

## **FRAUD RISK ASSESSMENT QUESTIONNAIRE (FRAQ) FOR STATE AND LOCAL GOVERNMENTS**

**Please note**, you are receiving this questionnaire because we believe your input and assistance is of the utmost importance based on your position with the entity. Please contact your auditors with questions related to this form. Generally, entity officers and employees have a duty to report *suspected* fraud and abuse to the Auditor of State and are required by ORC § 4113.52 to timely notify the Auditor of State (via the fraud-reporting system or via other means) any fraud, theft in office, or the misuse or misappropriation of public money of which he or she becomes aware. For guidance regarding the extent of an individual's duty to report, please seek legal advice from your entity's statutory legal counsel.

### **Fraud:**

American Institute of Certified Public Accountants (AICPA) Professional Standards AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, paragraphs .17-.21 require auditors to obtain information from entity officials and employees regarding the risk of fraud, as well as known or suspected fraudulent activities. Please be aware these inquiries are not an indication that fraud has been identified or is suspected but are requirements of Generally Accepted Auditing Standards (GAAS) issued by the AICPA and must be performed on each audit and for each audit period.

Per AU-C Section 240, there are two types of fraud to consider: (1) fraudulent financial reporting and (2) misappropriation of assets.

(1) Fraudulent financial reporting involves acts such as following:

- a. Manipulating, falsifying, or altering accounting records or supporting documents from which financial statements are prepared.
- b. Misrepresenting or intentionally omitting events, transactions, or other significant information.
- c. Intentionally misapplying accounting principles relating to amounts, classifications, manners of presentation, or disclosures.

(2) Misappropriation of assets involves acts such as the following:

- a. Embezzling cash, theft of inventory.
- b. Causing an entity to pay for goods or services not received by entity.
- c. Using an entity's assets for personal use.

### **Significant Unusual Transactions:**

AU-C Section 240 paragraph .17 also requires auditors to inquire of entity officials and employees regarding significant, unusual transactions. These are defined by AU-C 240.11 as,

Significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.

### **Related Party Transactions:**

Lastly, AU-C Section 550, *Related Parties*, paragraph .16 requires auditors to inquire of entity officials and employees regarding related party transactions (RPT). RPT is defined, for governments, by Governmental Accounting Standards Board (GASB) Codification 2250.103 which says,

Examples of related party transactions include transactions (a) between a government and its related organizations, joint ventures, and jointly governed organizations; (b) between a government and its elected and appointed officials, management, or members of their immediate families; and (c) between a government and trusts for the benefit of employees, such as pension and other postemployment benefit trusts that are managed by or under the trusteeship of the government's management.

Please keep the above terms and considerations in mind when completing the questionnaire below. Questions regarding this inquiry can be directed to your auditors.

Entity: Athens Hocking  
 Vinton ADAMH  
 Return to Cora Tuttle,  
 Audit Manager,  
 cjtuttle@ohioauditor.gov

## FRAUD RISK ASSESSMENT QUESTIONNAIRE (FRAQ) FOR STATE AND LOCAL GOVERNMENTS

Standard Inquiry of Those Charged with Governance (including governing body members)		
<b>Entity Name</b>	Athens Hocking Vinton ADAMH	
<b>Name, Title</b>		
<b>Date</b>		
<b>Contact Info (phone #, if desired)</b>		
Fraud Risk Consideration	Response	
1. Document your understanding of risks of fraud in the entity, including any specific fraud risks the entity has identified or account balances or classes of transactions (such as outside cash collection points for ticket sales or utility payment or significant estimates included in the financial statements like compensated absences) for which a risk of fraud may be likely.		
2. How has management (including the CEO) reported to you and the governing body how internal control serves to prevent, deter, or detect material misstatements due to fraud? (For example, have there been discussions of things like segregation of duties or review and approval of financial or other information by the governing body?)		
3. How does the entity exercise fraud oversight activities and what is your role in those activities? (For example, what written fraud policies and procedures exist and how is compliance with those policies monitored?)		
4. Are you aware of any fraud, misuse of funds, or theft or suspected fraud, misuse of funds, or theft? If Yes, please describe.	{Yes or No}	
5. Are you aware of allegations of fraud or suspected fraud, misuse of funds, or theft affecting the entity, for example, received in communications from employees, former employees, analysts, regulators, or others? If Yes, please describe.	{Yes or No}	
6. Are you aware of any significant unusual or questionable financial transactions?	{Yes or No}	
<i>If Yes in 6 above, please describe the nature, terms, and business purpose (or the lack thereof) of those transactions and whether such transactions involved related parties.</i>		
7. Are you aware of any significant related party transactions or conflicts of interest involving employees or officials?	{Yes or No}	
<i>If Yes in 7 above, what is your understanding of the entity's relationships and transactions with related parties or conflicts of interest that are significant to the entity?</i>		
<i>If Yes in 7 above, do you have concerns regarding relationships or transactions with</i>	{Yes or No}	

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<i>related parties or conflicts of interest and, if so, what is the substance of those concerns?</i>		
<i>Additional Comments or Concerns to discuss:</i>		
<i>Would you like a follow-up call to further discuss any of the above responses? If Yes, please include contact information above and/or here.</i>	{Yes or No}	
<b><i>By signing here, I confirm to the best of my knowledge and belief, the responses included above represent my understanding of fraud risks and related mitigation strategies as well as all information relating to any actual or potential fraud within the entity.</i></b>	Signature !:	

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<sup>i</sup> If responding to this via email, please attach the completed form and acknowledge in the body of the email the form has been completed and returned via email in lieu of a signature.