



OPERATIONAL POLICY	POLICY No.	PAGE 1 OF 3
	180.00 CONSIDERATION OF FRAUD, WASTE AND/OR ABUSE <hr/> LAST REVISED: JULY 1, 2019	

CONSIDERATION OF FRAUD, WASTE AND ABUSE

POLICY –

- The AD evaluates the potential for the occurrence of fraud, waste and abuse as part of the Assessment of ERM.
- The AD will inform the CC and other responsible officials (including, but not limited to OIG, FBI, HCDA, HPD, HUD OIG, etc.) of risks of fraud, waste and abuse as part of its communications, audit planning, and engagement processes.
- The AD develops and maintains Policies and Procedures for the IA Function, which addresses considerations of fraud, waste and abuse and are reviewed and updated regularly as required (every 2-3 years based on changes to standards that impact the IA processes and other changes therein).
- Each engagement includes the following specific considerations:
 - In planning the engagement, auditors will assess risks (e.g., through research and brainstorming) to determine potential fraud, waste and abuse that would be significant within the context of the engagement objectives; and
 - Design procedures to provide reasonable assurance of detecting such fraud, waste and abuse.
- In demonstrating Proficiency and Competence, AD staff will demonstrate a sufficient level of knowledge to evaluate the risk of fraud, waste and abuse and the manner in which it is managed by the organization. However, staff within the AD, are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud, waste and abuse.
- By exercising Due Professional Care and in developing audit/engagement objectives, the AD will specifically consider the likelihood and impact of fraud, waste and abuse occurrence(s) within the context of those objectives.
- The AD will avoid interference with investigations and legal proceedings in performing specific procedures related to fraud, waste and abuse and will, where appropriate, assist investigators and legal authorities.
- The AD will report all instances/indicators of fraud, waste, abuse and illegal acts unless inconsequential.
- The AD will consider the impact of public reporting on any investigative or legal proceedings.

OPERATIONAL POLICY	POLICY No. 180.00 CONSIDERATION OF FRAUD, WASTE AND/OR ABUSE <hr/> LAST REVISED: JULY 1, 2019	PAGE 2 OF 3
-------------------------------	---	------------------------

- The AD will report known or likely fraud, waste and abuse directly to parties outside the entity if, after communication from AD:
 - Management fails to satisfy legal or regulatory requirements to report such information; or
 - Management fails to take timely and appropriate steps to respond to known or likely fraud, waste and abuse that is significant to findings and conclusions and involves funding received directly or indirectly from a government agency.

NOTE: This does not restrict the individual auditor from reporting all potential fraud regardless of magnitude or lack of management's corrective actions.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

PROFESSIONAL JUDGEMENT	3.110
FINANCIAL AUDITS	6.09, 6.13 – 6.14, 6.19 – 6.24, 6.39 – 6.49
ATTESTATION ENGAGEMENTS	7.11, 7.15 – 7.25, 7.39 – 7.47,
PERFORMANCE AUDITS	8.16, 8.28 – 8.29, 8.71 – 8.76

IIA STANDARDS

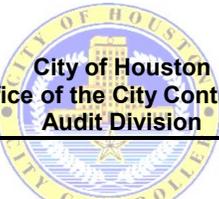
1210 – PROFICIENCY	1210.A2
1220 – DUE PROFESSIONAL CARE	1220.A1
2060 – REPORTING TO SENIOR MANAGEMENT AND THE BOARD	
2120 – RISK MANAGEMENT	2120.A2
2210 – ENGAGEMENT OBJECTIVES	2210.A2

IIA IMPLEMENTATION GUIDANCE

1210	PROFICIENCY
1220	DUE PROFESSIONAL CARE
2060	REPORTING TO SENIOR MANAGEMENT AND THE BOARD
2120	RISK MANAGEMENT
2210	ENGAGEMENT OBJECTIVES

CHANGE HISTORY

CHG #	DATE	SECTION	DESCRIPTION/REASON
1	3/31/2016	All	Reviewed and made general edits to the P&P


City of Houston
Office of the City Controller
Audit Division

OPERATIONAL POLICY	POLICY No. 180.00 CONSIDERATION OF FRAUD, WASTE AND/OR ABUSE <hr/> LAST REVISED: <i>JULY 1, 2019</i>	PAGE 3 OF 3
-------------------------------	---	------------------------

2	7/1/2019	Relevant Professional Standards	Updated to reflect updates to Professional Standards
---	----------	---------------------------------	--
