



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 1 – Business Standards 2.0	EFFECTIVE DATE: 03/15/1988
TITLE: Standards of Business Conduct	REVISION DATE: 10/12/2016
AUTHORIZED BY: Director, Bureau of Fiscal Services	

BACKGROUND

The sensitive nature of fiscal positions and their unique responsibilities make proper standards of business conduct paramount for public accountability and achieving trust in this Department's financial actions. These standards are for all Department staff in positions responsible for financial decisions, handling money, fiscal transactions, accounting, or fiscal transaction processing. Such positions include but are not limited to Fiscal Officers, Financial Management positions, Accountants, Auditors, Financial Specialists, Fiscal Clerks, Administrative Assistants, Data Entry Operators, Management Information Specialists, Purchasing Agents and Assistants, and Business Managers.

Management and public trust in accounting transactions depends upon ethical conduct by employees and also upon a strong system of internal control. Broadly defined, internal control includes the organization and all measures to safeguard assets, to ensure accuracy in accounting and operating data, to promote operational efficiency, and compliance with established policies, procedures and accountability.

POLICY / PROCEDURES

Ethical Standards and Financial Standards

These standards are summarized in the DHS HR Policies Chapter 106 and in **Section 1-Business Standards 1.0** (Basic Standards for Financial Transactions). There are several sections that are especially important for employees in fiscal or related positions. These are *summarized* below:

- A. **Conflict of Interest.** A conflict of interest must not exist on the part of an employee. A conflict is defined whenever:
 - "The employee's action or failure to act propitiously could reasonably be expected to directly or indirectly produce or assist in producing a private benefit for the employee or the employee's immediate family or an organization with which the employee is associated; or
 - A conflict of interest may exist whenever the employee is involved in a situation where he/she is an officer or board member in organization funded directly or indirectly by DHS or in involved in administering programs similar to the Department."

Conflict of interest is prohibited. This situation is particularly possible for employees involved in purchasing or contracting. Each division in the Department should develop guidelines for employees and supervisors identifying specific job situations that always constitute a conflict of interest. Outside employment, which may pose a conflict of interest, must be reviewed and approved prior to acceptance of the employment. Approval must be sought through the supervisory chain of command. The appointing authority makes approval or denial.

- B. Personal and Business Relationships.** Contracts and leases are covered under this provision. In general, the code calls for written disclosure of the nature and extent of relationship or interest prior to contracting.
- No employee, member of their immediate family, nor any organization with which the employee or a member of their immediate family owns or controls at least 10 percent of the outstanding equity, voting rights, or outstanding indebtedness may enter into any contract or lease involving payment or payments of more than \$3,000 within a 12-month period, in whole or in part derived from state funds unless the employee has first made written disclosure of the nature and extent of such relationship or interest to the appointing authority and obtained the appointing authority's written approval.
- C. Use of State Property and Time.** Employees may not use their positions, state property, or state time for their private benefit. The code prohibits conducting private business from state offices on state time.
- D. Acceptance of Gifts or Remuneration.** Employees may not solicit or accept money or anything of value that may be construed as influencing or have the appearance of influencing an employee's actions or judgment in official business matters. Employees shall not accept gifts or favors including food or meals provided by persons or organizations that are served. See code of Ethics Chapter 106 in Department HR Policies.
- E. Basic Standards for fiscal transactions and work.** The administration of centralized and decentralized accounting/fiscal support systems and preparation of all financial transactions in the Department must follow the basic standards and principals set forth in APP 1.0 Section 1. Complete, accurate, and well-documented transactions are the basis for management and public trust in the use of the government funds.

Department Work Rules

Besides the provisions of the Department Ethics Code, there are also Department Work Rules, which apply to business conduct. These rules are contained in *Chapter 500, DHS Human Resources Policies, and Procedures*. Work rules that specifically apply to business conduct are rules nine, ten, and 16. In particular, Work Rules nine and ten prohibit stealing, neglect, destruction, or unauthorized use of state-owned or leased property, equipment, or supplies. Rule sixteen prohibits unauthorized activities such as solicitation and operating a personal business while on duty or on state property.

In addition to the Code of Ethics and the Work Rules, there have been other procedures and directives published which define appropriate business conduct. Two critical areas are cash handling and contracting.

Cash Handling Procedures

Cash handling procedures are documented in **Section 2-Cash and Cash Equivalents 1.0** (Handling of Cash Receipts). This procedure reviews the statutory requirements for the receipt and deposit of monies. Minimum acceptable procedures for cash handling are also covered in this procedure.

The most important aspect of these procedures as they affect staff in fiscal positions is the requirements for separation of duties and the prohibition against using cash on hand to cash checks for employees or others. Separation of duties specifies that different individuals should be assigned the responsibility for collection, deposit, and reconciliation of deposits to accounting

records. Other aspects of the procedure deal with collection location, receipt issuance, record keeping, deposit frequency and cash receipt shortage and overage.

Contracting

Although the subject of contracting appears in the Department Code of Ethics, there are some additional recommendations that should be followed for good business conduct. Individuals engaged in contract decisions should consult with their supervisor if there is any question as to the propriety of a given contract decision in terms of conflict of interest. Contracting with relatives or organizations in which one has an interest is not appropriate. Personal financial gain from a contract or lease decision is prohibited.

Payment Processing

There are occasions when vendors or potential recipients of state funds are in *violation* of the conflict of interest code, or are suspected of other inappropriate acts or malpractice. If questions arise in these areas, the individual or fiscal unit responsible for processing state payments made by check, electronic funds transfer, or any other means has the obligation to bring the concerns to his or her supervisor or the Bureau of Fiscal Services *before a payment is processed*.

BFS will implement procedures for special check writes and for pickup of related checks to identify and reduce the potential for fraud and inappropriate check processing. Check distribution policies and exceptional check processing are specified in APP Section 2, Cash and Cash Equivalents 3.0, Check Distribution and Non Routine Voucher Authorization and APP 1.0, Handling of Cash and Cash Equivalents. These APPs specify the importance that checks/ cash equivalents be stored in a secure location such as a vault or safe and that any special checks will be “retained by BFS in the Cashiers Office and will not be released or mailed until documentation is provided that all conditions for release have been met.”

Data Processing and Security

The use of data processing technology in support of accounting has been standard for the last twenty years. While data processing technology increases productivity, it also presents challenges for good internal control and business conduct. A number of security procedures have been instituted to safeguard data stored on departmental computers.

Security for department computer records and IT access is covered in the [DHS IT Policies and Procedures](#) website. Each individual must have a data processing ID (LOGON ID) assigned to them. There is also a password associated with each user's LOGON ID. This password must be changed at least once every 60 days. Individual passwords must not be shared or disclosed to other individuals. Individuals, when logged on to the accounting system must not leave their terminal while still logged on.

Security rules allow log or abort access to the data set based on the LOGON ID of the user requesting access. Remote Access Control Faculty (RACF) rules are written and maintained by the Department. DHS BITS (Bureau of Information Technology) staff are also responsible for arranging for the assignment of LOGON ID numbers.

The State Accounting System (currently STAR)) also has a security that further safeguards accounting data. Access for individuals can be obtained for the system functions they perform, such as data entry or inquiry only. They may also be restricted to certain appropriations within the system.

Those charged with enforcing security rules will allow access to accounting data at the most restrictive level necessary for normal operation. Access should always be based on actual use.

If Questions or Concerns

The above standards are intended to serve only as a guide for good business conduct within the Department. Unique situations will require consultation with a supervisor or the Bureau of Fiscal Services.

All inquiries or contacts on suspected violations of Department work rules or good business conduct will be held in confidence by the Bureau of Fiscal Services if desired by the caller.

REFERENCES

Standards of Conduct; State Public Officials, see [Wis. Stat. § 19.45 \(1\)](#)

Department Code of Ethics, [Chapter 106](#), DHS HR Policies and Procedures

Department Work Rules, HR Policies, [Chapter 501](#), DHS HR Policies and Procedures

[DHS APP Section 1 – Business Standards 1.0](#) (Basic Standards for Financial Transactions)

[DHS APP Section 2 – Cash and Cash Equivalents 1.0](#) (Handling of Cash Receipts)

CONTACTS

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