

# Comptroller's Office Fraud Risk Assessment

Pilot 2023



MILWAUKEE  
COUNTY

# Agenda

- What is a Fraud Risk Assessment?
- Why Did We Do This?
- How Did This Work?
- What Did We Do?
- What Happened After?



# What is a Fraud Risk Assessment?

- “A process aimed at proactively identifying and addressing an organization’s vulnerabilities to both internal and external fraud.” (ACFE)
  - Plain talk: Considering the many ways that employees and non-employees can commit fraud and then deciding what to do about it
- Followed the lead/best practices of:
  - ACFE: Association of Certified Fraud Examiners
  - GAO: Government Accountability Office
- Learning, Adapting, Doing, Adjusting



# Why Did We Do This?

- DO:
  - We have stuff of value and people will try to get it
  - FRA is intended to **make it harder** for people to take our stuff
  - Make fraud less taboo
  - Prevention is better than detection
  - FRAs are done by local, state, federal, universities and private sector
- DON'T:
  - Blame
  - Punish
  - Assign fault
  - Criticize
  - Just to say that we have



## How Did This Work?

# • TOGETHER!

- Buy-in and Support from Management
- Notice of FRA process to participating divisions
- ASD guided the two-part process
  - Scenario brainstorming sessions and officewide survey



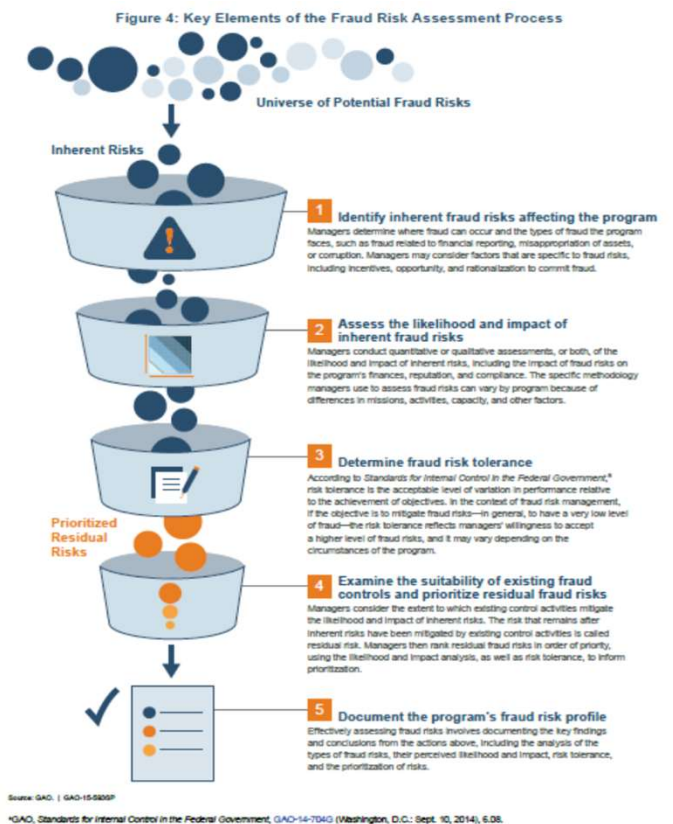
# What Did We Do?

- Assessment by Individual Divisions
  - Divisions shared current policies with ASD
  - ASD shared FRA matrix for review
  - Brainstorming Sessions
    - Managers and/or managers and staff
- Anonymous survey sent to all Comptroller's staff
  - Ask about fraud environment



# What Did We Do?

- Identify Inherent (Natural) Fraud Risks
  - Key: Think of what frauds are possible
  - Roleplay - Think like the bad guy!
- Assess Likelihood and Impact of Fraud Risks
  - Think: How common & how harmful could this fraud be
- Consider Internal Controls
  - Think: What are we already doing to make it harder for the bad guy
- Reassess Likelihood and Impact
  - Key: This is our Residual Risk
- Determine Fraud Risk Tolerance (Management)
- Respond (Management)



# What Did We Do?

Milwaukee County Office of the Comptroller									
<u>Identified Inherent Fraud Risk<sup>1</sup></u>	<u>Victim Division<sup>2</sup></u>	<u>Perpetrator (Internal/External)<sup>3</sup></u>	<u>Likelihood<sup>4</sup></u>	<u>Impact<sup>5</sup></u>	<u>Existing Internal Controls (EIC)<sup>6</sup></u>	<u>EIC Likelihood<sup>7</sup></u>	<u>EIC Impact<sup>8</sup></u>	<u>Residual Risk<sup>9</sup></u>	<u>Response<sup>10</sup></u>
Property Theft									
Cash Theft									
Timesheet fraud									
County property misuse									
Kickbacks									
"Ghost" payments									
Reimbursements									
P-Card Transactions									





# What Did We Do?

- Subjective process
  - Actor, Action, Outcome
- Likelihood and Impact
  - Probably hardest part of the FRA

	Likelihood Metric	Impact Metric
Low (1)	Fraud is unavailable or unlikely	A fraud would not impact or have minimal effect on the office
Medium (2)	Fraud is possible, there have been unproved reports of fraud having occurred or few instances have occurred over years	A fraud would have a temporary or limited impact on the office
High (3)	Fraud is probable, has likely occurred, there are confirmed instances of fraud happening many times	A fraud would have a long-lasting negative impact on the office, or cause long-lasting reputational harm or will cause legal consequences

# Anonymous survey

18. Does Milwaukee County have a way to report fraud concerns? \*

- Yes
- No
- Don't Know

19. Do you know how to report a fraud concern? \*

- Yes
- No
- Don't Know



# What Happened After?

- Management's Role
  - Established Risk Tolerance
  - Responded
- Documented FRA
- Reported
- Revisit
  - Annually
  - Major Change
  - Major Fraud
- Expand to other County Agencies

Like ^			
High	4	5	6
Medium	3	4	5
Low	2	3	4
Impact >	Low	Medium	High

