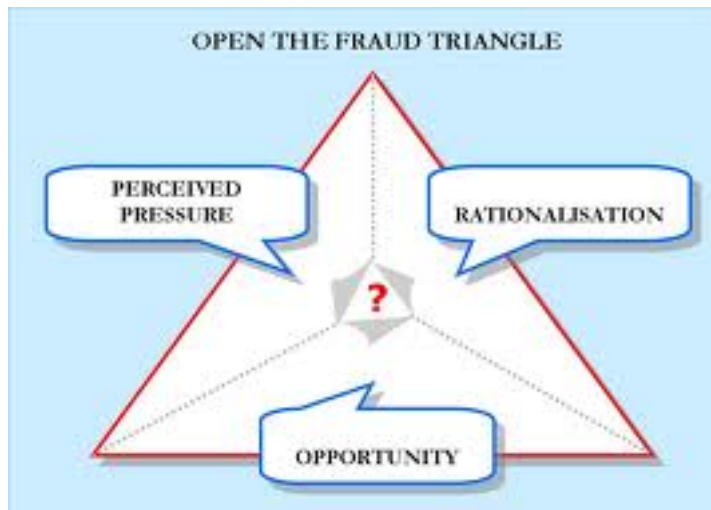


Thinking About Fraud

Written by Nick Sanders
Wednesday, 27 August 2014 00:00



Recently [we noted](#) that the venerable DOD Inspector General Handbook of Fraud Indicators was retired. While its replacement (the DOD IG Contract Audit Fraud Scenarios and Resources [website](#)) is being populated, auditors have been forced to consider fraud in innovative ways, so as to comply with GAGAS 5.07.

We came across some DCAA training slides, which we posted in our Knowledge Resources page. The DCAA training stated, “Responsible contractors should already be assessing the risks of fraud, illegal acts, and noncompliances with applicable laws affecting Government contracts and be prepared to discuss the identified risks with DCAA.” Auditors are encouraged to “exchange ideas” or “brainstorm” about “how and where they believe the subject matter under audit might be susceptible to material noncompliances due to **error** or **fraud**, and how management could perpetrate and conceal fraud.” (Emphasis in original.)

DCAA is changing the methods its auditors use to consider the impact of fraud in audit procedures. But DCAA is not alone in that regard. Indeed, many DOD activities consider fraud risk in their procedures. The DOD Inspector General recently released [a survey](#) of 33 DOD organizations, in which the IG found that “13 were conducting entity-wide risk assessments, 26 were conducting fraud risk assessments when performing audit-related work, 23 were providing fraud awareness training, and 3 were concentrating on internal control evaluations.”

We think the DOD IG report is an excellent resource, and we encourage readers to go to the link provided above and check it out. It contained a review of individual DOD components’ approaches to fraud assessments as well as “best practices” in several related areas. The Army Audit Agency’s approach was discussed, as was the approach used by the Army and Air Force

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Exchange Service. The approaches used by DCMA's Contract Integrity Center and DCMA's Internal Review function were reviewed. Many external organizations were also reviewed to provide a good benchmark.

All in all, a very useful resource – one to keep. The report was distributed to many DOD activities and we trust it will be put to good use.

But there was one telling omission.

DCAA's fraud assessment approach was not reviewed.

The report was not distributed to the Director, DCAA.

Interesting, no?