through an agency-wide fraud risk assessment, coordinated by the Deputy Director for Administrative Services. The risk assessment must be conducted in the first quarter of each even-numbered year and the report prepared no later than March 31st. ACC management will implement appropriate internal controls and change business processes when feasible to reduce fraud risks.
3. The Office of Accounting – Internal Audit Section must review the internal controls and changes made to business processes to determine if the control activities identified in the risk assessment are properly designed to mitigate the risk of fraud, waste and abuse of resources. This must specifically include the internal control activities that are designed to prevent or detect fraud.

D. Performance of Risk Assessment (including Fraud). The Arkansas Financial Management Guide contains additional discussion on the risk assessment process and the Risk Assessment and Control Activities Worksheet that ACC Administrative Services will provide to document the risk assessment process. The Administrator for the Office of Accounting will coordinate the process and establish deadlines as needed to ascertain that the risk assessment is completed. The Internal Audit Section will be available to facilitate and consult with offices as they go through the process.

1. Identification of ACC Activities. In support of the ACC mission, each administrator or supervisor has his/her own formal or informal set of overall goals and objectives. Therefore, the first step of the risk assessment process is the identification of activities performed in each administration that supports the achievement of its overall goals and objectives. The listing of activities of each administration will be consolidated to a reasonable number of activities, which cover the major processes in that administration.

2. Listing Objectives for Each Activity. Business objectives ensure that ACC operates in an efficient and effective manner and accurately processes financial transactions to ensure proper financial reporting and compliance with state and federal laws and rules and regulations. These objectives will also assist in safeguarding state assets. Therefore, a list of all operational objectives of each activity identified in the first step will be made. Objectives may support more than one activity. Finally, the elimination of fraud, waste, and abuse of assets will be considered for each activity.
3. Identification of Risk. ACC will identify all risks that would keep the agency from meeting its objectives. Risks can be both internal and external and may include fraud, poor process design, technology, knowledge and skills of current employees, natural events, etc.
4. Rating Risk. Each risk will be rated as to the significance or impact that the risk has on defeating ACC objectives if the threat is realized. This part of the process is subjective. Therefore, ACC will review the objectives and identify any possible risk, and will use Large, Moderate, or Small as the levels of significance/impact. Next, each risk will be rated by the likelihood of its occurrence and labeled as High (probable), Medium (reasonably possible) or Low (remote).
5. List Control Activities Designed to Mitigate Risk. For each risk with a Large or Moderate impact and High (probable) or Medium likelihood of occurrence, ACC will list control activities present that will mitigate the risk. Control activities may include physical control over vulnerable assets, segregation of duties, access restrictions to transactions and records, top level management review of performance reports, controls to measure customer satisfaction, etc. If additional controls are needed to mitigate the risk to an acceptable level, ACC will indicate an action plan and a timeline for implementing the additional control activities. (See Attachment 4 for hypothetical example of how the Risk Assessment and Control Activities Worksheet will be completed.

E. Reporting Suspected Fraud. Allegations of ethical violations, fraud, waste or abuse may be reported to the Arkansas State Employee's Fraud, Waste, and Abuse Report Center (1-800-952-8248) or the Office of Accounting – Internal Audit Section (501-682-0370) by completing the DF&A [Complaint Form](#) or as described on the [Poster for Reporting Fraud, Waste and Abuse](#) and mailing it directly to the Office of Accounting – Internal Audit Section, Department of Finance and Administration, 1515 W. 7th Street, Room 215, Little Rock, AR 72201.

An employee with supervisory fiduciary responsibility over all fiscal matters is required to report a loss of public funds to Arkansas Legislative Audit (Legislative Audit) within five business days of discovering the loss. The report can include apparent or unauthorized disbursements of public funds or apparent theft or misappropriation of public funds or property. An employee who purposely fails to report is guilty of a Class A misdemeanor.

F. Code of Ethics and Rules of Conduct. The ACC Code of Ethics and Rules of Conduct must be reviewed, along with this policy, and discussed by each supervisor with each employee they supervise. A signed original shall be forwarded to HRS initially and discussed annually thereafter and included with performance reviews and promotions for classified positions on or around January 3, for unclassified positions. Employees are responsible for being familiar and complying with the Code, and for annually signing the Code acknowledgement statement.

G. Posters Concerning Fraud, Waste and Abuse of Resources. Supervisors should ensure that the Fraud, Waste, and Abuse poster or other document containing the same information is placed in conspicuous places, accessible to employees.

III. REFERENCES/FORMS.

[Poster for Reporting Fraud, Waste and Abuse](#) (this is on the DF&A website)

[Complaint Form](#) (this is on the DF&A website)