



## Arizona State Retirement System Policy Fraud Criminal Acts, Internal Investigations and Whistleblower

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### **Purpose:**

The ASRS, recognizing the importance of protecting the Agency, its assets, its operations, its members, its employers, and its employees against financial risks, pension fraud, operational breaches and unethical activities, has developed the following Fraud Policy. The policy is intended to provide all stakeholders both internal and external with the knowledge that allegations of impropriety will be investigated objectively, fairly and promptly, while protecting the person disclosing the fraud against actions of reprisal.

### **Authority:**

The ASRS Director's Office.

A.R.S. § 38-793 Violation; classification - A person who knowingly makes any false statement or who falsifies or permits to be falsified any record of ASRS with an intent to defraud the ASRS is guilty of a class 6 felony.

A.R.S. § 38-532 Prohibited personnel practice; violation; reinstatement; exceptions; civil penalty - It is a prohibited personnel practice for an employee who has control over personnel actions to take reprisal against an employee for a disclosure of information of a matter of public concern by the employee to a public body that the employee reasonably believes evidences:

1. A violation of any law.
2. Mismanagement, a gross waste of monies or an abuse of authority.

### **Policy:**

It is the policy of the ASRS to be proactive in investigating fraudulent or corrupt activities impacting the ASRS. All matters raised by any source will be taken seriously and properly investigated.

Retaliation and retribution will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

Notwithstanding cases that have legal ramifications, final determination regarding action against an employee, vendor, member, employer or any other party associated with the ASRS will be made by the Director or the Board of Trustees.

The ASRS will take appropriate action to recover any assets lost as a result of fraudulent or corrupt activities.

### **Definitions of Fraudulent Activities:**

Fraud is defined as an intentional deception, misappropriation of resources or the manipulation of data to the unfair or unlawful advantage or disadvantage of a person or entity.

The following acts specific to members, beneficiaries and employers include but are not limited to:

- Misstatement of age, salary or credited service in order to receive an enhanced retirement or health insurance benefit;

- Forging or altering any document to present false information for the purpose of gaining benefits. Such documents may include, but are not limited to, falsified employment verifications, birth certificates, marriage certificates, adoption records, divorce decrees, medical records, and accident reports.
- Forging or altering any financial document to result in payments or debits being credited or charged to the wrong person;
- Seeking or receiving payment from a member, retiree, beneficiary, program participant or employer in exchange for making a decision which favors that person;
- Stealing a member's identity;
- Intentionally distorting the truth to an employee, member, retiree, beneficiary, program participant, or employer to convince a person or employer to give up money, property, rights of entitlement, or other possession rightfully belonging to that person or employer;
- Misstatement of a medical condition in order to receive Long Term Disability benefits;
- Intentionally taking action which results in a benefit to which the recipient is not lawfully entitled;
- Taking steps intended to hinder the detection of any of the above activities.

The following acts specific to ASRS employees include but are not limited to:

- Buying or selling securities based upon material inside information in the possession of the employee by virtue of his/her position at the ASRS;
- Taking for ones' personal use any funds, securities, supplies, information or other assets which are known to be property of the ASRS;
- Falsifying records for personal gain or to assist others in personal gain;
- Corrupting records, programs or property for personal gain or to assist others in personal gain.

### **Reporting Fraud:**

Allegations and concerns regarding fraudulent activity may come from various sources including but not limited to:

- Employees
- Employers
- Members of the ASRS
- Members of the public
- Vendors
- Results of internal or external audit reviews

All ASRS members, vendors, employers, employees and officers, and any other party associated with the ASRS have a duty to report concerns they have or information provided to them regarding possible fraudulent activity of any party associated with the Arizona State Retirement System.

Concerns regarding fraudulent activity may be reported to any of the following:

- ASRS Internal Auditor
- ASRS Attorney General Representative
- ASRS Human Resources
- Employee's Immediate Supervisor
- Any Senior Management
- Any Executive Management
- ASRS Board of Trustees

- ASRS Fraud Hotline (602-240-5360)
- All alleged fraud claims received by someone other than Internal Audit are routed to Internal Audit.

**Procedure:**

These procedures set forth the Arizona State Retirement System's (ASRS) responsibilities for investigation, notification and response to suspected fraudulent activities.

The Internal Auditor will conduct all audits regarding fraud and will coordinate all investigations on behalf of the agency. If the investigation involves the Internal Audit staff or the Chief Auditor the Director, or his designee, will act as the coordinator of such investigation. If the investigation of fraud involves the Director, the Chairman of the Board acts as the coordinator of the investigation.

When sufficient facts and circumstances exist to create a reasonable suspicion that fraud has occurred, the Internal Auditor shall submit an incident report indicating the commencement of an investigation to executive staff:

1. Director
2. Deputy Director

The incident report must identify the nature of the potential fraudulent activity (see Fraud Incident Report attached).

The Deputy Director notifies relevant staff and assigns a case worker to handle contact and correspondence with the reporting entity. Once all relevant documents are received, Internal Audit conducts the investigation and prepares a written report.

The report is given to the Fraud Committee and an action plan and assignments are made. The action plan is executed and the appropriate parties are notified.

The Auditor will keep a log of all investigations into fraudulent activity and report the incidents to the Director monthly.

### FRAUD INCIDENT REPORT

Date: \_\_\_\_\_

Preparer: \_\_\_\_\_

Description of incident and related parties: \_\_\_\_\_

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Were parties outside the Agency involved? (complete only if known) \_\_\_\_\_

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How was the incident discovered? \_\_\_\_\_

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Was there financial loss?     Yes    No                      If yes, estimated \$ \_\_\_\_\_

Are Pension funds involved?    Yes    No

Are other ASRS monies involved?                       Yes    No

Are ASRS staff involved?         Yes    No

Rules, regulations and procedures violated (complete only if known) \_\_\_\_\_

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Parties notified at the ASRS (other than those required) \_\_\_\_\_

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