

Anti-Fraud Measures in U.S. Local Governments

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Introduction

Citizens, policymakers, and bond rating agencies have an ongoing interest in the fiscal well-being of local governments. Recent surveys (e.g., Landgraf and Nebbia 2013), and events such as the recent Dixon, Illinois embezzlement case (e.g., Chicago Tribune 2013), the Harvey, Illinois bond fraud (e.g., Governing 2014), and the Pasadena, California embezzlement case (e.g., Los Angeles Times, 2015) show that local governments have appreciable fraud exposure. Frauds threaten financial harm at a time when many governments already face fiscal pressures from various sources, notably the “pension crisis.” Given the importance of local government in overall economic terms and to citizens in daily life, we believe that a survey of anti-fraud practices in local governments is timely. We present such a study, in which we assess the current state of fraud risk awareness and fraud mitigation practices in the U.S. local government sector. The results will interest government officials, concerned citizens, and researchers.

Background

A key driver in today’s fraud risk assessment (FRA) activities for organizations is the COSO2013 framework in general and its Fraud Principle No. 8 in particular. Established in 1985 COSO (the Committee of Sponsoring Organization) released its four volume document entitled Internal Control—Integrated Framework in September of 1992. The report itself presented a consensus definition of internal control and a framework against which internal controls of an entity could be assessed as a basis for improving controls. Some consider COSO to be the “gold standard” which U.S. corporations use to evaluate their compliance with the Foreign Corrupt Practices Act as well as the Sarbanes-Oxley Act. A CFO Magazine survey in 2006 reported that eighty-two percent of the respondents utilized the COSO framework (CFO.com 2006).

The COSO document has been modified over the years and in 2013 it was significantly expanded. COSO 2013’s Fraud Principle No. 8 recommends that organization management assess fraud risk specifically in terms of the risk of fraudulent financial reporting, safeguarding of assets, corruption and management override. The assessment of the risk of a material misstatement occurring in the financial statements whether due to fraud or error has long been a requirement of the independent auditor. COSO 2013 now asks the same of management or those charged with governance. In other words, management must now specifically “own it.” Currently publicly held companies are transitioning to COSO 2013, although some had previously integrated their assessment of fraud risks and controls with their internal control over financial reporting assessment.

Although not required to comply with SOX, local governments have to some extent followed COSO in their risk assessment and monitoring activities (where most local governments are lacking). “While the business community is paying attention to the updated COSO Framework, not-for-profit organizations (NFPO) and governments are also focusing on it” (D’Aquila and Houmes, 2014). Local governments have little concern with fraudulent financial reporting, of course, because they have no shareholders and report no earnings in the commercial sense. Nonetheless, the record shows that asset misappropriation occurs in this sector with regularity. Thus, an investigation of governments’ antifraud efforts is a worthy

avenue of inquiry. We are aware of no published study that investigates either: 1) the practical applicability of COSO 2013; or 2) prevalent anti-fraud practices in the local government sector.

Research Method

Our goal is to provide insight concerning the efforts that larger U.S. local governments take to mitigate fraud. An item of particular interest to us is whether finance officers of local governments are familiar with the COSO 2013 fraud risk assessment framework and whether they have implemented or plan to implement it. If the general awareness of COSO 2013 is low, the study will have identified an opportunity for active improvement of governments' anti-fraud efforts. We also are interested in the types of anti-fraud measures governments have in place and finance directors' views concerning the relative effectiveness of such measures.

The research proceeded as follows: We collected contact information for the finance directors of 297 U.S. local governments having populations of between 12,000 and 2,800,000. We then constructed a data collection instrument that was sent to finance directors, in phases, based on fiscal year ends.

The questionnaire requests demographic information and asks respondents about: 1) presence/absence of an audit committee; 2) their familiarity with COSO 2013; and 3) status of its implementation at their government. The questionnaire then addresses anti-fraud measures catalogued in the 2014 Report to the Nation (RTTN) published by the Association of Certified Fraud Examiners (ACFE). We made a judgmental selection of various such measures to include in the questionnaire, with the goal of keeping the instrument to one page, front and back, to maximize response rate. A copy of the questionnaire appears as Appendix A.

The questionnaire was sent to finance directors via first class mail on university letterhead. A hand-signed cover letter was included. The letter advised the respondents that we would need to reference their Comprehensive Annual Financial Reports (CAFRs) for certain information and that we would not impose on their time by asking them to provide information we can obtain from CAFRs. To accomplish this, we pre-numbered the questionnaires with reference numbers and advised the respondents that the numbers are the link by which we match responses with the proper governments. Anonymity of individual responses was assured.

We are sensitive to the impact that the annual financial statement audit might have on the workloads of our target respondents and their willingness to complete and return the survey questionnaires. On this basis, we phased the data collection mailing according to the governments' fiscal year ends, with the objective of placing the questionnaire with respondents when they were less likely to be busy with the demand of the audit. The data upon which this paper is based were collected primarily for governments with December 31, June 30, and September 30 fiscal year ends. The data collection effort yielded ninety-eight useable responses, most of which are complete.

Results

General Background Data

Table I shows that the average tenure as Finance Director or equivalent for the sample was just under eight years. Further, the CPA certificate is by far the most widely-held professional credential among our respondents (forty-nine). Other certifications, the Certified Professional Finance Officer (CPFO), the Certified Government Financial Manager (CGFM) and the Certified Government Finance Officer (CGFO) are held by ten, eight and eight respondents, respectively. Indeed, our respondents are a well-credentialed group; seventy report holding at least one professional certification. Of the ninety-eight governments comprising the data, sixty have audit committees and thirty-four do not (four responses did not include this information). Twenty-one of the respondents who indicated that their government had an audit committee also serve as audit committee members. Forty-seven of the responding governments maintain an anonymous fraud hotline; forty-eight do not. [see Table I, pg 450]

Table II presents the frequency distribution of responding governments according to population size. Inspection of this table shows that eighty percent of the responses are governments with populations

between 70,000 and 350,000. Twelve governments in the data have populations in excess of 500,000, including three having more than one million residents. [see Table II, pg 451]

Table III shows that, overall, thirty-nine governments report receiving an aggregate of fifty-eight FRAs between fiscal 2011 and fiscal 2014. Eight received three FRAs, three governments had two FRAs performed, and the remaining twenty-eight commissioned a single FRA. We note that the number of FRAs conducted increases from 2011 to 2014 and suggest that this might indicate that the FRA concept is starting to gain acceptance in the local government arena.

Of the fifty-eight fraud risk assessments performed or received, thirty-one made use of outside consultants or their internal audit staff, and the respondents indicated that on average they made use of these consultants for fifty-six percent of the assessment work performed. Three of the assessments were conducted by internal auditors, fifteen by external auditors, seven were performed by a CPA firm not associated with the audit, and six were completed by boutique forensic accounting firms. [see Table III, pg 452]

COSO 2013

Table IV presents survey results pertaining to familiarity with, and intent to implement, COSO 2013. On a five point Likert scale, respondents generally indicated low familiarity with COSO 2013 (mean = 2.5). Forty-two respondents report familiarity values of one or two, forty-one indicated a value of three and only twelve report familiarity values of four or five. As might be expected, it appears that COSO 2013 implementation is closely related to familiarity. Eighteen governments have implemented (or are implementing currently) and seventeen more intend to implement COSO 2013. We compared the familiarity-with COSO-2013 values of these governments (the “implementers”) with the values of the non-implementers. A two-sample t-test reveals the respective means (3.25 vs. 2.53) to differ significantly ($t = -3.40$, $p = .001$). [see Table VI, pg 453]

We made two additional ad-hoc comparisons of the COSO 2013 familiarity values, using treatment variables that we suggest might serve as proxies for “general fraud awareness.” These are presence/absence of an anonymous fraud hotline and presence/absence of an internal audit function. Two-sample t-tests using these treatment variables are significant, as Table V reveals. The presence of an anonymous fraud hotline is associated with higher familiarity with COSO 2013 (respective means = 2.91 and 2.12; $t = -3.94$ using pooled variances). Similarly, the presence of an internal audit function also is associated with higher familiarity with COSO 2013 (respective means = 2.76 and 2.17; $t = -2.79$ using pooled variances). Thus, the overall low familiarity with COSO 2013 notwithstanding, there is some evidence that proxies for general fraud awareness and familiarity with COSO 2013 are positively related. [see Table V, pg 454]

Specific Anti-Fraud Measures

The survey instrument asks the respondents to identify the specific anti-fraud measures employed by their governments and their perceptions of the relative effectiveness of such measures. As Table VI reveals, management review is the most common (ninety-six governments) anti-fraud measure reported by the respondents, followed closely by management sign-off (eighty-five). Fifty-five governments report having an internal audit function and forty-two maintain anonymous fraud hot-lines. Surprise audits are a practice of thirty-two of the responding governments. Fraud training for employees is in place at twenty-eight governments while such training for management is found in twenty-six governments. Thirty-eight governments have an independent audit committee.¹ Less common anti-fraud measures are

1. The questionnaire asked respondents for the same information twice in two cases, inadvertently. We asked about fraud hotlines and audit committees at the beginning of the questionnaire as a sort of “demographic” information (Table I). We again asked about hotlines and audit committees in the context of all anti-fraud measures in place (Table VI). The duplication escaped our notice until we analyzed the data. Table I reports forty-seven governments with fraud hotlines but table 6 indicates that only forty-two governments have this measure. Similarly, Table I reflects sixty governments having an audit committee but only thirty-eight are indicated in Table VI. We speculate

mandatory vacations policies (twenty-two instances) and job rotation (ten instances). It is interesting to note that no government reports offering rewards to whistle-blowers as a means of countering fraud. [see Table VI, pg 455]

Some of our most interesting findings, the perceived effectiveness of various anti-fraud measures, are summarized in Tables VIIa and VIIb. We asked the respondents to rank-order what they believe are the three most effective such measures. Table VIIa presents the detail and raw summation of these rankings. Observe that, in terms of raw rankings, internal audits (rank sum = thirty-four) management review (rank sum = thirty-one) and, and surprise audits (rank sum = twenty-six), are reported as the most effective anti-fraud measures. These are followed in turn by external audits (rank sum=twenty-three), fraud training for employees and tip hot-lines (both having rank sums = sixteen) and management sign-off (rank sum = fifteen). Fraud training for management and mandatory vacation policy have rank sums of eleven and ten, respectively. Job rotation (rank sum = nine), audit committees (rank sum = six), and rewards for whistle-blowers (rank sum = two) are viewed as the least effective anti-fraud measures.

Additionally, we construct weighted rankings by arbitrarily assigning first rank a weight of three, second rank a weight of two and third rank a weight of one. This information appears in Table VIIb. The weighting procedure refines the rankings, but does little to change the overall findings. Internal audit remains the highest ranked anti-fraud measure (rank sum = eighty-nine), followed by management review (rank sum = seventy) and surprise audit (rank sum = fifty-one). External audits are reported as the next most anti-fraud measure (rank sum = forty-nine). Following external audits, there is some minor shifting among anti-fraud measures between the unweighted and weighted rankings. Audit committees and rewards for whistle-blowers persist as the least effective anti-fraud measures in the perception of the respondents. [see Table VIIa, pg 456 and Table VIIb, pg 457]

The remaining questions posed in the study are outcomes of known instances of fraud and perceptions of the relative susceptibility of enterprise funds to fraud. Our findings regarding these questions are summarized in Table VIII.

Responses to Known Instances of Fraud

We are interested in the outcomes of known fraud cases involving our responding governments occurring within the last four years. The respondents were asked to “check all that apply” among reprimand, termination, and/or prosecution. Table VIII shows that twenty-six governments report no instance of fraud during this time span. Twenty-one governments indicate cases leading to termination and seventeen reported cases leading to termination or prosecution. Fourteen governments reported cases leading to reprimand, termination, or prosecution. Eight governments report cases culminating in reprimand only while seven governments indicate cases resulting in termination or reprimand. Finally, four governments indicate that they had instances of fraud that resulted in prosecution only, and one government indicated that an individual was not prosecuted but retired. We interpret these findings as further evidence that fraud in local governments is more than an isolated occurrence. We are encouraged in particular to observe that governments appear to be fairly willing to prosecute fraud perpetrators. [see Table VIII, pg 458]

Enterprise Fund Risk

Last, we are interested in whether finance officers view enterprise funds as more susceptible to fraud than governmental funds. We consider the possibility that enterprise funds are riskier because often at least a

that these discrepancies are manifestations of some lack of due care on the part of respondents which is always a potential limitation of survey-based research. It is plausible that the large discrepancy between the two audit committee responses might reflect the general low regard in which audit committees are viewed as an anti-fraud measure (see Table VII). That is, perhaps some respondents correctly reported that their governments have audit committees but did not acknowledge the audit committee as an anti-fraud measure from a belief that audit committees are not such.

portion of their operations are decentralized (e.g., remote locations for utility payment collection). On balance, the view is that enterprise funds are not riskier (fifty-eight respondents indicating “no”, eighteen respondents indicating “yes, but for other reasons” and fourteen respondents reporting “yes”). We conclude that our suspicion about the higher risk nature of enterprise funds is largely unfounded.

Conclusions

The study’s findings lead us to conclude considerable opportunity exists for local governments to improve their formal anti-fraud efforts. In particular, our finding that only thirty-nine of ninety-six responding governments conducted or obtained fraud risk assessments is telling. Similarly, the respondents overall low degree of familiarity with COSO 2013, coupled with the apparent lack of interest in the future implementation reinforces this conclusion. Moreover, governments maintaining anonymous fraud hot-lines are outnumbered by those that do not. Also, fraud training, either for managers or employees, is provided by fewer than one-third of the responding governments. Finally, we note that our respondents consider external audits to be an effective anti-fraud measure. This does not align with the ACFE’s findings that external audits are not a very effective vehicle for detecting fraud (ACFE 2014).

This is not to suggest that local governments are indifferent to fraud or fail to take reasonable steps to mitigate it. For instance, responding governments indicate willingness to terminate and/or prosecute employees alleged to have committed frauds. This is encouraging, given that prosecution of fraudsters is viewed as an effective means of combating fraud (Golden, et al., 2011). Surprise audits and management oversight are prevalent anti-fraud measures; the internal audit function is present to a lesser extent. Nevertheless, it appears that few governments have a structured, cohesive antifraud program in place; rather, they rely primarily upon conventional internal controls as fraud deterrents. Perhaps more “missionary work” on the part of COSO to educate government managers on the merits of formal antifraud programs is in order.

We note that the study is subject to the usual limitations associated with self-reported data, including the possibility that respondents did not exercise due care in completing their questionnaires or that addressees delegated the questionnaire completion task to a subordinate. The possibility that the results are skewed because of non-response bias also must be acknowledged.

In closing, we note that our study focuses implicitly on asset misappropriation in government since fraudulent financial reporting is virtually unknown in local governments and the questionnaire did not address corruption. Future research could explore the extent to which corruption is present in the local government arena. Such research would be insightful because many governments have extensive purchasing activities and corruption often is associated with the purchasing function.

Table I: Summary Statistics

Response Data

Mailings	Usable Responses	Response Rate
297	98	32.9%

Finance Officer Tenure (years)

Mean	Standard Deviation	Range
7.3	7.4	.67-46

Government Population

Mean	Standard Deviation	Range
276,779	326,116	71,525-2,195,914

Professional and Educational Certifications Held by Respondents

Certified Public Accountant	49
Certified Public Finance Officer	10
Certified Government Financial Manager	8
Certified Government Finance Officer	8
Masters of Business Administration	6
Certified Global Management Accountant	5
Certified Fraud Examiner	4
Certified Management Accountant	2
Certified Municipal Finance Officer	2
Certified Treasury Professional	2
Certified Internal Auditor	1
Certified Information Systems Auditor	1
Certified Public Funds Investment Manager	1
Certified Public Purchasing Officer	1
Certified Purchasing Manager	1
Certified Treasury Professional	1
Chartered Public Finance Accountant	1
Masters of Public Administration	1

Presence of Audit Committee

Yes	No
60	34

Note: 21 respondents serve on their government's audit committee.

Government Has Anonymous Fraud Hotline

Yes	No
47	48

Table II: Frequency Distribution of Population Size N = 98

Low	High	Frequency	Percent	Cumulative Frequency	Cumulative Percent
70,000	80,000	5	5.1	5	5.1
80,000	90,000	1	1.0	6	6.1
90,000	100,000	2	2.0	8	8.2
100,000	110,000	7	7.1	15	15.3
110,000	120,000	8	8.2	23	23.5
120,000	130,000	7	7.1	30	30.6
130,000	140,000	7	7.1	37	37.8
140,000	150,000	7	7.1	44	44.9
150,000	160,000	4	4.1	48	49.0
160,000	170,000	5	5.1	53	54.1
170,000	180,000	5	5.1	58	59.2
180,000	190,000	3	3.1	61	62.2
190,000	200,000	3	3.1	64	65.3
200,000	210,000	2	2.0	66	67.3
210,000	220,000	3	3.1	69	70.4
220,000	230,000	2	2.0	71	72.4
230,000	240,000	2	2.0	73	74.5
240,000	250,000	3	3.1	76	77.6
260,000	270,000	1	1.0	77	78.6
290,000	300,000	1	1.0	78	79.6
310,000	320,000	1	1.0	79	80.6
340,000	350,000	1	1.0	80	81.6
360,000	370,000	1	1.0	81	82.7
370,000	380,000	1	1.0	82	83.7
390,000	400,000	1	1.0	83	84.7
430,000	440,000	1	1.0	84	85.7
460,000	470,000	2	2.0	86	87.8
590,000	600,000	1	1.0	87	88.8
600,000	610,000	1	1.0	88	89.8
640,000	650,000	2	2.0	90	91.8
820,000	830,000	1	1.0	91	92.9
840,000	850,000	2	2.0	93	94.9
880,000	890,000	1	1.0	94	95.9
990,000	1,000,000	1	1.0	95	96.9
1,350,000	1,360,000	1	1.0	96	98.0
1,510,000	1,520,000	1	1.0	97	99.0
2,190,000	2,200,000	<u>1</u>	<u>1.0</u>	98	100.00
Totals		<u>98</u>	<u>100.0</u>		

Table III: Fraud Risk Assessments Conducted, Timing of Assessment, and Provider

Fraud Risk Assessment Conducted, Reporting Governments

Yes	No	Not Reported
39	57	2

Conducted During 2014	Conducted 2012-2013	Conducted Prior to 2012	Total
23	18	17	58

Note: Some governments received more than one FRA during the time period covered by the study. This is why the total number conducted, fifty-eight, exceeds the number of governments that reported receiving FRAs, thirty-nine.

Fraud Risk Assessment Conducted By

External Auditor	15
Other CPA Firm	7
Boutique Forensic Firm	6
Internal Auditor	3
Other	2

Table IV: Respondents' Familiarity with, and Intent to Implement, COSO 2013

Degree of Familiarity		
Scale Descriptor	Scale Value	Number of Responses
Unfamiliar	1	20
--	2	22
Generally Familiar	3	41
--	4	8
Very Familiar	5	4
No answer		<u>3</u>
Total		<u>98</u>

Intent to Implement	
Have Implemented or Are Currently Implementing	18
Intend to Implement	<u>17</u>
Subtotal	35
No Plan to Implement	29
No Answer	<u>34</u>
Total	<u>98</u>

Table V: Univariate Tests: Familiarity with COSO 2013 Likert Scores N = 95

Panel A: Government Has a Fraud Hotline in Place

Yes = 1; No = 0

Value	N	Mean	SD	SE
0	48	2.1250	0.8903	0.1285
1	47	2.9149	1.0597	0.1546
Mean Difference		-0.7899	0.9778	0.2006
Method	Variances	DF	T	P
Pooled	Equal	93	-3.94	0.0002
Satterthwaite	Unequal	89.6	-3.93	0.0002
Homogeneity of Variances		DF	F	P
Folded F Test		46,47	1.42	0.1189

Cases Included = 95; Missing Cases = 3

Panel B: Government Has an Internal Audit Function

Yes = 1; No = 0

Value	N	Mean	SD	SE
0	40	2.1750	0.9578	0.1514
1	55	2.7636	1.0535	0.1420
Mean Difference		-0.5886	1.0144	0.2108
Method	Variances	DF	T	P
Pooled	Equal	93	-2.79	0.0064
Satterthwaite	Unequal	88.4	-2.84	0.0057
Homogeneity of Variances		DF	F	P
Folded F Test		54,39	1.21	0.2684

Cases Included = 95; Missing Cases = 3

Table VI: Anti-Fraud Measures in Place

Measure	Affirmative Responses
Management Review	96
Management Sign-Off	85
Internal Audit	55
Tip Hot-Line	42
Audit Committee	38
Surprise Audit	32
Fraud Training Employees	28
Fraud Training Management	26
Mandatory Vacation	22
Job Rotation	10

Table VIIa: Unweighted Rankings of Most Effective Anti-Fraud Measures

	<u>Rank = 1</u>	<u>Rank = 2</u>	<u>Rank = 3</u>	<u>Rank Sum</u>
Anti-Fraud Measure				
External audit	6	11	9	23
Audit committee	2	2	2	6
Management sign-off	6	5	4	15
Fraud training–management	3	6	2	11
Fraud training–employees	3	6	7	16
Mandatory vacation	1	3	6	10
Internal audit	11	13	30	34
Management review	17	5	9	31
Tip hotline	5	6	5	16
Surprise audits	9	7	10	26
Job rotation	3	3	3	9
Rewards for whistleblowers	--	1	1	<u>2</u>
Total				<u>199</u>

Unweighted Rank Order (High to Low)

Anti-Fraud Measure	
Internal audit	34
Management review	31
Surprise audit	26
External audit	23
Fraud training–employees	16
Tip hotline	16
Management sign-off	15
Fraud training–management	11
Mandatory vacation	10
Job rotation	9
Audit committee	6
Rewards for whistleblowers	<u>2</u>
Total	<u>199</u>

Table VIIb: Weighted Rankings of Most Effective Anti-Fraud Measures

	(Wt = 3) <u>Rank = 1</u>	(Wt = 3) <u>Rank = 2</u>	(Wt = 3) <u>Rank = 3</u>	<u>Rank Sum</u>
Anti-Fraud Measure				
External audit	18	22	9	49
Audit committee	6	4	2	12
Management sign-off	18	10	4	32
Fraud training–management	9	12	2	23
Fraud training–employees	9	12	7	28
Mandatory vacation	3	6	6	15
Internal audit	33	26	30	89
Management review	51	10	9	70
Tip hotline	15	12	5	32
Surprise audits	27	14	10	51
Job rotation	9	6	3	18
Rewards for whistleblowers	--	2	1	<u>3</u>
Total				<u><u>422</u></u>

Weighted Rank Order (High to Low)

Anti-Fraud Measures	
Internal audit	89
Management review	70
Surprise audit	51
External audit	49
Fraud training–employees	32
Tip hotline	32
Management sign-off	28
Fraud training–management	23
Mandatory vacation	18
Job rotation	15
Audit committee	12
Rewards for whistleblowers	<u>3</u>
Total	<u><u>422</u></u>

Table VIII: Miscellaneous Items

Outcomes Resulting from Instances of Fraud

None reported	26
Termination Only	21
Termination and Prosecution	17
Reprimand, Termination, Prosecution	14
Reprimand Only	8
Termination and Reprimand	7
Prosecution Only	4
Not prosecuted-retired	<u>1</u>
Total	<u>98</u>

Comparative Risks of Fraud Enterprise Funds (EFs) vs. Governmental Funds

EFs are not riskier than governmental funds	58
EFs are riskier for other reasons than decentralization	18
EFs are riskier because of decentralization	14
N/A or No Response	<u>8</u>
Total	<u>98</u>

Appendix A: Survey Instrument

Questionnaire on Local Government Fraud Risk Assessment

Date XX, 2014

We appreciate you taking the time to complete the following questionnaire. An addressed, post-paid envelope is included for your mailing convenience.

1. Approximately how long have you been in your current position? _____ years
2. Do you hold any professional certifications? Please circle all that apply
CGFM CPFO CPA CFE CMA Other-please specify _____
3. Does your government have an audit committee? ☐ YES ☐ NO
If YES, are you a member thereof? ☐ YES ☐ NO
4. Has your government conducted a fraud risk assessment during your tenure as Finance Officer/CFO? ☐ YES ☐ NO
If YES, when was this? (Please check all that apply.)
During 2014 _____ 2012-2013 _____ Prior to 2012 _____
To what degree did your most recent fraud risk assessment make use of outside consultants? (Circle approximate %)
10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
If you made use of an outside consultant was it?
____ Your audit firm ____ Another CPA firm ____ A boutique forensic accounting firm
Other (please specify) _____
5. Does your organization have an anonymous fraud reporting hotline? ____ YES ____ NO
6. To what extent are you familiar with the provisions of COSO 2013? Please indicate on _____ scale.

1
Unfamiliar

2

3
Generally Familiar

4

5
Very Familiar

If you are familiar with COSO 2013, which of the following applies to your government?
____ Have implemented or are currently implementing
____ Intend to implement in the foreseeable future
____ No plan to implement

(Over Please)

7. We, the researchers, speculate that enterprise funds are more susceptible to fraud than are governmental funds. Do you agree?
- _____ Yes, because of the decentralized nature of enterprise operations.
- _____ Yes, but for reasons other than decentralization.
- _____ No
8. Based on recent experience (e.g., last 3-4 years) which of the following outcomes have resulted from instances of fraud within your government? (Please check all that apply.)
- _____ Reprimand _____ Termination _____ Prosecution
9. Does your organization have any of the following anti-fraud controls? (*Please check all that apply*)
- | | |
|-------------------------------------|---------------------------------|
| _____ Internal Audit Department | _____ Reward for Whistleblowers |
| _____ Independent Audit Committee | _____ Management Review |
| _____ Management Sign-Off | _____ Tip Hot-Line |
| _____ Fraud Training for Management | _____ Surprise Audits |
| _____ Fraud Training for Employees | _____ Job Rotation |
| _____ Mandatory Vacation Time | |
10. In your view, which three of the antifraud measures listed below are the most effective? (*Please rank your choices 1-3 with 1 being most effective*)
- | | |
|--|---------------------------------|
| _____ External Audit of Financial Statements | _____ Internal Audit Department |
| _____ Independent Audit Committee | _____ Management Review |
| _____ Management Sign-Off | _____ Tip Hot-Line |
| _____ Fraud Training for Management | _____ Surprise Audits |
| _____ Fraud Training for Employees | _____ Job Rotation |
| _____ Mandatory Vacation Time | _____ Reward for Whistleblowers |

Additional Comments:

Thank you very much.

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