



# EASTERN

**FRAUD RISK ASSESSMENT  
AND  
FRAUD AND ABUSE INCIDENT REPORTING  
POLICY AND PROCEDURES**



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This document is funded in whole or in part by funds received from the US Department of Labor as administered by Oklahoma Office of Workforce Development.

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## **INTRODUCTION:**

### **PURPOSE:**

This policy provides guidance and procedures to ensure programmatic and financial accountability for the WIOA Title I funds allocated for the Adult, Dislocated Worker, Business Services and Youth programs by thorough and comprehensive fraud risk assessment. This policy explains how to strategically manage risk, how to take risks to enlightened ways that enable EWB to fulfill its' mission to the utmost. It is the intention of Eastern Workforce Board (EWB) administration that this document conform to the pertinent legislation, regulation, state issued polices, and the Board's intent to provide quality customer services. The purpose of Workforce Innovation and Opportunity Act (WIOA) risk assessment and management is to ensure the integrity of the WIOA system and WIOA funds; assess compliance with applicable laws and regulations and identify successful methods and practices that serve to enhance the system as a whole through continuous improvement by eliminating to the levels possible, any semblance of fraud or abuse of WIOA funds.

Risk management is a process for planning, organizing, directing and controlling the assets and activities of EWB so that it can accomplish its' mission by safeguarding against losses.

The risk management process greatly minimizes the threat of loss by putting safeguards in place that will quickly identify areas of vulnerability and initiate internal control measures that will eliminate the threat. Risk management is based on the premise that surprises must be anticipated, and preparations must be made, in order to turn aside or overcome the threats of bad surprises. EWB, through risk management, will seek to maintain and enhance the confidence of its customers (i.e. employees, WIB Members, service recipients, and supporters).

### **AUTHORITY/GUIDANCE:**

In order to ensure proper accountability of funds, this Fraud Risk Assessment and Incident Reporting Guide is developed and implemented under the authority of the Workforce Innovation and Opportunity Act, Code of Federal Regulations, and Applicable OMB circulars, and SAS 99 and OOWDI's.

The primary funding source for risk assessment activities incident reporting is the Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker and Youth formula grants, The Workforce Innovation and Opportunity Act of 2014, and 20 CFR Workforce Innovation and Opportunity Act; Regulations Final Rules will be used as the legislative and regulatory guidance for this document and as guidance to the local board in regards to oversight and monitoring in addition to Oklahoma Office of Workforce Development (OOWD) guidance issuances will also be used for guidance in this document.

Workforce Innovation and Opportunity Act (WIOA) of 2014. § 185(b)

29 USC § 3241(c) - Grievance procedure

20 Code of Federal Regulations (CFR) Part 683, Subpart F - Grievance Procedures, Complaints, and State Appeals Processes

20 CFR 683.430

20 CFR 683.620

Training and Employment Guidance Letter (TEGL)# 02-2012 - Employment and Training Administration (ETA) Grant Recipient Responsibilities for Reporting Instances of Suspected Fraud, Program Abuse and Criminal Conduct

Oklahoma Workforce Development Issuance (OWDI) #16-2017, change 1 (released 01/31/2018)

### **POLICY:**

It shall be EWB policy to strategically identify, assess, and manage potential fraud risks within the Agency in such a way as to enable EWB to fulfill its' mission to the utmost with a very minimal threat of misuse of allocated WIOA dollars. Fraud Risk assessment will be performed to mitigate any area of real or potential fraud and systems will be monitored to ensure controls are in place to prevent the occurrence of fraud.

## **ORGANIZATION:**

Risk assessment activities will be in accordance with federal, state and local regulations, policies and procedures and will be accountable to the Executive Director and the Eastern Workforce Investment Board.

Persons conducting risk assessment will have access to all plans, contracts, grants, sub grants, worksite agreements, records and files. The appropriate staff will be provided with all pertinent work papers, correspondence and reports. The staff will be placed on routing lists to receive copies of all federal, state and local regulations, issuances, policies, procedures and memos pertaining to WIOA.

## **PROCEDURES:**

The objectives in the following procedures are set in place in order to assist the reviewers in determining the effectiveness of EWB's Risk Assessment Process. Those Objectives are:

**Objective 1:** Determine the appropriate scope for the review by determining what have been previous areas of weakness by reviewing previous audit reports, monitoring reports, etc.

Review management responses to previous reports and what steps were taken to resolve the Issues.

**Objective 2:** Determine if the Board and Key Personnel properly enforce and adhere to the Risk Management Process in place and controls are being followed such as segregation of Duties to the extent possible, identifying key positions and determining if back-up personnel are identified and in place, and succession plans to provide for an acceptable transition in the event of loss of a key employee.

**Objective 3:** Determine the adequacy of the Risk Assessment Process and management by ensuring that adequate controls are in place where vulnerability exists; and by maintaining a record of areas of vulnerability that must be identified and monitored on a regular basis.

**Objective 4:** Determine the extent of the Board involvement in the Risk Assessment Process and determine the process for reporting and resolving any problems encountered during the assessment process.

Once EWB has identified the universe of risks, the EWB Executive Director, under the direction of the WIB, will estimate probability of occurrence as well as the financial, reputation, or other impact to the organization.

Organizational impacts are highly variable and not always easy to quantify, but include such considerations as lost revenue, flawed business decisions, data recovery and recovery expense, costs such as litigation, and potential judgments.

The following are areas of high vulnerability and will be monitored on an ongoing basis to ensure adequate controls are in place and being followed:

### **Financial Controls over Revenue**

Segregation of duties controls in place will include, to the extent possible

Preparation of bank deposits – personnel other than accounting

Making deposits to the bank accounts – personnel other than accounting

Reconciling Bank Statements - personnel other than accounting

### **General Controls Over Processing of Funds Received**

Deposit all funds received as soon as possible after they are received by other than accounting personnel  
Lock up any funds received that are not deposited by close of business day - may be performed by accounting.

Properly record all electronic transfers and cash receipts.

### **Controls of Purchasing and Check Writing**

Segregation of Duties to the extent possible

Purchase requests such as Purchase orders should be signed by someone other than the person preparing the request. Purchase authorizations signed by authorized signatories of the agency

Approval of vendor invoices signed by authorized signatories of the agency

Purchases should be reviewed and approved by the Executive Director prior to execution.

### **General Controls over Check Writing**

Only pre-numbered checks will be utilized

No checks will be signed in advance

No checks will be written to cash

The bank's listing of authorized signers will be updated promptly when a check signer is no longer authorized due to retirement, resignation, termination, etc.

Unused checks will be kept in a locked file.

All checks will be mailed promptly after signature

Lock up all checks not mailed out on the date signed

Bank statements will be reconciled by someone other than the person who writes and records the checks

Checks that have been incorrectly written or will otherwise not be used will be properly voided

Write off as "void" checks outstanding for more than the period established in EWB Accounting Procedures.

A list of the "voided" checks as well as physical custody of the defaced checks will be maintained for use in preparation of bank reconciliations.

### **Controls over Vendor Billing**

Checks will be processed only in connection with an original vendor invoice (no photocopies).

Purchase orders will be matched with description and quantities

Vendor invoice numbers must be input into the accounts payable module (if available) so that duplicate invoice numbers can be identified

Immediately cancel or note vendor invoices upon payment

Invoice approval and delivery of signed check will not be made by the same person

Vendor payment history should be periodically reviewed for irregularities

### **Controls over Corporate Credit Cards**

Issuance of Corporate Credit Cards will be limited

Each card holder will have limits as to what the card may be used for (no personal use of the card is allowed).

Agency cardholders will be notified of the rules and responsibilities associated with the card

Credit Card statements will be reviewed for unusual or inappropriate charges

Cardholders must submit supporting receipts and invoices with each purchase

When credit card abuse is suspected the card privilege will be immediately suspended pending investigation

### **Controls over Check Tampering**

Someone other than the check writer will receive and reconcile the monthly bank reconciliation

Check stock that is difficult to alter will be utilized

### **Controls over Kickbacks and Bribes**

Acceptance of kickbacks or bribes violates EWB's code of conduct and is not acceptable

Multiple employees will be involved in the processes of authorizing purchases and reviewing and approving vendor invoices for payment.

### **Controls over Fraud in the Bidding Process**

EWB has a policy that a review committee will review and recommend all bids from vendors (bidders). The review committee will consist of Executive Director and at least two other staff.

All bidding procedures are contained in EWB's Procurement Policies.

Controls over Payroll and Employee and Board Travel Reporting

Segregation of Duties

Authorized check signers will not prepare or sign their own checks

Policies and procedures for timekeeping and payroll processing are contained in EWB's accounting procedures

Timesheets will be used as the timekeeping system of EWB.

### **Controls over Employee and Board Travel**

Travel claims will only be paid according to EWB's Travel Policy

All Travel claims must have appropriate documentation to support the claim

Travel claims will be reviewed to make sure unexplained additional charges are not added to the travel claim.

### **Controls over Supplies and Equipment Purchase and Inventory**

Controls over Supplies and Equipment

Purchasing of supplies and equipment, receipt of equipment, and inventory of equipment will be done by multiple staff for internal control

Purchase Order system will be used for the purchases of supplies and equipment

Pre-numbered tags will be used to identify equipment

Physical inventories will be conducted at least every two years as required by OMB Circulars

EWB will maintain physical controls over supplies and disbursement of supplies

Access to supplies will be limited to EWB personnel

### **AUDITS AND INVESTIGATIONS INCIDENT REPORTING**

Detection and prevention of fraud and abuse in programs authorized by the Department of Labor are of the highest priority. This policy is specifically for the Workforce Innovation and Opportunity Act (WIOA) and describes EWB approach. Handling claims and detection of fraud and abuse and alleged claims of criminal activity under the WIOA program as well as with any and all programs/funds under the management of EWB and its staff. Procedures for reporting instances of suspected or actual fraud, abuse or criminal conduct; gross mismanagement or mismanagement or misuse of program or agency funds are of the utmost concern to EWB and its staff and will be handled with the highest priority.

WIOA requires each local area, State, outlying area, and direct recipient of funds under title I of WIOA to establish and maintain a procedure for participants and other interested parties to file an incident report involving criminal fraud, waste, abuse, or other criminal activity alleging violations of the requirements of title I of WIOA.

#### **Definitions :**

For the purpose of completing the Incident Report, fraud, misfeasance, nonfeasance or malfeasance, misapplication of funds, gross mismanagement, and employee/participant misconduct are explained in the following paragraphs. These definitions are illustrative and are not intended to be either fully inclusive or restrictive.

#### **Fraud, Misfeasance, nonfeasance or Malfeasance**

Fraud, misfeasance, and nonfeasance or malfeasance should be considered broadly as any alleged deliberate action, which is apparently in violation of Federal statutes and regulations. This category includes, but is not limited to, indications of bribery, forgery, extortion, embezzlement, theft of participant checks, kickbacks from participants, intentional payments to a contractor without the expectation of receiving services, payments to ghost enrollees, misuse of appropriated funds, and misrepresenting information in official reports.

### **Misapplication of Funds**

Misapplication of funds should be considered as any alleged use of funds, assets, or property not authorized or provided for under the WIOA or regulations, grants, or contracts. This category includes, but is not limited to, nepotism, political patronage, and use of participants for political activities, ineligible participants, and conflict of interests, failure to report income from Federal funds, violation of contract/grant procedures, and the use of Federal funds for other than specified purpose.

An Incident Report should be filed when it appears that there exists intent to misapply funds rather than merely a case of minor mismanagement.

### **Gross Mismanagement**

Gross mismanagement should be considered as actions or situations arising out of management ineptitude or oversight, leading to major violations of WIOA processes, regulations, or contract/grant provisions, which could severely hamper the accomplishment of program goals. These include situations that lead to waste of Government resources and could jeopardize future support for a particular project. This category includes, but is not limited to, unauditable records, unsupported costs, highly inaccurate fiscal and/or program reports, payroll discrepancies, payroll deductions not paid to Internal Revenue Service, and the lack of good internal control procedures.

### **Employee/Participant Misconduct**

Employee/participant misconduct should be considered as actions occurring during or outside work hours that reflect negatively on the Department of Labor, Oklahoma, or the WIOA. It may include, but is not limited to, conflict of interest or the appearance of conflict of interest involving outside employment, business, and professional activities, the receipt of giving of gifts, fees, entertainment, and favors, misuse of Federal property, misuse of official information, and such other activities as might adversely affect the confidence of the public, as well as serious violations of Federal and State laws.

Office of Inspector General will focus only on those incidents reported under section IV. "A." and "B" of this policy. Employment and Training Administration will use the information reported on the other types of incidents in order to identify trends and patterns occurring throughout the States for management information purposes.

### **Local Policy:**

In order to facilitate the reporting process, the Department of Labor has developed procedures and standardized forms for reporting incidents. The online form can be found at [https://www.oig.dol.gov/contractor\\_disclosure.php#](https://www.oig.dol.gov/contractor_disclosure.php#) any act which raises questions concerning possible illegal expenditures or other unlawful activities should be immediately reported. It is not the intent of the Incident Report to elicit reports only after determination that an act or allegation is legally prosecutable. All such incidents shall be reported immediately even though the case may be subsequently handled by Oklahoma Office of Workforce Development, Eastern Workforce Board (EWB), or local law enforcement agencies.

### **Notifications**

All American Job Centers and Board Staff will prominently post the Department of Labor's Office of Inspector General (DOL/OIG) Hotline number for reporting suspected incidents. A copy of the poster that provides information about the Hotline is Attachment C of this policy. This poster will need to be displayed for the public to see. It is recommended that it accompany the Equal Opportunity posters. This poster may also be downloaded from OIG's website at [www.oig.dol.gov](http://www.oig.dol.gov). It is anticipated that the incident reporting procedures outlined herein will be utilized to report matters to the Department of Labor. The EWB is to notify all staff, sub-recipients, contractors, and the public of the availability of the OIG/DOL hotline for providing information confidentially.

The Department of Labor Office of Inspector General

Office of Investigations, Room5-5514  
200 Constitution Avenue, NW  
Hotline: 1-800-347-3756  
<http://www.org.dol.gov/contact.htm>  
Email: [hotline@oig.dol.gov](mailto:hotline@oig.dol.gov)

The Hotline was established for employees and the public to notify the OIG of suspected fraud, abuse, or waste in DOL-funded programs. The Hotline permits reporting of matters anonymously, if desired to avoid fears of reprisal. Information supplied via the hotline should be as specific as possible to enable the OIG to identify and solve the problem.

**NOTE:** Per requirements of 20 CFR 683.620, a copy of submitted incident reports must be provided to the Department of Labor Employment and Training Administration (DOLETA). EWB will forward any incident report it receives to DOL.ETA on behalf of the reporting entity.

The Hotline should not be used for resolving employee grievances, Equal Employment Opportunity complaints, labor disputes, or other personal concerns.

EWB has established appropriate reporting procedures to ensure immediate notification (within a workday of detection or discovery) to EWB, OOWD, DOL/ETA, and DOL/OIG regarding incidents.

EWB central point of person to submit and tract any reports taken is:

Dr. Jerri Stoutermire, Executive Director  
215 State Street, Suite 400  
Muskogee, OK 74401  
Phone: 918.685.8533  
Email: [jstoutermire@easternwib.org](mailto:jstoutermire@easternwib.org)

DOL Form DL 1-156, Incident Report, should be used to notify OOWD and the Regional Administrator of all known or suspected case of fraud, abuse, or other criminal activities in ETA-funded programs. The original and one copy of this form should be forwarded to Region IV and OOWD within one workday of the discovery of occurrence. Region IV and OOWD in turn, will immediately distribute the Incident Report in accordance with established DOL procedures.

Any entity (EWB staff, sub-recipients, contractors, and the public) wishing to report an incident should be provided with the process below:

Complete the Incident Report and make five copies,  
Submit original form along with supportive documentation to the DOL/ETA Region IV Office at the address below:

Regional Administrator  
A Maceo Smith Federal Building  
525 S. Griffin Street, Room 327  
Dallas, TX 75202  
Phone: 972-850-4600

Submit two copies along with supportive documentations to:

Oklahoma Office of Workforce Development  
Oklahoma State University-Oklahoma City  
900 N. Portland Ave.  
Oklahoma City, OK 73107



Submit one copy along with supportive documentation to:

Dr. Jerri Stoutermire, Executive Director  
215 State Street, Suite 400  
Muskogee, OK 74401

v. Submit one copy of the Incident Report to:

The Department of Labor Office of Inspector General  
Office of Investigations, Room 5-5524  
200 Constitution Ave, NW  
Washington, DC 20210

vi. Complete the online DOL Office of Inspector General hotline form at the following:

[www.oig.dol.gov/hotlineform.htm](http://www.oig.dol.gov/hotlineform.htm)

vii. Call the DOL Office of Inspector General's hotline number at: 1-800-347-3756.

**Compliance**

This policy shall be used in accordance with all other applicable local policies. EWB is responsible for conducting oversight of local Adult/DLW programs to ensure both fiscal and programmatic accountability. Local program oversight is conducted in consultation with the chief local elected official.

**REVIEW FORM**  
**EASTERN WORKFORCE BOARD**  
**FRAUD RISK ASSESSMENT REVIEW**

In each area Check yes if the control is in effect and if not, why not and when will it be initiated. Fraud Risk Assessment Review will be done annually.

**FINANCIAL CONTROLS OVER REVENUE**

Are duties segregated?  YES  NO

Who prepares and deposits funds? [Click here to enter text.](#)

Who reconciles bank statements? [Click here to enter text.](#)

Are these adequate controls? [Click here to enter text.](#)

**Comments:** [Click here to enter text.](#)

**General Controls over processing of funds received:**

Are deposits of funds received as soon as possible after they are received?

YES  NO

Are non-deposited funds kept locked until they are deposited?  YES  NO

**Comments:** [Click here to enter text.](#)

**CONTROLS OF PURCHASING AND CHECK WRITING**

Are duties segregated?  YES  NO

Are purchase orders signed by someone other than the person preparing the P.O.?

YES  NO

Are all purchase authorizations signed by official signatories?  YES  NO

Are vendor invoices reviewed and approved by authorized signatories of the agency?

YES  NO

**Comments:** [Click here to enter text.](#)

**General Controls over Check Writing:**

Are pre-numbered checks utilized?  YES  NO

Are checks ever signed in advance?  YES  NO

Are checks written to cash?  YES  NO

Are bank signatory cards up-to-date?  YES  NO

Are unused checks kept locked?  YES  NO

Are processed checks mailed promptly?  YES  NO

Are unmailed checks kept locked until mailed?  YES  NO

Are bank statements prepared by someone other than the person who writes and records the checks?

YES  NO

Are incorrectly written checks properly voided and maintained?  YES  NO

Are outstanding checks for more than the period established written off as "void"?

YES  NO

Are voided checks maintained for use in bank reconciliations?  YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Vendor Billing:**

Are checks only written with receipt of an original invoice?  YES  NO

Are purchase orders matched with descriptions and quantities?  YES  NO

Are there checks in place to ensure that payment to vendors is not duplicated?

YES  NO

Are invoices marked "paid" after payment has been made?  YES  NO  
Are invoice approval and delivery of check made by the same person?  YES  NO  
Are vendor payment histories periodically reviewed for irregularities?  YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Corporate Credit Cards**

Is there limited issuance of credit cards?  YES  NO

Does each cardholder have limits as to what he/she may use the card?

YES  NO

(No personal use is allowed)

Is each cardholder notified of the responsibilities associated with the card?

YES  NO

Are credit card statements reviewed for unusual or inappropriate charges?

YES  NO

Do cardholders submit proper receipts and documentation for card charges?

YES  NO

Will cards be suspended pending investigation if fraud is suspected?

YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Check Tampering**

Does someone other than the check writer receive and reconcile the monthly bank reconciliation?

YES  NO

Is check stock that is difficult to alter utilized?  YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Kickbacks and Bribes**

Are there controls in place that will prohibit kickbacks or bribes?  YES  NO

Are processes in place in the authorization and purchasing; reviewing and approving vendor invoices that will control opportunities for bribes or kickbacks?  YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Fraud in the Bidding Process**

Is there a policy in place that will ensure that all bids are openly and fairly reviewed and recommended?

YES  NO

Are bidding procedures spelled out in the Procurement Policies?

YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Timekeeping and Payroll Processing**

Is there adequate segregation of duties involved in the signing of payroll checks?

YES  NO

Are there policies in place for timekeeping and payroll processing?  YES  NO

Are timesheets used for timekeeping?  YES  NO

**Comments:** [Click here to enter text.](#)

**Controls over Employee and Board Travel**

Are all travel claims paid according to EWB Travel Policy ?  YES  NO

Do all claims have appropriate and complete documentation to support the claim?

YES       NO

Are claims reviewed to make sure unexplained additional charges are not paid?

YES       NO

**Comments:** [Click here to enter text.](#)

**CONTROLS OVER SUPPLIES AND EQUIPMENT PURCHASE AND INVENTORY**

**Controls over Supplies and Equipment**

Is purchasing of supplies and equipment, receipt of equipment, and inventory of equipment done by multiple staff?     YES       NO

Is a Purchase Order system used for the purchase of supplies and equipment?

YES       NO

Are pre-numbered tags used to identify equipment?     YES       NO

Are physical inventories done at least every two years?     YES       NO

Are controls and access to supplies in place?     YES       NO

Is Access limited only to EWB Staff?     YES       NO

**Comments:** [Click here to enter text.](#)

**Certification of Review**

I certify that the information in this review is true and correct to the best of my knowledge.

\_\_\_\_\_  
REVIEWER    DATE: \_\_\_\_\_