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Examples of  
Indicators of Fraud  
Risk

**A.09** GAGAS contains requirements relating to evaluating fraud risk.

a. For financial audits, see paragraphs 4.06 and 4.25 through 4.27.

b. For attestation engagements, see paragraphs 5.07, 5.20, and 5.24 through 5.26.

c. For performance audits, see paragraphs 6.30 through 6.32 and 7.21 through 7.23.

**A.10** In some circumstances, conditions such as the following might indicate a heightened risk of fraud:

a. economic, programmatic, or entity operating conditions threaten the entity's financial stability, viability, or budget;

b. the nature of the entity's operations provide opportunities to engage in fraud;

c. management's monitoring of compliance with policies, laws, and regulations is inadequate;

d. the organizational structure is unstable or unnecessarily complex;

e. communication and/or support for ethical standards by management is lacking;

f. management is willing to accept unusually high levels of risk in making significant decisions;

g. the entity has a history of impropriety, such as previous issues with fraud, waste, abuse, or questionable practices, or past audits or investigations with findings of questionable or criminal activity;

- h. operating policies and procedures have not been developed or are outdated;
- i. key documentation is lacking or does not exist;
- j. asset accountability or safeguarding procedures is lacking;
- k. improper payments;
- l. false or misleading information;
- m. a pattern of large procurements in any budget line with remaining funds at year end, in order to “use up all of the funds available;” and
- n. unusual patterns and trends in contracting, procurement, acquisition, and other activities of the entity or program.

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Determining Whether Provisions of Laws, Regulations, Contracts and Grant Agreements Are Significant within the Context of the Audit Objectives

**A.11** GAGAS contains requirements for determining whether provisions of laws, regulations, contracts or grant agreements are significant within the context of the audit objectives.

- a. For financial audits, see paragraphs 4.19 through 4.22.
- b. For attestation engagements, see paragraphs 5.07 and 5.08.
- c. For performance audits, see paragraphs 6.28 and 6.29.

**A.12** Government programs are subject to many provisions of laws, regulations, contracts or grant agreements. At the same time, their significance within the context of the audit objectives varies widely,