



Fraud Risk Management in Government Programs

WEBINAR – OCTOBER 21, 2015

Agenda

- Introductions
- GAO's Fraud Risk Management Framework

Introductions

- Erin A. McLaughlin, Senior Analyst, Forensic Audits and Investigative Service (FAIS), U.S. Government Accountability Office



Why Is Fraud Risk Management Important?

- Fraud poses a significant risk to the integrity of federal programs and erodes public trust in government.
- Fraud can be financial as well as nonfinancial (e.g., passport fraud), and it is difficult to measure fraud in a reliable way.
- Based on our prior reviews, we saw a need for federal managers to take a more strategic, risk-based approach to managing fraud risks.
- Effective fraud risk management helps to ensure that federal programs' services fulfill their intended purpose, funds are spent effectively, and assets are safeguarded.

How Did GAO Develop the Framework?

- To develop the Framework, we
 - conducted three **focus groups** with antifraud professionals;
 - **interviewed** eight federal Offices of Inspector General, three national audit institutions, the World Bank, the Organisation for Economic Co-Operation and Development, and antifraud experts representing private companies, state and local audit associations, and nonprofit entities;
 - conducted an extensive **literature review**; and
 - sought input from federal program officials to independently **validate** leading practices.



How Does the Framework Relate to Existing Federal Efforts?

- The Framework complements existing federal efforts, including
 - the revised *Standards for Internal Control in the Federal Government* (effective Oct. 1, 2015);
 - improper-payments legislation; and
 - Office of Management and Budget guidance on improper payments (OMB A-123).
- However, the Framework is fraud-specific and applies to nonfinancial, as well as financial, fraud risks.

Who Can Use the Framework?

- The Framework's leading practices serve as a guide for **federal program managers** to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.
 - Managers can use the Framework to help implement Principle 8 of *Standards for Internal Control in the Federal Government* – “Assess Fraud Risks.”
 - Managers can tailor the Framework to their programs' operations and environment, including existing risk management efforts.

How Can Others Use the Framework?

- **Auditors** can use the Framework to help assess managers' fraud risk management efforts.
- **Managers of state, local, and foreign government agencies, as well as managers of nonprofit entities,** may find the Framework's concepts and practices useful for their fraud risk management efforts.

The Fraud Risk Management Framework



Source: GAO. | GAO-15-593SP

- The Framework
 - encompasses control activities to **prevent, detect, and respond** to fraud, with an emphasis on prevention;
 - recognizes **environmental factors** that influence or help managers achieve their objective to mitigate fraud risks; and
 - highlights the importance of **monitoring and incorporating feedback**.

What Are the Components of the Framework?

- **Commit:** Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management.
- **Assess:** Plan regular fraud risk assessments and assess risks to determine a fraud risk profile.
- **Design and Implement:** Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.
- **Evaluate and Adapt:** Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.



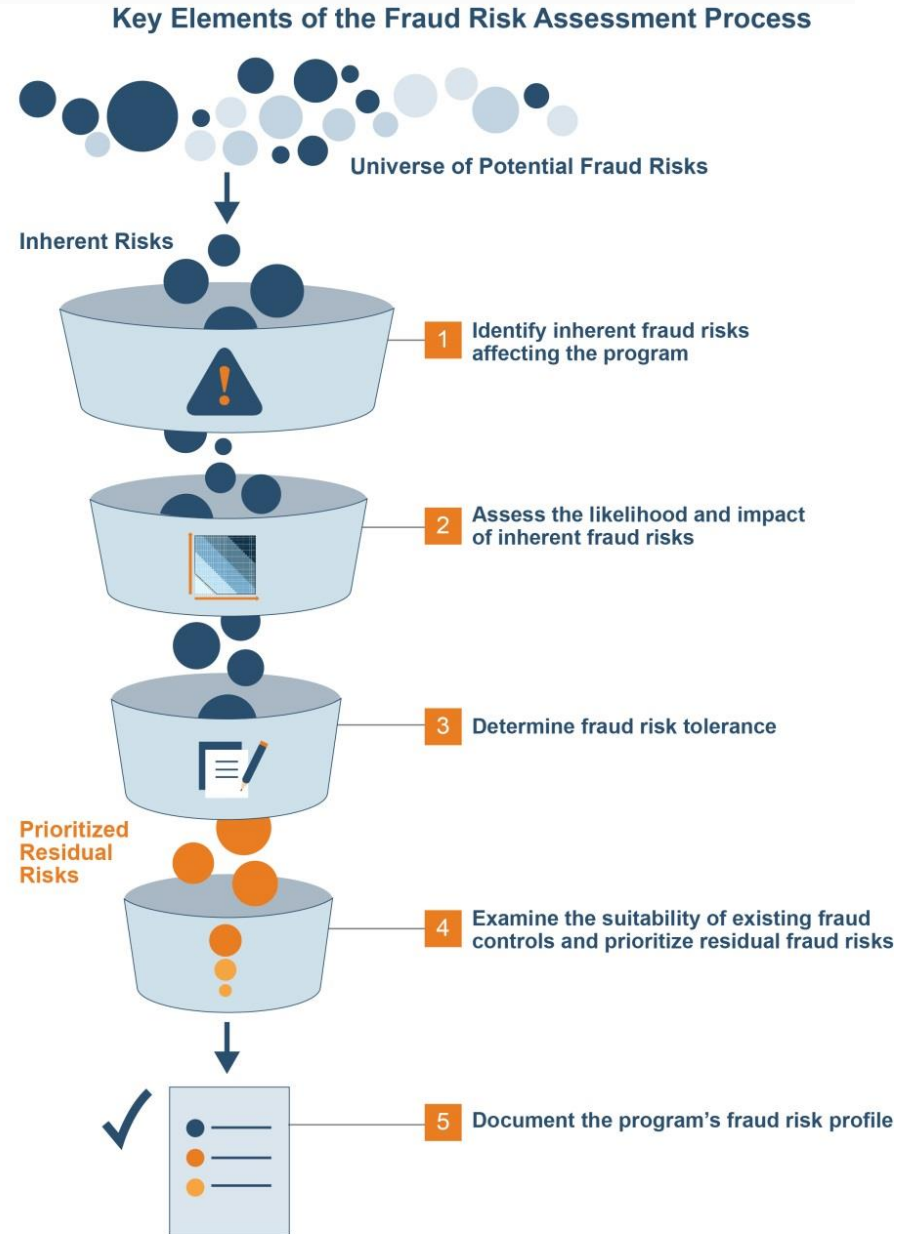
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How Can Managers Assess Fraud Risks?

- **Identify** fraud risks and **assess** their likelihood and impact.
- **Determine fraud risk tolerance**, and **examine existing fraud controls**.
- **Document** the program's **fraud risk profile**, including risk tolerance, prioritization of risks, and other key findings and conclusions.



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Next Steps

- Federal program managers can begin using the Framework immediately to develop or improve fraud risk management efforts.
- However, fraud risk management is an iterative process. Managers may focus on one or two components to start. Over time, managers will be more likely to effectively address all key elements.
- Internal and external auditors can evaluate the effectiveness of agency fraud risk management efforts and make recommendations to enhance those efforts using the framework as a basis.



Questions?

- For further information:
 - *A Framework for Managing Fraud Risks in Federal Programs* is available online at: <http://www.gao.gov/products/GAO-15-593SP>.

- Contact:

Stephen M. Lord

(202) 512-6722

lords@gao.gov

Erin A. McLaughlin

(202) 512-5481

mclaughlinea@gao.gov

