

FY25 Fraud Risk Assessment (FRA)

WHAT IS THE FRAUD RISK ASSESSMENT?

- SAO regularly receives complaints of fraud or abuse at the local level
- Local governments have asked for direction to prevent occurrences of fraud

The answer lies in effective internal controls

- Established policies, practices, and procedures
 - Operations are performed effectively and efficiently
 - Intended to deter or prevent the misuse of public funds
- SAO designed the FRA Program:
Measure and reduce the risk of undetected fraud, abuse, & noncompliance
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RECOMMENDED MEASURES

1. Separate Duties over Cash Handling / Cash Accounts (crucial)
 2. Require a Commitment of Ethical Behavior
 - A fundamental, and far-reaching problem facing government today is the lack of public trust and confidence.
 - Annual written statement on ethical behavior will provide clarity and serve as a physical reminder of the expectations of the entity.
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RECOMMENDED MEASURES (continued)

3. Adopt and Put into Practice Written Policies

- Conflict of Interest
 - Procurement
 - Ethical Behavior
 - Reporting Fraud and Abuse
 - Travel
 - Purchasing Card
 - Personal Use of Entity Assets
 - IT & Computer Security
 - Cash Receipting and Deposits
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RECOMMENDED MEASURES (continued)

4. Hire and Train Qualified Staff

- To ensure effective and efficient delivery of government services
 - Knowledge, Skills, and Abilities are required for certain technical areas; KSA often align with formal credentials and/or degrees
 - At a minimum, it is recommended that someone on staff has at least a bachelor's degree in accounting
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RECOMMENDED MEASURES (continued)

5. Provide Effective Training

- Training is vital, especially to governmental agencies, where services are essential to economic prosperity and basic human needs.
 - At a minimum:
 - Elected Officials should complete the online training every four years
 - At least one member of the finance team, preferably the CFO, should have 40 hours of financial training each year.
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RECOMMENDED MEASURES (continued)

6. **Implement a Hotline** - a means by which the public and employees can anonymously report concerns about improper behavior of an entity's officers or employees or concerning practices of the entity.
 7. **Implement an Internal Audit Function** – to monitor and analyze the entity's own operations.
 8. **Use an Audit Committee** – to assist the governing body in its financial oversight responsibilities.
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RISK SCORE

- Five-level assessment score – 395 total points available
- Most effective measure are assigned the most points
- The scale and corresponding levels are:

○ Very Low	>355
○ Low	316-355
○ Moderate	276-315
○ High	200-275
○ Very High	<200



FY2023 FRA Score – Low 300

FY2024 FRA Score – Very Low 375

FY2025 FRA Score – Very Low 375