



DNRC Guide for Local Governments

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*THE INFORMATION IN THIS DOCUMENT IS PROVIDED AS GUIDANCE ONLY AND IS STATIC.
IT DOES NOT CONSITUTE LEGAL ADVICE.*

Local governments should consult the resources identified below and their legal counsel to ensure their processes follow the most current applicable local, state, and federal requirements.

When considering which rules to follow (federal, state, or local requirements), an entity must comply with the most restrictive requirements.



Example Policies

This is one example of a subrecipient's financial management/record retention policy and is not necessarily comprehensive. These should be revised to suit the practices and needs of each agency as allowable by local, state, and federal law.

Resources include the Montana Code Annotated, [Title 7 Local Government](#), the Montana Municipal Officials Handbook ([Municipal Officials Handbook - Local Government Center | Montana State University](#)), and the [Code of Federal Regulations, 2 CFR Part 200](#).

Financial Management

Authority

The Board of Directors is ultimately responsible for the financial management of all activities. The **Board Treasurer** is authorized to act on the Board's behalf on financial matters when action is required in advance of a meeting of the Board of Directors.

The bookkeeper is responsible for the day-to-day financial management of [AGENCY]. The Board authorizes the bookkeeper to pay bills, receive funds, maintain bank accounts, etc. The **Board President** is authorized to enter into contracts for activities that have been approved by the Board as a part of budgets or plans. The Board of Directors must authorize any contracts outside of these parameters and all contracts with a financial value greater than **\$1,000**.

Cash Receipts / Accounts Receivable

Cash receipts (check or cash) shall be recorded in a deposit ledger and then immediately endorsed with a For Deposit Only stamp. Checks shall be photocopied. Cash shall be verified by the documentation which accompanies the cash receipt. Copies of checks and cash documentation shall be attached to each deposit record (see below).

Deposits

Receipts shall be deposited to the agency's account at least once per week. A copy of the deposit record and a copy of the corresponding check or cash documentation for each item shall be retained. At the end of each bank statement cycle, the Treasurer or other Board designee will reconcile the deposit register and deposit records to the bank statement.

Bank Reconciliations

Bank statements are to be reconciled to the account/check register monthly. Reconciliations will be performed by the bookkeeper and reviewed by the **Board Treasurer**.

Cash Disbursements / Accounts Payable

The **Bookkeeper**, **Board President**, and **Board Treasurer** shall be designated as signatories on agency accounts. In the case that the President or Treasurer are not located within proximity to the office, another Board Director may be designated by the Board as a signatory. All invoices are subject to budget authority. Checks written on invoices above \$1,000 must have two signatures. Invoices of \$5,000 or greater must be approved by official Board of Director's action. Bookkeeper approval is allowed when the expense has been previously budgeted and approved by the Board of Directors. Payroll checks and any other checks made payable to the bookkeeper shall be signed by signatories other than the bookkeeper.

Grant Receipts, Restriction Releases and Allocation

The Board of Directors and bookkeeper have the responsibility for ensuring revenue received is allocated in accordance with any restrictions placed on its use by the grantor or contributor. Generally, grant funds are accompanied by a letter or other documentation from the grantor which outlines any stipulations on use of the funding. This documentation, along with the proposal and budget sent as application for the grant, are used to guide the allocation of the grant revenue to various projects. These funds will be booked as temporarily restricted assets.

Financial Statements

The bookkeeper will prepare financial statements on a monthly basis. These statements will summarize all expenditures and receipts for the period covered and compare them to the approved budget. The monthly statements will be circulated to the Board as completed. The Board will review the most up-to-date financial statements available at each Board meeting.

Budget

The Board of Directors is responsible for approving an annual budget at the regularly scheduled [August] meeting.

Accounting Software

Establishment of the chart of accounts and computerized accounting system will be the responsibility of the bookkeeper. The bookkeeper and other staff will be given appropriate levels of security for use of the computerized accounting system.

Audit

If total annual revenues exceed \$750,000 in a fiscal year, or if requested by Local Government Services, [Agency] must file an audit report with the Department of Administration within 12 months of the end of the audited period per 7-6-611, MCA. An audit is an examination of the financial statements of the [Agency] resulting in the issuance of an independent opinion on whether the financial statements are fairly stated according to generally accepted accounting principles. The audit also reports any federal, state or local

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compliance issues as well as a report on internal control. The [Agency] contracts with a Certified Public Accountant for the audit. The CPA must be on the State of Montana's approved auditors list. The [Agency] Board approves the contract each year. The contract, signed by the **Board President** and CPA, is then sent to the Montana Department of Administration for review, approval, signatures, and filing. The Montana Department of Administration will notify the [Agency] and CPA firm of its approval of the contract and will file the contract on the Department's online document web-portal so that the parties to the contract may retrieve it at their convenience.

Single Audit

If the [Agency] is the recipient of federal grant funds, the Board will include a Single Audit review at its annual budget meeting. If federal *expenditures* in the prior fiscal year exceed the threshold set by 2 CFR 200.501 (currently \$750,000 for awards made prior to October 2024 and \$1,000,000 for awards made after October 2024), the [Agency] will procure an auditor to meet the Federal Single Audit requirements. Audits must be completed and uploaded to the Federal Audit Clearinghouse 9 months after the close of the fiscal year.

Purchasing Procedures

Grant and loan funds from state or federal sources require that the [Agency] follow documented procurement procedures and policies and adjust purchasing procedures as needed to meet the procurement limits of the funder. If procedures are not currently documented, the [Agency] will make this a priority. If policies already are documented, the [Agency] will review those policies periodically and ensure they incorporate and follow applicable regulations. These procedures must ensure the following:

- All solicitations clearly and accurately describe the requirements of the goods, services, or construction to be procured; and
- All solicitations must identify all requirements that bidders must fulfill and the factors used in evaluating bids.

Example purchasing limits:

1. **Small Purchases:** Purchases of Goods and Services with a total value of \$10,000 or less may be conducted by direct negotiation. In addition to price, the district will consider the quality of goods/services and past experience with the vendor. The district will maintain record of the goods/services sought, the vendor(s) contacted, and the reason for selection.
2. **Limited Solicitation:** Purchases of Goods and Services with a total value greater than \$10,000 and less than \$100,000 shall use a Limited Solicitation process. The district will solicit written quotes from a minimum of three vendors. Factors that may be considered include price, quality, availability, responsiveness, and past experience with the vendor. The quotes and reason for selection will be included with project documentation.
3. **Formal Solicitation:** For goods/services with a total contract value over \$100,000, a competitive Invitation for Bids (IFB) or Request for Proposals (RFP) is required in accordance with Montana Code Annotated Title 18, Chapter 4. Bids/proposals will be scored by staff and evaluated by board members. Awards must be made to the lowest responsive bidder.

Conflicts of Interest

No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors. Disciplinary actions for a breach of this policy include, but are not limited to...(set by agency).

[https://www.ecfr.gov/current/title-2/part-200/section-200.318#p-200.318\(c\)](https://www.ecfr.gov/current/title-2/part-200/section-200.318#p-200.318(c))

Record Retention Policy

[Agency] will follow the Local Record Forms and Retention Schedules set by the Secretary of State's Records and Information Management Division ([Records and Information Management - Official Montana Secretary of State Website - Christi Jacobsen](#)). If a project is funded by an agency with a different record retention schedule, the stricter of the two will be followed.



Internal Controls Aid for Local Governments

Local governments be responsible for ensuring that they establish and maintain effective internal controls that provide reasonable assurance that they are managing the funds in compliance with all applicable federal statutes, regulations, and the terms and conditions of state and federal awards. This Aid is meant to be a guide for understanding and developing internal controls, and is not an exhaustive list of potential internal controls.

Introduction

An Internal control is a process, carried out by an entity's oversight body, management, and other personnel that provides reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. (See 2 CFR 200.1 definitions.) Simply put, internal controls are the measures to ensure that the things we want to happen will happen, and the things we don't want to happen won't happen. Waste or misuse of the federal/state/local government assets, inaccurate or incomplete information, embezzlement, and fraud can result if proper internal controls are not in place.

Characteristics of a good internal control system include:

- Continuous processes built into operations
- Processes that are accomplished by people, not only policies, procedures, and forms.
- Processes that are adaptable to the entire agency or department
- Processes that provide reasonable assurance (not absolute assurance) that assets and resources are safeguarded
- Documented processes that can be provided to auditors
- Tailored to the unique operations and degree of complexities for each entity

Federal Requirements

Internal controls are not only good practice but are required when using federal funds. Per Uniform Grant Guidance (UGG), Section 200.303-Internal Controls, the Non-Federal Entity must:

- Establish and maintain effective internal controls--Provide reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- Evaluate and Monitor Compliance--Remain compliant with statutes, regulations and the terms and conditions of the Federal award.
- Take prompt action on audit findings-- Take prompt action when instances of non-compliance are identified including non-compliance identified in audit findings

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- Safeguard protected personally identifiable information (PII)-- Take reasonable measures to safeguard protected personally identifiable information (PII) and other information the Federal awarding agency or pass-through entity designates as sensitive consistent with applicable Federal, state, and local laws regarding privacy and obligations of confidentiality (this includes Social Security numbers, credit card numbers, etc.).

Developing Internal Controls for Grants/Internal Control Components

In general, an internal control system needs to include a documented plan of how to achieve the entity's objectives and ensure compliance (policies, processes—including approvals required).

The Committee of Sponsoring Organization's (COSO) Framework includes five components of internal control, which need to be effectively designed, documented, implemented, and monitored for an internal control system to be effective. Within these five components, consider the questions below as you are designing and documenting your internal controls.

Control Environment (tone at the top; governance structure; training and communication):

- What policies and procedures are in place to ensure the following is true?:
 - Key management responsibilities are clearly defined
 - Management is committed to adequate training for staff, adequate systems, and ethical operations
 - Management is committed to program compliance and is responsive in addressing questioned costs and/or compliance concerns
 - Staff understands how to perform their duties within the compliance parameters and feel empowered to communicate non-compliance to management
 - Governance structure that is transparent and free from conflicts of interest
 - Clear workflow for approvals and decisions while providing separation of duties where appropriate (performance, review, and recordkeeping tasks segregated)

Risk Assessment: (identify, analyze, and mitigate internal and external risks):

- What policies and procedures are in place to ensure the following is true?:
 - Organizational structure provides appropriate supervision over employees
 - Responsibilities are clearly assigned to monitor and communicate changes in laws, regulations, requirements, and policies.
 - Responsibilities are clearly assigned to monitor and maintain system access and data integrity
 - Resources and staffing are appropriately aligned with the complexity and risk for each program or project

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Control Activities (controls are designed, documented, updated, and monitored):

Are internal controls in place in a diverse range of activities such as the following?:

- Segregation of Duties
 - Approvals and Authorizations
 - Verifications and Reconciliations
 - Performance Metrics and Reviews
 - Security of Assets
 - Data Entry and System Access
 - Reviews of Inputs and Outputs
 - Adequate Documentation
- Signatures to support authorizations
- Timecards to support labor
- Detailed receipts to support spending
- Reports with support of review and approval by management
 - Monitoring of Regulations and Guidance
 - Policy or Control Exception Reporting
 - Review and Investigation for Claims of Fraud, Waste, or Abuse
 - Remediation Plans to Address Identified Control Risks

Information and Communication: (identifies, captures, and exchanges information enabling people to carry out their responsibilities):

- What are the mechanisms and frequency for communicating internally (Meetings, Manuals, Bulletin Boards, Memos, Training Materials, Surveys, Suggestion Boxes, etc.)?
- What are the mechanisms and frequency for communicating externally (Website posts, Newsletters, List Servs, Surveys, Webinars, Dashboards, etc.)?
- How are suspected improprieties reported from inside or outside of the organization?
- What security measures are in place to ensure that Personally Identifiable Information (PII) is protected?

Monitoring:(ongoing evaluation of control activities with timely remediation of deficiencies):

- What processes are in place that would identify control deficiencies
 - Reconciliations
 - Staff Feedback
 - Rotating Staff
 - Management Review of Reports
 - Sampling from Subrecipient Reports
- Who is accountable for assessing control systems with auditors and ensuring corrective actions are adequate when findings are identified?

Subrecipient Risk/Compliance Management Responsibilities:

If the [Agency] intends to subaward federal or state grant funds to another entity, staff will carefully review the original grant agreement to understand its responsibilities regarding subrecipient grant management. Prior to making a subaward, the [Agency] will develop monitoring procedures to ensure that subrecipients are in compliance with applicable laws and regulations.

Conclusion

As a result of increasing pressure on state and local governments, well-planned and documented internal control procedures are being recognized as becoming increasingly important in controlling local government financial operations. In addition to preventing audit findings, benefits from strong internal controls include:

Reducing and preventing errors in a cost-effective manner

- Ensuring priority issues are identified and addressed
- Protecting employees & resources
- Providing appropriate checks and balances
- Having more efficient audits with less testing and fewer demands on staff

For further information, consult the Uniform Grant Guidance and the resources listed below:

Resources:

- Government Finance Officers Association, Internal Control for Grants, Internal Control for Grants (gfoa.org)
- Government Accountability Office, Standards for Internal Control in the Federal Government, [GAO-14-704G](#), Standards for Internal Control in the Federal Government (This document includes the COSO Framework.)
- U.S. Health Resources and Services Administration, Internal Controls at a Glance – Tips for Developing Effective Internal Controls, Internal Controls at a Glance (hrsa.gov)
- Office of Management and Budget, Uniform Guidance, [2 CFR Part 200.1 - definitions, 200.303](#)
- Example Subrecipient Monitoring Policies/Procedures: [ARPA Grant Program Risk Assessment and Subrecipient Monitoring Guidance](#)



Fraud, Waste, and Abuse Guide

This document is an informational guide to provide a basic understanding of Fraud, Waste and Abuse. Differences in organizations and programs may require variations to the analysis. This reference guide does not make any assurances or promises, does not create an advisory relationship, and does not supplant the need to understand Federal, State, and Local requirements.

Fraud

Fraud is defined as the wrongful or criminal deception intended to result in financial or personal gain. Fraud includes false representation of fact, making false statements, or by concealment of information. Examples include, but are not limited to, the following:

- Falsification of information during the applications or procurement process
- Billing for services not rendered or duplication of payments
- Alteration of documents or forgery, which may include contracts, purchase orders, and invoices
- Bribery or kickbacks
- False claims or bid rigging
- Theft, embezzlement, or other misapplication of funds or assets
- Impropriety with respect to reporting financial transactions
- Falsifying eligibility

Fraud Quick Guide (Be on the lookout!)

The list of general fraud indicators presented below is not meant to be all-inclusive and should not preclude program staff from identifying and considering other indicators. However, the items presented below should raise awareness to a greater possibility of fraud occurring or being present:

- Management override of key controls
- Lack of documented or monitored internal controls
- Lack of, or outdated, processes and procedures
- Lack of separation of duties and chain of command
- Overly complex organizational structure
- Key employee never taking leave or vacation
- High turnover rate, reassignment, firing of key personnel
- Missing or destroyed electronic or hard copy documents
- Poor quality or illegible photocopied documents

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- “Unofficial” electronic files or records instead of “archived” or “official” files or records
- Unsupported revisions or alterations to data files or records
- File modification dates that do not fit the appropriate timeline for when they were created
- Missing signatures of approval or discrepancies in signature/handwriting
- Computer report totals that are not supported by source documentation
- Lengthy unexplained delays in producing requested documentation

Waste and Mismanagement

Waste and mismanagement is defined as the thoughtless or careless expenditure, mishandling, and/or abuse of resources to the detriment (or potential detriment) of the U.S. Government. Failure to comply with laws, rules, and regulations could lead to incurring unnecessary costs resulting from inefficient or ineffective practices, systems, or controls. Incurring these unnecessary costs may constitute waste and mismanagement of federal funds. Some examples included, but are not limited to, the following:

- Purchasing unnecessary supplies, material, and equipment
- Purchasing supplies material, and equipment without regard of cost
- Using supplies, materials, and equipment carelessly resulting in unnecessary waste and replacement

Abuse

Abuse is defined as excessive or improper use of a thing, or to use something in a manner contrary to the natural or legal rules for its use. Abuse can occur in financial or non-financial settings. Examples include, but are not limited to, the following:

- Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive
- Receiving favor for awarding contracts to certain vendors
- Using one’s position for personal gain or to gain an advantage over another
- Taking excessively more time than necessary to perform a task or function

Whistleblower Protections

Montana Standards of Conduct - Code of Ethics Statute: MCA § 2-2-145 "It is unlawful for a state agency, state officer, public officer, or public employee to retaliate against, or to condone or threaten retaliation against, an individual who, in good faith, alleges waste, fraud, or abuse."

Legislative Audit Division maintains the following to allow for reporting of suspicious activity:

Hotline: (toll-free 1-800-222-4446 or local 406-444-4446)

Email: (LADHotline@mt.gov)

Website: (<https://leg.mt.gov/lad/fraud-hotline/>)

Steps to Take Prior to Award

Recipients of federal funds must have strong internal controls in place from the beginning of the program/projects prior to awarding funds to applicants. In addition to developing internal controls (including processes and procedures), below are some steps that must be taken by recipients awarding funds to applicants:

- Verify that the applicant or contractor is not listed on the Sam.gov Exclusions list or, as applicable, the Office of Foreign Assets Control list. Entities and persons found on these lists are ineligible to participate in federally funded programs.
- Perform a Duplications of Benefits (DOB) check to ensure that there is no duplication of benefits. A DOB occurs when an entity or person receives funds from various sources for the same purpose and the total funds received for that purpose is more than the total amount needed to address the need. If an actual DOB check is not performed by the recipient, the recipient may require that subrecipients complete a DOB Certification form which must be maintained in the records.

An organization should have policies and procedures which address the inner workings and operations of the organization and grants management (including an organizational/staff chart). In addition, staff should be trained on the types of fraud, waste, and mismanagement – including the review of the “Categories and Indicators of Risk” chart in this document -- to be aware of the types of fraud that occur in various tasks and programs. Staff also need to be trained to know what to do, why, and when to report suspected activity. Establish an Anti-Fraud Waste and Abuse Hotline or other communication channels that can be clearly communicated to the public when promoting funding opportunities. This channel will allow anyone with evidence of fraud, waste, or abuse activity to report such activity to the prime recipient responsible for compliance and oversight of federal expenditures. For example, the State of Montana maintains a portal for the report of fraud, waste, or abuse of State funds, (<https://leg.mt.gov/lad/fraud-hotline/>).

Waste, Fraud, and Abuse Reports

If you have evidence of fraud, waste, or abuse activity, report such activity to management, an oversight agency, or legal authorities for further investigation.

Best practice would be for the entity to have adopted a written policy, and to follow it. Typical steps in the handling of waste, fraud and abuse reports include:

- The report, disclosure or tip is received and reviewed,
- The report and evidence provided is evaluated to validate it coincides with waste, fraud, or abuse, and further documentation may be requested,
- The report will be referred to the appropriate authorities (such as the U.S. Department of Treasury),
- An investigation will be undertaken and completed, and
- Based on findings resulting from the investigation, prosecution or other appropriate action will be taken.

Fraud: Categories and Indicators of Risk

The section below is a high-level listing of specific fraud categories and related indicators of fraud. For example, in the Financial Statements category, unrecorded invoices and transactions indicate the risk of fraud. These indicators are items that will be flagged by auditors.

Financial Statements

Improper Disclosures-Subsequent Events

- Intentional omission of the disclosure for subsequent events in the financial statements
- Instructions given to staff to destroy supporting documentation

Concealed Liabilities and Expenses

- Invoices not recorded in the sub-ledger(s)
- Significant estimates of liabilities and expenses are difficult to corroborate
- Management instructs employees to omit, or not record, transactions from the accounting sub-ledgers

Labor and Material Costs

Labor Amounts Knowingly Mischarged

- Significant variances between budgeted direct labor costs/hours and actual, claimed, direct-billed labor costs/hours
- No manager review and approval of employee reported hours and timecards
- Lack of segregation of duties in the accounting, payroll, and/or billing functions
- Inadequate documentation of justifications/approvals for changes in the scope of work
- Minimum employment qualifications not being met by personnel.
- Incomplete and/or inadequate personnel records

Labor Costs for Fake/Wrong Employees

- Employees classified in more than one labor category
- Timesheet signed by the same employee with different signatures
- Employees do not have the background, experience, or education specified in the contract requirements
- An entity billed for the work of fictitious employees such as close contacts of the contractor's management

Labor Costs Billed in Excess of Time Worked

- Requested documentation is received after a delay
- Labor charges associated to the contracts are inconsistent with contract's progress
- Photocopies of timecards are submitted for review to make it difficult to detect alterations
- Unexplained alterations made to timecards

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Material Costs Billed in Excess of Materials Used

- Material cost transfers from county/city to commercial contractors
- Materials ordered and charged in excess of contract requirements
- Initial billings for actual material costs exceed the negotiated amounts
- Entity (a county or city) charged for finance costs on non-county/city contracts.

Contractor Fraud

Contract Progress and Performance Not Substantiated

- Contractor progress reports contain vague or inconsistent information on contractor performance.
- Evaluation of progress reports indicates that contract milestones or deliverables may not be completed on time.
- Missing contractor progress reports.

Illegal Contractor Gratuities

- Complaints about substandard performance by a contractor.
- Frequent use of contractor despite quality, cost or performance problems.
- Excessive use of a contractor in a competitive field.
- Apparent favoritism of a contractor by county/city personnel

Fraudulent Overbilling

- Increase in billing, but no increase in services or products delivered.
- Contractor submits copies of the same invoice for payment.
- Contractor submits more than one original invoice for the same goods or services.
- Contractor raises the price of goods and services above the contractual level.

Fees Paid for Services Outside of the Contract

- Contractors certify payments for vendor goods, services, or salaries.
- Entity capacity constraints prohibit ongoing county/city monitoring of each contractor's work.
- Contractors perform inherently governmental functions.

Bid Rigging from Vendors

- Vendors/bidders provide cash and other favors in exchange for work
- Vendors/bidders appear to deliberately include unacceptable terms/specifications in their bids.
- Vendors/bidders meet before the selection of a contract; advance knowledge of competitors' bid/pricing.
- Different vendors/bidders make identical errors (e.g. calculations, spelling) in contract bids.
- Bids from different vendors contain similar handwriting or typeface or use identical forms or stationery.

Fraud in Programs or Operations

Misuse of Emergency Relief Supplies

- Reports that essential emergency and/or medical supplies are not received by intended recipients; despite distribution reports indicating that supplies were delivered.
- The same individuals repeatedly acknowledge receipt of inventory items that are scarce. Very few signatures can be traced to individuals residing in locations receiving emergency supplies.
- Inventory distributions of supply kits are staggered with repeated receipt of large quantities of emergency or medical supplies by the same individual(s).
- Internal controls, policies, and procedures are not followed because of increased demands for emergency and/or medical supplies.
- Reports that emergency items are sold on the local black market at highly inflated prices.

Eligibility Fraud

- Program eligibility rules were not followed, and program participant falsified their applications
- Program participants intentionally misrepresented household income and family size in order to falsely qualify for rental assistance.
- The agency does not have procedures to ensure that information is accurate and does not have the capability to monitor duplicate applications.
- Requests appear excessive or are not consistent with other applications.
- Landlord and tenant names are the same and/or similar.
- The same address appears multiple times.

Payments to Fake or Wrong Contractors

- Contractor addresses are post office box numbers instead of street addresses.
- Contractor telephone numbers are not valid.
- Contract administration personnel have never met the contractor, visited their business location, or validated that the contractor completed the required work.

Service Fees Paid to Fake or Wrong Subcontractors

- Excessive numbers of subcontractors working on a contract.
- Individuals listed as employees of more than one subcontractor.
- Subcontracting companies that are not legitimate businesses.
- An organization does not actively monitor the prime contractor's relationship with the subcontractor.

Fraudulent Invoices

- Invoices with large dollar amounts for unspecified services from consultants.
- Invoices do not have adequate supporting documentation or supporting documentation is incomplete. Also, invoice charges are excessive.
- Invoices for building materials are absent from construction project files and equipment charges are not consistent with contractor daily reports of equipment on hand.
- Contractor charges for fixed costs such as Labor and General and Administrative fluctuate, however, contract terms were not renegotiated.
- The contractor's staff is being paid for work on a project without making any significant progress and there is a lack of evidence of county/city oversight and review of contractor timesheets.

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- Employee timesheets are unclear making it difficult to determine if the employee hours charged support a project.

Duplicate Payments

- Significant increase in an organization's purchase card use without an increase in the number of authorized purchase card users
- Numerous missing invoices, receipts, and purchase justifications. Receipts contain "white-outs," date changes, and changes to product descriptions, or are illegible.
- Purchases fall at, or slightly below, the purchase threshold of \$3,000.
- One cardholder makes repeat purchases from a specific vendor.
- Research shows that a vendor or company may not be authentic (i.e. phony business address or no evidence that the company is incorporated, etc.).
- Cardholder makes unauthorized week-end purchases.

Bid Rigging from Prime or Sub Recipient

- Contracting personnel working together award numerous contracts to the same company.
- Review of contract files indicate that a specific contractor may have gained an unfair competitive advantage such as having access to information that was not provided to other competitors or submitting proposal documentation after the established due date.
- Contracting officials are not able to demonstrate that efforts were made to solicit competition from all potential bidders. The contract's purpose did not meet emergency procurement requirements.
- Evidence of bribery or kickbacks such as payments to a contractor's family members and/or close associates and favoritism to a vendor or small groups of vendors.

Prime or Subrecipient Travel and Payroll Fraud

Invalid Receipts

- Receipts are incomplete and do not appear to be authentic.
- The printing on a hotel or motel billing does not resemble other receipts submitted by the same facility.
- Imprints of credit cards on hotel receipts appear to be flawed or incomplete.

Excessive Overtime Fraud

- Managers do not perform supervisory reviews of employee timesheets.
- Timesheet certifying officials are located at remote locations and do not have direct management responsibility for employees.
- Management has not established procedures to monitor employee overtime compensation claims.
- Lack of evidence to support claims for overtime work (i.e., other employees cannot verify attendance).

Duplicate Payroll Charges

- Individual is employed as a county/city employee and as a contractor.
- Employee's contract authorizes them to bill the county/city for work performed after their official workday ends or on weekends.
- Analysis of contractor work hours shows little variation, despite fluctuations in overtime claims by employees performing similar work.

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Timesheet Fraud

- Timesheets submitted are missing the signature of an authorizing official.
- Employee claims overtime that was not requested or approved.
- Evidence of modifications to timesheets, especially after it was signed by an authorizing official.

Separated Employees

- Contractor separation dates are not accurate.
- Management does not monitor changes to the payroll records.
- The human resources department does not periodically provide lists of current contractors or review and reconciliation with component payroll records.

Ghost Employees

- Signatures that are erratic and contain unconnected lines are red flags for a forged signature.
- Payroll records contain the names/signatures of individuals that do not work for the county/city.
- Multiple direct deposits are made to the same bank account but under different names.
- Employee does not have a personnel file.
- Employee does not have withholdings for taxes and Social Security.
- Supervisor receives inadequate training and is not aware of the proper payroll procedures to perform.

Asset Misappropriation

Excess Inventory

- Analysis of PPE records disclose unusual patterns or trends that cannot be reasonably explained and/or unreliable inventory data available.
- Out of sequence labels and shipping documents.
- PPE items marked with incorrect codes.

Government Checks

- A pattern of payments to unauthorized persons or vendors.
- Disbursements frequently occur outside of official business hours or during weekends.
- The same employees are responsible for processing suspect payments.
- Evidence of personal relationships with unauthorized check recipients.
- Employees share system passwords.
- Computers are unattended while employees remain logged on the system.

Billing Scheme

- Activity in dormant vendors' accounts.
- Payments made to vendors even though they did not provide services.
- Weaknesses in the computer access controls, such as not logging off the system.

Check Tampering

- Checks issued out of sequence.
- Check stock stored in an unsecured location.

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- Easy access to signature stamps.
- A vendor’s address contains a Post Office Box.
- Employee/Vendor address comparison not performed.

Expense Reimbursement

- Multiple requests for reimbursement for certification costs within a specific timeframe.
- Absence of management review for reimbursement packages.
- Failure to maintain a list of the employees who seek reimbursement for certification costs.

Additional Resources

Fraud Prevention – Resources by Fraud Type (AGA)	The Association of Government Accounts provides a toolkit or resources by fraud type (such as cash larceny, forgery, payroll schemes, theft). For each type, risks, red flags, and best practices are noted.	AGA - Resources by Fraud Type (agacgfm.org)
Grant Fraud Awareness handout (OIG)	This Office of Inspector General handout outlines fraud from a grant perspective. It includes fraud assumptions, consequences, and common grant fraud risks (such as theft and conflict of interest).	Grant Fraud Awareness Handout (justice.gov)
A Framework for Managing Fraud Risks in Federal Programs	The U.S. Government Accountability Office’s 61-page study discusses proactive risk management, including the four components that make up the framework for managing fraud (commit to combat fraud, assess risks, design/implement a strategy, and evaluate outcomes).	GAO-15-593SP, A Framework for Managing Fraud Risks in Federal Programs
Office of Management and Budget – Uniform Guidance - Code of Federal Regulations (CFRs)	Code of Federal Regulations – Part 200 contains the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 2 CFR 200.303 deals with internal controls.	eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
U.S. Department of Treasury	The U.S. Department of Treasury is the Federal awarding agency for the ARPA SLFRF grant. Treasury OIG investigates matters related to Treasury. This link lists types of violations that should be reported.	Report Fraud, Waste, and Abuse Office of Inspector General (treasury.gov)
Pandemic Oversight – Pandemic Response Accountability Committee	This site shares common challenges across the major relief programs.	PRAC Pandemic Oversight
U.S. Government Accountability Office	This link provides access to the GAO’s Standards for Internal Control in the Federal Government.	The Green Book U.S. GAO

DNRC GUIDE FOR LOCAL GOVERNMENTS

Association of Certified Fraud Examiners	This link leads to ACFE's Fraud Resources page.	Anti-Fraud Resources Association of Certified Fraud Examiners (acfe.com)
The Institute of Internal Auditors	This site contains the standards and framework for internal auditing.	The Institute of Internal Auditors (theiia.org)