



## Office of the Inspector General Commonwealth of Massachusetts

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### **More Fraud Prevention Guidance, November 2009**

#### **OIG ARRA Advisory**

Under the American Recovery and Reinvestment Act of 2009 (ARRA), the federal government will spend an extra \$8.7 billion in Massachusetts over the next three years. The money will create opportunities to fund education, public safety, transportation and other valuable public program. But it will also create new opportunities for fraud. Fraud could mean an e-mail scam promising ARRA cash to individuals in exchange for personal information like the one recently publicized by the federal Social Security Administration. But with more money flowing through city and town halls, there's plenty of room for fraud at the local level.

Now is an excellent time for local governments to assess and reinvigorate their fraud prevention efforts. The Massachusetts Office of the Inspector General recommends that local governments take the following steps to fight fraud:

- Do a fraud risk assessment including evaluating your control environment and decide whether you need outside experts to help develop adequate systems, controls and programs to fight fraud;
- Develop a clear, comprehensive and enforceable code of conduct for all employees, including ethics rules and fraud prevention policies;
- Perform background checks on new hires;
- Provide regular training on fraud prevention for new and long-time employees;
- Ask your external auditor to perform an in-depth review of at least one program every year;
- Segregate duties and add layers of approval so that an individual can't disburse funds all on his own;
- Require employees to take vacations and/or periodically rotate their duties to expose fraudulent routines;
- Regularly review financial and program data to identify (and investigate) trends or anomalies;
- Enforce anti-fraud controls and procedures by making sure system overrides and/or sloppy record keeping trigger a review;
- Conduct surprise audits or reviews;
- Ask your staff whether they think there's fraud in your organization and whether it occurs;

- Make sure your employees know you're interested in rooting out fraud by making it easy to report through an employee assistance program, a confidential hotline or easy access to responsible officials;
- Report fraud or abuse to the proper authorities.

For additional information see the Office's publication: Guide to Developing and Implementing Fraud Prevention Programs, October 2009

Call the Massachusetts Office of the Inspector General's Hotline at **1-800-322-1323** to report fraud, waste, or abuse or contact us at One Ashburton Place, 13th Floor, Boston, MA 02108 if we can assist your jurisdiction.