



*"Service with Excellence
& Integrity"*

Arkansas Department of Community Correction

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Little Rock, Arkansas 72201-5731
(501) 682-9510 Fax: (501) 682-9538

ADMINISTRATIVE DIRECTIVE: 05-12 RESOURCE CONTROL

TO: DEPARTMENT OF COMMUNITY CORRECTION EMPLOYEES

FROM: G. DAVID GUNTARP, DIRECTOR

SUPERSEDES: None

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APPROVED: Signature on File

EFFECTIVE: November 15, 2005

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

II. GUIDELINES.

- A.** The DCC Code of Ethics and Rules of Conduct (found in Administrative Directive 05-13) represent DCC's commitment to the culture of ethical and efficient provision of services. The Code describes the expected behavior of DCC employees providing services, and supports the culture of ethical and efficient service provided to the citizens of the State.
1. HRS shall introduce new employees to the Code by briefing them as to its content during orientation sessions. Each employee receiving orientation shall sign and date an initial acknowledgement statement (AD 05-13, Form 1), signifying he/she received a copy.
 2. Additionally, each supervisor shall explicitly discuss with each employee under his/her supervision the DCC requirement that they report fraudulent conduct and transactions that violate ethical provisions, and provide reporting options. To verify that employees have received a copy of the Code, each employee must sign and date an annual acknowledgement statement (AD 05-13, Form 1) each year during performance review or promotion for classified employees, and on or around January 3 for unclassified employees.

3. The original signed affirmation of the initial and subsequent statements shall be maintained in the DCC employee personnel files in the Human Resources Section (HRS), with a copy to the employee for his/her file.
4. Further, the Central Training Section shall train the initial staff and incorporate a session regarding the Code and the requirement to report fraudulent conduct into all basic training programs.

B. Background Checks. Prior to extending job offers to persons who have applied for positions that require the handling of cash or negotiable assets, a criminal history check shall be obtained from the Arkansas State Police. The DCC Internal Affairs Administrator shall fully investigate applicants by obtaining records from the Arkansas and National Crime Information Centers and the courts for all locations where the applicant has previously lived.

C. Investigations. DCC 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 DCC employees that have the experience required to assist or perform such investigations (i.e. internal affairs administrator). Investigations will be conducted in a confidential manner. If an investigation indicates that a loss of state funds has occurred, 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.

1. DCC employees shall 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 (ACA 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 by telephone.

D. Evaluation of Anti-Fraud Processes and Controls.

1. In accordance with R1-19-4-505, DCC 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, every two years. The initial agency-wide risk assessment will be completed by December 31, 2005 and every two years thereafter. DCC management will implement appropriate internal controls and change business processes when feasible to reduce fraud risks.

3. The Office of Accounting – 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). R1-19-505 of the Arkansas Financial Management Guide contains additional discussion on the risk assessment process and the Risk Assessment and Control Activities Worksheet that DCC 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 DCC Activities. In support of the DCC 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 a Each Activity. Business objectives ensure that DCC 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. DCC 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 DCC objectives if the threat is realized. This part of the process is subjective. Therefore, DCC will rely on past experiences to properly rate each 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, DCC 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, DCC 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.

F. Reporting Suspected Fraud. DCC employees shall not be retaliated against for reporting, in good faith, occurrences of ethical violations, fraud, waste or abuse of DCC resources. Investigations to substantiate reported allegations will be conducted in a confidential manner. Allegations of ethical violations or fraud 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 a complaint form (AD 05-12, Form 1 or as obtained at http://www.arkansas.gov/dfa/accounting/documents/fraud_reporting_poster.doc) 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.

G. Code of Ethics and Rules of Conduct (3-3068-69). The DCC Code of Ethics and Rules of Conduct are found in Administrative Directive 05-13 Code of Ethics and Rules of Conduct. It shall 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.

H. Posters Concerning Fraud, Waste and Abuse of Resources. Supervisors should ensure that the Fraud, Waste, and Abuse poster (Attachment 1) or other document containing the same information is placed in conspicuous places, accessible to employees.

III. ATTACHMENTS.

Attachment 1 Poster for Reporting Fraud
AD 05-12 Form 1 Fraud Complaint Form

Arkansas State Employees' Fraud, Waste & Abuse Report Center



PREVENT

Illegal Use and Mismanagement of
Arkansas State Government Resources.

REPORT

Information Concerning
Fraud, Waste and Abuse
to the



Report Center
(800) 952-8248

toll-free, 24 hours a day

OR

Arkansas DFA – Office of Accounting

Internal Audit Section

(501) 682-0370

Monday – Friday, 8:00 – 4:30

fraud@dfa.state.ar.us



The Report Center and Internal Audit cannot address complaints or grievances involving wages, working conditions, discrimination or other personnel issues. These issues should be reported to your agency's Human Resource Manager.

FRAUD COMPLAINT FORM

Department of Finance & Administration - Office of Accounting

Internal Audit Section (A)

FOR INTERNAL AUDIT USE ONLY

RECEIVED: Date _____ Time: _____

COMPLAINANT (Optional): _____

Name: _____ Address: _____

Home Telephone No.: _____ Employment: _____

Work Telephone No.: _____

DETAILS OF THE COMPLAINT:

For Internal Audit Use Only

Received By: _____ Action Taken: _____

AD 05-12 Form 1