



# Tennessee Valley Authority





# Fraud Risk Assessments

Presented by:

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# Agenda



An Introduction to TVA



The TVA OIG Anti-Fraud Program

Fraud Risk Assessments (FRAs)



# TVA Video

[Start TVA Video](#)

# OIG Anti-Fraud Program

- A Three-Level Hierarchical Approach to Combating Fraud
  - Philosophy/Policy and Strategies
  - Tactical Level
  - Operational Level

PHILOSOPHY about  
Fraud Control

- Prevention is Better

POLICY and  
STRATEGIES

1

- Risk Based Business Plan

PROGRAMS

2

- Independent Third-Party Contractor Hotline
- Reward Program
- Data Mining
- Fraud Risk Assessments
- *OIG Connection* (newsletter)

TACTICAL LEVEL

TOOLS AND  
TECHNIQUES

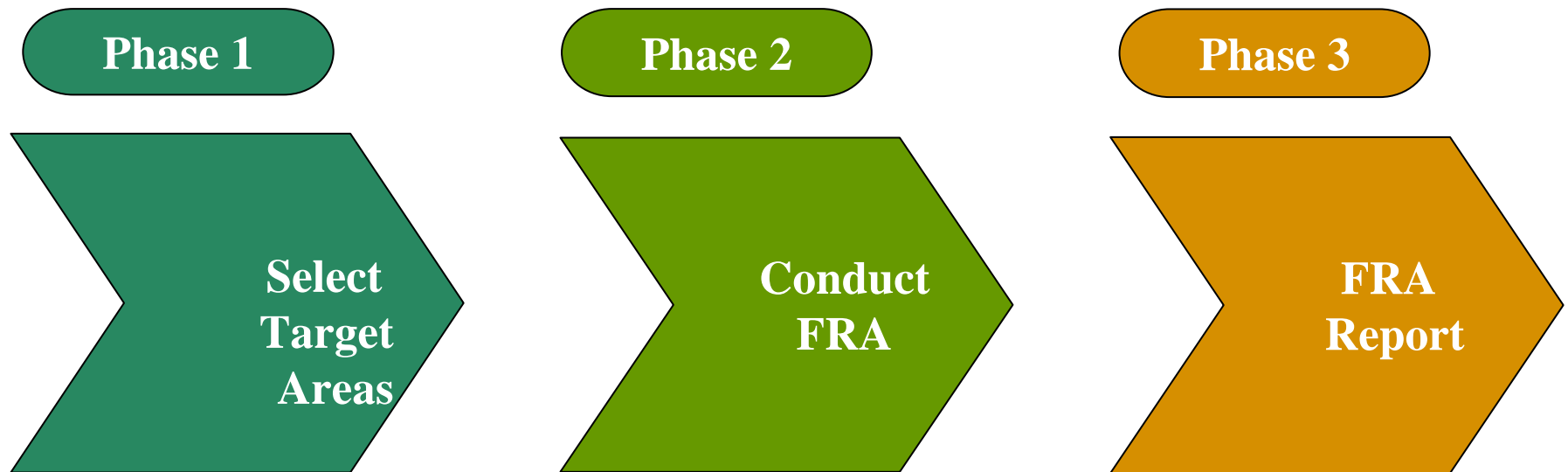
3

- Selection of software package
- HPO Talent Team Network
- Agent Assignments

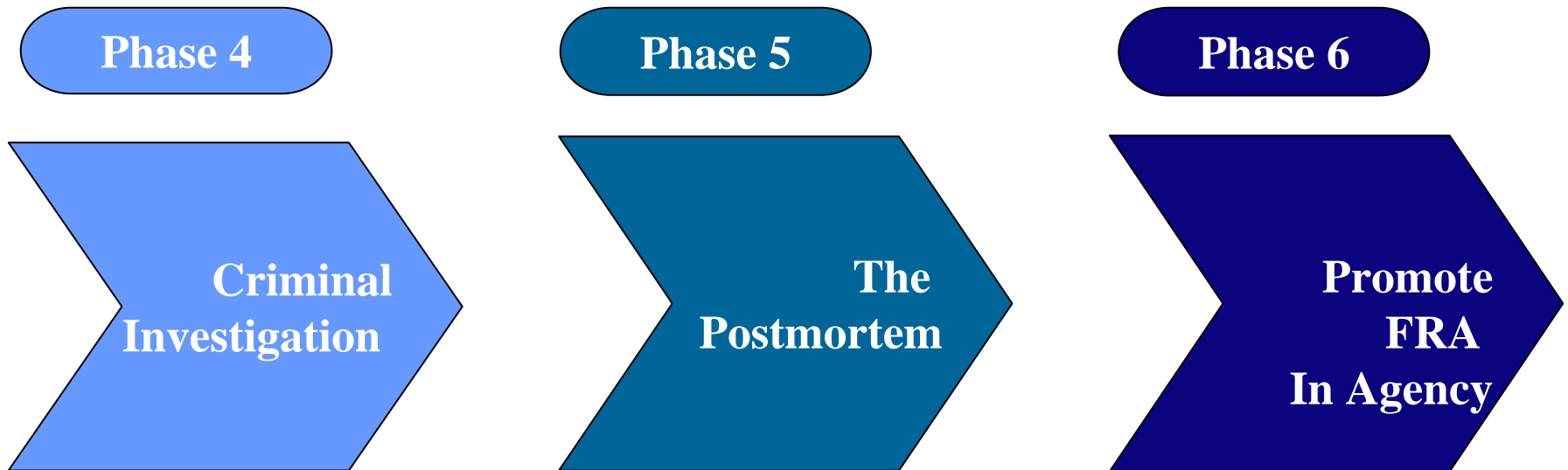
OPERATIONAL LEVEL

Adapted from "A Three-Level Hierarchical Approach To Combating Fraud and Abuse" diagram by MASP.

# Fraud Risk Assessments: Six Phases



# Fraud Risk Assessments: Six Phases





# Fraud Risk Assessments: Six Phases



Phase 1

Select Target Areas

The diagram for Phase 1 consists of a green rounded rectangle at the top containing the text 'Phase 1'. Below it is a large green arrow pointing to the right, with the text 'Select Target Areas' centered inside it.

- The Assistant Inspector General of Investigations and the Assistant Inspector General of Audits confer about the highest areas of risk for fraud in the agency
- Consider historical audits and investigations where fraud was found
- Form a cross-functional team of talent

# Fraud Risk Assessments: Six Phases

Prepare Fraud Awareness Presentation (4 to 5 days)

A diagram for Phase 1. It features a green rounded rectangle at the top containing the text "Phase 1". Below it is a large green arrow pointing to the right, with the text "Select Target Areas" centered inside it.

## Phase 1

Select  
Target  
Areas

- Meet with the agency department heads to review processes
- Brainstorm within the agency area with staffers about processes
- Determine who should be at the table

# Fraud Risk Assessments: Six Phases

Prepare Fraud Awareness Presentation (4 to 5 days)

A diagram for Phase 1 of a Fraud Risk Assessment. It features a green rounded rectangle at the top containing the text "Phase 1". Below it is a large green arrow pointing to the right, with the text "Select Target Areas" centered inside it.

## Phase 1

Select  
Target  
Areas

- FRA team reviews prior audits/investigations
- Prepare fraud awareness presentation tailored for target area
- Structure how the FRA will be done on-site

# Fraud Risk Assessments: Six Phases

## Phase 2

**Conduct  
FRA**

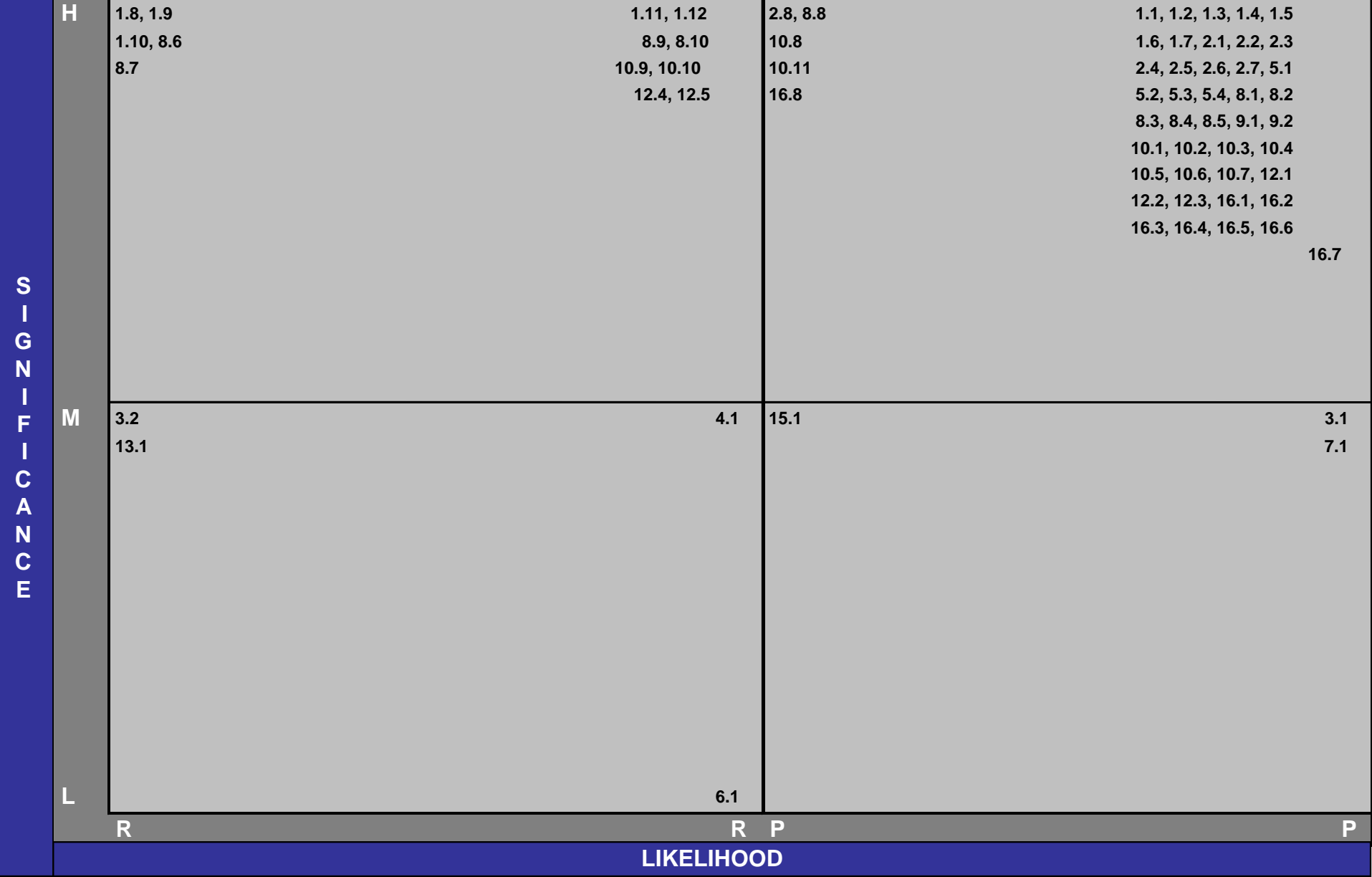
- Make the fraud awareness presentation on-site
- Stress that the OIG is not conducting the FRA
- Engage the process owners

# Fraud Risk Assessments: Six Phases

## Phase 2

**Conduct  
FRA**

- If you were the bad guy, how would you cheat TVA in your area?
- Construct the Fraud Scheme Risk Heat Map



The numbers on the heat map represent fraud schemes identified by the process owners participating in the FRA.

# Fraud Risk Assessments: Six Phases

## Phase 2

**Conduct  
FRA**

- Assess the fraud controls
- Agency process owners list the controls they think prevent fraud
- Press the group about whether the controls effectively prevent or detect fraud
- Ask the group about possible actions that would override the controls

# Fraud Risk Assessments: Six Phases

## Phase 2

**Conduct  
FRA**

- Get the process owners to determine whether the controls mitigate fraud
- Ask the process owners to determine if they need to change the controls (remediation)
- Get the process owners to list the action steps they will take



# Fraud Risk Assessments: Six Phases

## Phase 3



FRA  
Report

- The OIG FRA team prepares the initial draft of the FRA report
- Process owners are given the draft and encouraged to make modifications

# Fraud Risk Assessments: Six Phases

Phase 3

FRA  
Report

- Prepare the designated process owner to present the FRA report to upper management
- When the report is presented to upper management, commend them on having a robust anti-fraud program
- Stress that fraud prevention and detection is everyone's job

# Fraud Risk Assessments: Six Phases



Phase 4

Criminal  
Investigation

- As the fraud risk assessment is being conducted, note any “hot” leads
- If no “hot” leads, proceed to next FRA in another area

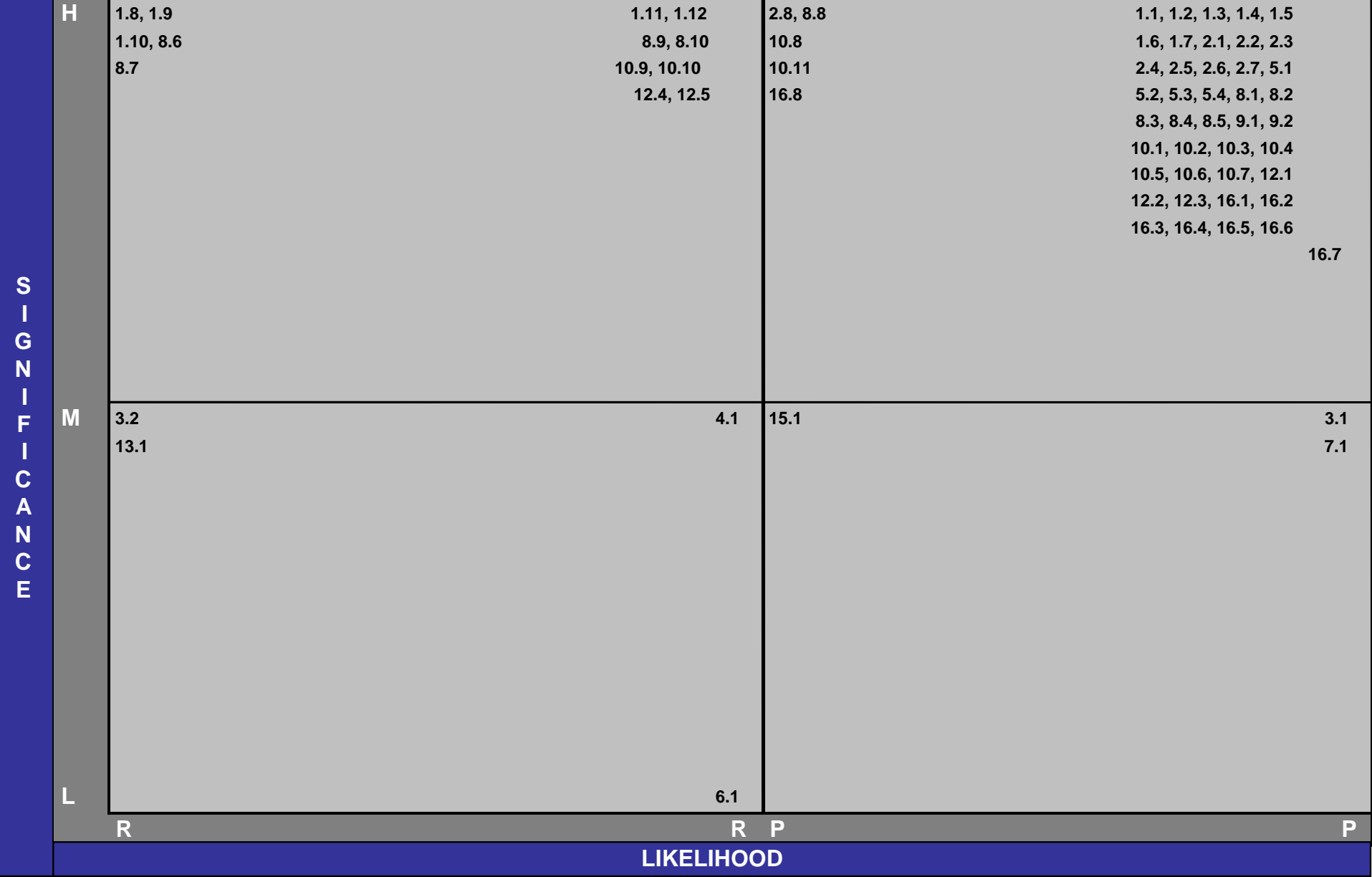
# Fraud Risk Assessments: Six Phases



Phase 4

Criminal  
Investigation

- After several FRAs have been done, select for investigation the most promising leads from all the FRAs
- Look at the upper right hand corner of the heat map (High Significance/ Probable Likelihood)



The numbers on the heat map represent fraud schemes identified by the process owners participating in the FRA.

# Fraud Risk Assessments: Six Phases



Phase 4

Criminal  
Investigation

- Use data mining or some other narrow investigative tool

# Fraud Risk Assessments: Six Phases



## Phase 5



## The Postmortem

- Check with process owners to verify that the remediation identified as necessary has been done
- Ask them if they have encountered anything suspicious (fraud indicators) while doing the remediation
- Ask them what difference the fraud risk assessment has made

# Fraud Risk Assessments: Six Phases



## Phase 6

Promote  
FRAs  
in  
Agency

- Feature the cooperation of the process owners in your semiannual report and newsletter
- Promote fraud risk assessments as part of management's anti-fraud program



# Fraud Risk Assessments: Six Phases



Phase 6

Promote  
FRAs  
in  
Agency

- Brief your agency head and outside auditor (if applicable) on the program or ask management to do so
- Publicize to agency employees and contractors that the fraud risk assessments are being done across the agency (prevention)

# Questions



# Contact Information

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