



09-05

# GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<b><i>Fraud, Theft, Waste, and Abuse</i></b>	Issued:	6/12/09
Manual Section(s):	N/A	Effective:	6/12/09
Supersede(s):	N/A	Page:	1 of 4

TO: Technical Bulletin Administrators  
Human Resources Personnel  
Payroll Personnel  
All Agencies

FROM: D. Clark Partridge  
State Comptroller

## **AUTHORITY**

A.R.S. § 35-131	Accounting system; reports; notice of deficiency; forms
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance

## **REFERENCES**

The Institute of Internal Auditors (IIA)  
The American Institute of Certified Public Accountants (AICPA)  
Association of Certified Fraud Examiners (ACFE)

## **DEFINITIONS**

**Abuse:** The intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc. Examples of abuse include:

- An employee using State equipment to conduct personal business;
- An employee using non-confidential taxpayer information to get new customers for his/her outside business.

**ADOA:** The Arizona Department of Administration.

**Agency:** For the purposes of this technical bulletin any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona Government.

**Employee:** Any full- or part-time individual being paid under the authority of any payroll system of the Government of the State of Arizona or any public officer, deputy, board or commission member. To be defined as an officer of the State, a person must be participating on a board, commission, authority, council or committee created by law, the Governor, or by an Agency head with the proper authorization to create such an entity.

**Fraud:** The Association of Certified Fraud Examiners defines fraud as, “The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.”

*Managing the Business Risk of Fraud: A Practical Guide* defines fraud as “any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain”.

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The AICPA, in SAS no. 99, describes fraud within the framework an auditor applies as “intentional acts that result in a material misstatement in financial statements that are the subject of an audit.”

The principal types of fraud include:

- breach of fiduciary duty;
- bribery;
- concealment of material facts;
- theft of money or physical property;
- theft of secrets or intellectual property, and
- other statutory offenses.

**GAO:** The Arizona Department of Administration, General Accounting Office.

**Management:** Includes directors and executive directors, deputy and assistant directors, managers, assistant managers, program managers, supervisors and any other employee who has authority to sign another employee's performance evaluation.

**State:** The State of Arizona.

**State Comptroller:** The administrator of the GAO. The statutory approval of items in conjunction with this policy has been delegated by the ADOA Director to the State Comptroller.

**Theft:** The act of taking something from someone unlawfully. An example of theft is taking home a printer belonging to the agency and keeping it for personal use.

**Waste:** The loss or misuse of State resources that results from deficient practices, system controls, or decisions. An example of waste is not taking advantage of an available prompt pay discount.

## **INTRODUCTION**

The purpose of this policy 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 either the GAO, the Auditor General or the Attorney General. It is management's responsibility to control waste and abuse, however, any excessive waste or abuse must be reported as well. 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.

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This Technical Bulletin further strengthens a foundation already established through the previous policies, including Technical Bulletin 00-3 covering the “Code of Conduct for State of Arizona Employees Engaged in Accounting, Financial, and Budgeting Activities”. This previous Technical Bulletin addresses the moral, ethical, legal and professional aspects of personal conduct and it is the intention of this policy to further exemplify and clarify the State’s intention to hold it’s employees to high standards of ethical conduct through additional internal control’s 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 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**

It is the policy of the State to 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. Only those directly involved in the investigation should be given information. Informants may remain anonymous but should be encouraged to cooperate with the investigators and should provide as much detail and evidence of the alleged fraudulent act as possible.

1. Anyone suspecting fraud 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](mailto:reportfraud@azdoa.gov) to facilitate this reporting.
2. Any State employee or contractor of the State who receives a report of suspected fraudulent activity 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 by State employees, public assistance recipients, providers, contractors, or subgrantees.
4. If necessary employees reporting fraudulent activity will be contacted for additional information.
5. Periodic communication through newsletters and meetings should emphasize the responsibilities and channels to report suspected fraud.

**ON-LINE AVAILABILITY**

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**<http://www.gao.az.gov>**

### **AREAS IMPACTED**

All State agencies.

### **CONTACTS**

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

**[gaopolicy@azdoa.gov](mailto:gaopolicy@azdoa.gov)**

# State of Arizona

## Code of Conduct

### For Employees Engaged in Accounting, Financial and Budgeting Activities

**The Chief Financial Officers of the Agencies of the State of Arizona are financial and accounting professionals committed to promoting the highest standards of personal ethics, competence and professional conduct. Therefore, we embrace the following moral, ethical, legal and professional standards as the minimal values to be exhibited by those in Arizona Government engaged in accounting, financial and budgeting activities.**

#### ***Integrity***

- Demonstrate loyalty to the government of the State of Arizona and show respect for the public it serves.
- Exhibit confidence in and support your colleagues, the officers and employees of the State.
- Avoid the evidence or appearance of impropriety in any professional dealings.
- Refuse to engage in any activity that jeopardizes your ability to carry out your duties or fulfill your responsibilities.
- Do not prepare, sign or issue any financial information not adhering to professional standards.
- Support the goals of State Government and promote the mission of your agency or department.

#### ***Competence***

- Assume the responsibility for your personal continuing professional education and development.
- Maintain a current working knowledge of developments and emerging issues in government finance and accounting.
- Promote the highest standards of professional competence within your organization and among your peers.
- Support and encourage continuous training and development in your professional disciplines.

#### ***Professional Conduct***

- Carry out your responsibilities consistent with the highest standards of quality, efficiency and customer service.
- Support compliance with generally accepted accounting principles and auditing standards.
- Comply with all Federal and State regulations and statutes.
- Adopt those technologies that will provide improved performance.

#### ***Conflict of Interest***

- Conduct yourself in a manner that will promote public confidence.
- Never engage in any activity that would suggest favoritism or a conflict of interest.
- Do not use public resources for personal or political gain.
- Avoid behavior or associations that might impair your objectivity or independence.
- Honor and adhere to the professional and personal codes of conduct applicable to a public official.