



Office of the Director, Fiscal and Human Resources
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ADVAP 2-20

July 1, 2015

ANTI-FRAUD AND CODE OF ETHICS POLICY

1. **GENERAL:** The purpose of this policy is to implement systems and procedures that aid in the prevention of fraud and support The Arkansas Department of Veterans Affairs' (ADVA)'s culture and environment of honest and ethical behavior. This policy is consistent with R1-19-4-505 of the Arkansas Financial Management Guide.

2. **SCOPE:** In order to promote a culture of honest and ethical behavior within ADVA, the following procedures are mandated:

- a. **CODE OF ETHICS:** Within 30 days of the date of this policy, all ADVA Divisions are required to distribute a copy of ADVA's Code of Ethics to each employee with their division. Divisions are required to explicitly discuss ADVA's requirement that employees report conduct or transactions that violate ethical provisions or are fraudulent and the options of how to communicate these matters. To verify that employees have received a copy of the Code of Ethics, employees must sign and date the last page. The original signed page from the Code of Ethics is required to be maintained in the employee personnel files maintained by ADVA human resources headquarters. Employees shall be provided a copy for their records.

ADVA human resources headquarters shall create procedures to include an introduction to the - Code of Ethics in new employee orientation sessions within 30 days of implementation of this policy. All employees receiving orientation shall sign and date the last page signifying that they have been provided a copy of the Code of Ethics. The original signed page from the Code of Ethics is sent to ADVA human resources headquarters for inclusion in the employee's personnel file.

On, or about, July 1st each year, each ADVA department must hold an annual Code of Ethics training. Each employee must reaffirm that he or she has been made aware of the Code of Ethics Policy by signing a Code of Ethics Annual Acknowledgement Statement. This statement shall be sent to ADVA human resources headquarters upon completion of the training.

The ADVA Code of Ethics is included as part of this policy as **Attachment A**.

The ADVA Code of Ethics Annual Acknowledgement Statement is included as part of this policy as **Attachment B**.

- b. **BACKGROUND CHECKS:** Prior to extending job offers to applicants of positions that require the handling of cash or negotiable assets, a criminal history check shall be obtained from the Arkansas State Police. The ADVA human resource contact shall submit requests to the Arkansas State Police through the Information Network of Arkansas on behalf of ADVA.
- c. **INVESTIGATIONS OF FRAUD:** ADVA is committed to a thorough investigation of occurrences of alleged ethical violations, fraud, waste and abuse. In accordance with the Arkansas Financial Management Guide, the Department of Finance and Administration Office of Accounting's Internal Audit Section will be responsible for coordinating all investigations. This responsibility is in accordance with Governor's Executive Order 04-04. The Internal Audit Section is authorized to request assistance from ADVA employees that have the experience required to assist or perform such investigations. Investigations will be conducted in a confidential manner. If investigations indicate that a loss of state funds has occurred, then the amount of loss shall be reported to the Division of Legislative Audit in accordance with R1-19-4-2004 of the Arkansas Financial Management Guide. In addition, any loss of state funds involving criminal activity shall be reported to the Arkansas State Police for a criminal investigation.

ADVA employees shall be protected against any form of retaliation, including discharge, for reporting in good faith occurrences of ethical violations, fraud, waste and abuse of government resources as stated in the Arkansas Whistleblower Act (ACA 21-1-601 – 609).

Allegations of ethical violations or fraud may be reported to the Arkansas State Employees' Fraud, Waste, and Abuse Report Center (1-800-952-8248) or to the Office of Accounting – Internal Audit Section by telephone (682-0370). An employee may also choose to report ethical violations, fraud, waste or abuse by completing a Complaint Form, included as Attachment C to this policy. Complaint forms can be mailed directly to the Internal Audit Section at the following address:

Department of Finance and Administration

Office of Accounting/Internal Audit Section
1515 West 7th Street, Room 215
Little Rock, AR 72201

- d. **EVALUATION OF ANTI-FRAUD PROCESSES AND CONTROLS:** In accordance with R1-19-4-505, ADVA will reduce fraud opportunities by (1) identifying fraud risks, (2) mitigating fraud risks and (3) implementing preventive and detective internal controls.

The identification of fraud risks will be conducted through an agency-wide fraud risk assessment every two years. The initial agency-wide risk assessment was completed by December 31, 2005 and ever two years thereafter. ADVA management will implement appropriate internal controls and change business processes when feasible to reduce fraud risks.

The Office of Accounting's Internal Audit Section shall 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 shall specifically include the internal control activities that are -designed to prevent or detect fraud.

- e. **PERFORMANCE OF RISK ASSESSMENT (INCLUDING FRAUD RISK):** R1-19-4-505 of the Arkansas Financial Management Guide contains additional discussion on the risk assessment process and the Risk Assessment and Control Activities Worksheet that ADVA will use to document our risk assessment process. The administrator for the Office of Accounting shall coordinate the process and establish deadlines as needed to ascertain that the risk assessment is completed. The Internal Audit Section shall be available to facilitate and consult with offices as they go through the process.

1) Identification of (ADVA) Activities

In support of ADVA's mission, each division has its own set of overall goals and objectives, whether they are formal or informal. Therefore, the first step of the risk assessment process is the identification of activities performed in each division that supports the achievement of its overall goals and objectives. The listing of activities of each division should be consolidated to a reasonable number of activities, which cover the major processes in the division.

2) Listing Objectives for each Activity

Business objectives ensure that ADVA 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 must be made. Objectives may support more than one activity. Finally, fraud, waste and abuse of assets must be considered for each activity.

3) Identification of Risk

Identify all risks that would keep you from meeting your 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 must be rated as to the significance or impact that the risk has on your obtaining your objective if the threat is realized. This part of the process is subjective; therefore, you must rely on your experiences to properly rate each risk. Use Large, Moderate, or Small as the levels of significance/impact. Next, rate each risk on the likelihood of its occurrence. Use 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 (reasonably possible) likelihood of occurrence, 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, please indicate an action plan and a timeline for implementing the additional control activities.

A hypothetical example of how the Risk Assessment and Control Activities Worksheet should be completed is included as **Attachment C**.

3. SUPERSESSION: This procedure supersedes ADVAP 2-20, January 1, 2012, in its entirety.

4. FORMS PRESCRIBED:

1. Code of Ethics, ATCH A
2. Code of Ethics Annual Acknowledgement Statement, ATCH B
3. Risk Assessment and Control Activities Worksheet, ATCH C
4. Rules on Gifts, ATCH D
5. DFA-Office of Accounting-Internal Audit Section (IA) Complaint Form

By:

Matt Snead
Director

Distribution:

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