



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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CA-23-03, Establishing Financial and Administrative Controls to Identify and Assess Fraud Risk

Controller Alerts are designed to highlight emerging financial management issues that may require agency attention or action. These Alerts are intended to inform the Chief Financial Officer (CFO) community of key issues where the Office of Management and Budget (OMB) believes further action may be warranted, but do not constitute official guidance or prescribe specific tasks for agencies beyond consideration of appropriate steps to address the issue.

Managing and addressing fraud risk is foundational to the stewardship of taxpayer resources. Accordingly, this Alert reminds agencies that consistent with the guidelines contained in [OMB Circular A-123](#), which are required by Section 3357 of the Payment Information Integrity Act of 2019, Pub. L. No. 116-117 (PIIA), they must establish financial and administrative controls to identify and assess fraud risks. When doing so, agencies should consider both financial and nonfinancial fraud risks such as individuals or organizations obtaining or attempting to obtain beneficiary payments or personally identifiable information through willful misrepresentation.

In establishing these required controls, agencies should:

- Conduct an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks;
- Collect and analyze data from reporting mechanisms on detected fraud to monitor fraud trends and use that data and information to continuously improve fraud prevention controls; and
- Use the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response.

In addition, GAO identified leading practices for managing fraud risks and organized them into a conceptual framework called the Fraud Risk Management Framework, July 2015 (the Framework, [GAO-15-593SP](#)). Agencies are reminded they should adhere to leading practices in GAO's Fraud Risk Management Framework as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks. This includes fraud risks that do not rise to the level of enterprise-wide risks. Section II of OMB Circular No. A-123 defines management's responsibilities for Enterprise Risk Management (ERM), which provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges encompassing the full spectrum of the

organization's external and internal risks. Specific internal controls, such as managing fraud risks in Federal programs, are addressed in Section III.

Additionally, agencies are reminded that dollar thresholds established in Section 3352 of the PIIA for "significant" improper payments are for the purposes of improper payment reporting and not for managing fraud risks. As such, all programs regardless of their improper payment risks or rates should be strategically managing their fraud risks.

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Deidre Harrison

Acting Controller, OMB