



## **Fraud risk assessment in performance audits: HMR presentation at Association of Local Government Auditors 2009 conference**

How do performance auditors know that fraud is not occurring or is not likely to occur in an agency or organization they are reviewing? If some fraud has been identified by the agency, is that a sign of an effective system or does it mean there are weaknesses in the control environment and more fraud is probably occurring undetected?

Assessing these and related issues is the subject of a presentation by Fred Brousseau, a Principal at Harvey M. Rose Associates, LLC, at the 2009 Association of Local Government Auditors annual conference in San Francisco in May.

Mr. Brousseau's presentation will address the attributes of an effective fraud control system and provide tips for performance auditors to use in assessing the systems in place in the agencies they are analyzing. Case studies from two HMR audits will be presented showing how reviews of fraud control systems in weaknesses that enabled: 1) defrauding of conserved elders by a public conservator's office employee; and 2)

establishment of false food stamp and cash aid accounts by a social services agency employee. Together, the known losses in the two counties were nearly \$2 million.

The idea for the presentation topic grew out of HMR experience conducting public agency forensic audits, where fraud was known or suspected and was the focus of the engagement, as compared to conducting more broadly scoped performance audits for which assessing the potential for fraud is needed but is just one of many areas to be reviewed. HMR concluded a tool was needed to incorporate aspects of the detailed fraud control reviews conducted in forensic audits in to the performance audit process.

The Association of Local Government Auditors (ALGA) is an international association for local government professionals whose primary duties are performance or financial auditing. The 2009 annual conference is being held in San Francisco on May 4 and 5, 2009.

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For more information about this presentation or topic, contact Fred Brousseau at 415-552-9292 or by email at [fbrousseau@harveyrose.com](mailto:fbrousseau@harveyrose.com).

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