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TODAY 
**LET'S CHANGE
TOGETHER**

**10 BEST PRACTICES TO REDUCE
FINANCIAL RISK**

MFOCTA, Spring 2025
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RISK AND RISK VS. REWARD

- Good risks and bad risks-tend to determine based on success
 - Failure is ok and can even be great, if...
- Risk versus reward
 - We use this many times every day in all areas of our lives
 - Is it innate or do we just learn it at a very early age?





BEST PRACTICES

- Policies, procedures and controls that help with one or all of:
 - Reduce risk
 - Improve efficiency
 - Better effectiveness

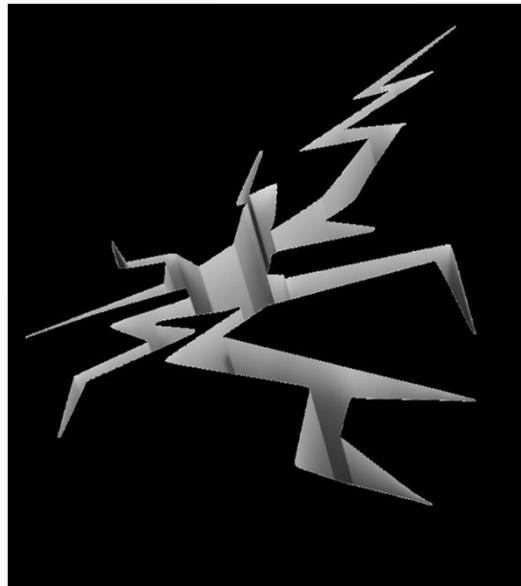
GOAL

- Use best practices to reduce risk and maximize the benefits within the limitations of the resources we have



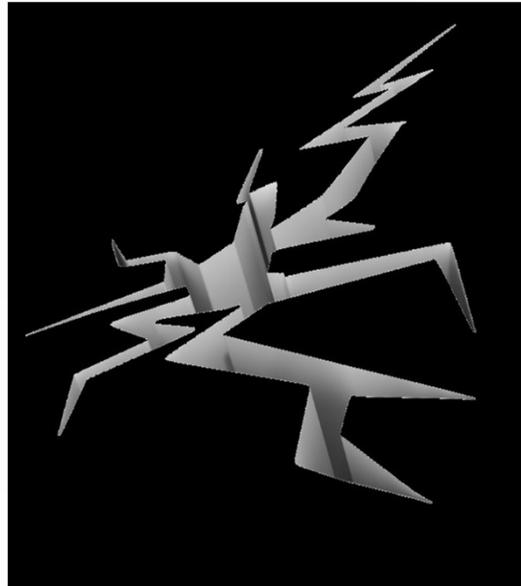
WE KNOW...

- We can never totally eliminate risk, but we can reduce it to a reasonable level with some smart and hard work
- Why can't we eliminate risk?



SO...

- What risks are you most concerned about at your District or school?
 - Fraud
 - Error
 - IT
 - Media
 - Organizational



IN OUR AUDIT AND ADVISORY WORLD WE SEE...

• The Good

- Efficient and effective operations
- Timeliness with transactions, reviews and monitoring
- Time/commitment to develop long-term plans, not just one year budgets
- Timely and accurate financial reporting...

• The Bad

- Not enough people
- Not the right people
- Not enough experience/training
- Not good support from the top
- Not performing the designed procedures, process and controls...

SOME IDEAS FOR US TO ALL DISCUSS AND FOR YOU TO CONSIDER

BEST PRACTICES



- REDUCE RISK OF ERRORS
- IMPROVE EFFICIENCY
- IMPROVE EFFECTIVENESS
- REDUCE RISK OF FRAUD
- ENSURE FINANCIALS ARE MORE ACCURATE, TIMELY AND COMPLETE

BEST PRACTICE #1

What is the best practice?

- Written policies and procedures for all areas of finance and procurement, regular review, updates and training

What are the benefits?

- Ensure good design, easier to train staff, better transition of staff, more efficient and effective with clear expectations

What are risks of not doing it?

- Much higher risk of error and fraud, staff not understanding expectations, transition of staff is much harder

BEST PRACTICE #2

What is the best practice?

- Data security-regular IT security assessments, consistent training on risks, tested data recovery...

What are the benefits?

- Better sleep! Readiness if data lost, stay up to date with what bad guys are doing...

What are risks of not doing it?

- Higher risk of data loss/not recovering the data no matter how it happens, more likely staff could make error

BEST PRACTICE #3

What is the best practice?

- Efficient/effective use of financial software, including data mining /predictive analysis to reduce risk of error and fraud, regular software training

What are the benefits?

- Staff more efficient/effective, more time for long-term planning, less use of spreadsheets, better financial reporting, potentially save money

What are risks of not doing it?

- Higher risk of error and fraud, especially if high use of spreadsheets, frustrated staff who may be working longer hours

BEST PRACTICE #4

What is the best practice?

- Regular review of your balance sheets, at least quarterly

What are the benefits?

- More accurate financial information, find errors sooner that could impact the revenues/expenditures

What are risks of not doing it?

- Higher risk of error or only find errors at year end, so revenues/expenditures could be misstated throughout the year

BEST PRACTICE #5

What is the best practice?

- Have a long-term financial plan that is updated annually-balance sheet, revenues, expenditures, capital, debt and cash flow

What are the benefits?

- Identify potential risks sooner, easier to match capital needs with cash flow, easier to invest cash long term, which can increase interest income

What are risks of not doing it?

- Higher risk of surprises (which no one likes) and of poor cash flow management

BEST PRACTICE #6

What is the best practice?

- Financial reporting that is timely, accurate, meets the needs of users and is in compliance with laws and regulations

What are the benefits?

- Happy users that are able to make timely strategic long-term and short-term decisions, and no issues/findings with laws and regulations

What are risks of not doing it?

- Poor or lack of decisions by users, various difficulties due to not meeting laws and regulations

BEST PRACTICE #7

What is the best practice?

- Regular fraud awareness risk assessment, training and education throughout your municipality that is part of written policies

What are the benefits?

- Educated staff and related organizations, reduced risk of error and fraud

What are risks of not doing it?

- Much higher risk of error and fraud, especially where there is a lack of segregation of duties

BEST PRACTICE #8

What is the best practice?

- Procurement policies, procedures and controls understood and followed due to regular training and timely follow up when policies not followed

What are the benefits?

- Reduced risk of error and fraud, fewer emergency procurements, clean procurement examination

What are risks of not doing it?

- Higher risk of error and fraud, compliance issues and findings

BEST PRACTICE #9

What is the best practice?

- Good and tested succession planning (what happens if you or another finance staff person is suddenly not available?) is in place

What are the benefits?

- Not dependent on one person to continue to operate efficiently and effectively

What are risks of not doing it?

- Significant risk of falling behind very quickly and putting your municipality in a very difficult situation

BEST PRACTICE #10

What is the best practice?

- Timely reconciliation of all cash balances monthly and electronic multi-person authentication for wire transfers

What are the benefits?

- Reduced risk of error and fraud, errors or fraud found timely, helps determine cash flow balances

What are risks of not doing it?

- Much higher risk of error and fraud, lack of understanding cash flow

OTHER BEST PRACTICES

- Monitoring arbitrage if it is applicable
- Ensuring banks are monitoring collateral
- Reconciling significant balances with state and county regularly, not just at year end

- Having a plan in place if revenue slows down
- Financial workshops to help elected officials understand municipal finance

HOW TO USE THE REPORT

Occupational Fraud 2024: A Report to the Nations analyzes 1,921 real cases of occupational fraud that were investigated between January 2022 and September 2023. The findings presented in this report can be used by anti-fraud professionals, organizational management, and others to improve their fraud prevention, detection, and response efforts.

INFORM YOUR FRAUD RISK ASSESSMENTS.

Use heat maps to understand the frequency and significance of occupational fraud risks.

- PAGE 13: Which Asset Misappropriation Schemes Present the Greatest Risk?
- PAGE 36: What Are the Most Common Occupational Fraud Schemes in Various Industries?
- PAGE 56: What Are the Most Common Occupational Fraud Schemes in High-Risk Departments?

Less risk

More risk

BENCHMARK YOUR ANTI-FRAUD PROGRAM.

Compare the components of your anti-fraud program against other organizations.

- PAGE 38: What Anti-Fraud Controls Are Most Common?
- PAGE 44: How Do Anti-Fraud Controls Vary by Size of Victim Organization?
- PAGES 82-87: What Anti-Fraud Controls Are the Most Common in the Region?

KEY FINDINGS:

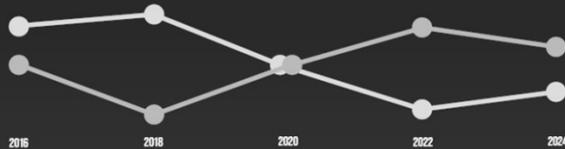
MAKE AN IMPACT

HOW TO USE THE REPORT

IMPROVE YOUR FRAUD PREVENTION AND DETECTION EFFORTS.

Recognize how frauds are most commonly and most quickly detected. Implement the controls that are most effective at preventing and detecting fraud.

- PAGE 24: How Is Occupational Fraud Initially Detected?
- PAGE 24: Who Reports Occupational Fraud?
- PAGE 25: How Does Detection Method Relate to Fraud Loss and Duration?
- PAGE 26: What Formal Reporting Mechanisms Did Whistleblowers Use?
- PAGE 40: How Does the Presence of Anti-Fraud Controls Relate to Median Loss?
- PAGE 41: How Does the Presence of Anti-Fraud Controls Relate to the Duration of Fraud?



KEY FINDINGS:

EDUCATE OTHERS ABOUT OCCUPATIONAL FRAUD AND WAYS TO EFFECTIVELY COMBAT IT.

Download and share with management, clients, or your anti-fraud team. Use charts, graphs, and findings from the report in your own internal or external presentations. Include customized points in discussions with management or clients, or as part of fraud awareness training programs.

- PAGES 4-5: Key Findings
- Full report at [ACFE.com/RTTN](https://www.acfe.com/RTTN)
- Charts and slides at [ACFE.com/RTTN](https://www.acfe.com/RTTN)



MAKE AN IMPACT

HOW TO USE THE REPORT

SELL FRAUD PREVENTION TO MANAGEMENT AND CLIENTS.

Demonstrate the risk of occupational fraud to your organization and show the ROI on anti-fraud investments.

- PAGE 9: The Global Cost of Fraud
- PAGE 40: How Does the Presence of Anti-Fraud Controls Relate to Median Loss?
- PAGES 42-43: The Importance of Providing Fraud Awareness Training



UNDERSTAND WHO PUTS YOUR ORGANIZATION AT THE GREATEST RISK.

Identify what groups are associated with more frequent or more costly incidents of fraud. Recognize the most common behavioral red flags of fraud to identify high-risk individuals.

- PAGE 55: What Departments Pose the Greatest Risk for Occupational Fraud?
- PAGE 57: Profile of a Fraudster
- PAGES 68-69: Behavioral Red Flags of Fraud



84% of all fraudsters displayed at least one **BEHAVIORAL RED FLAG**



KEY FINDINGS:

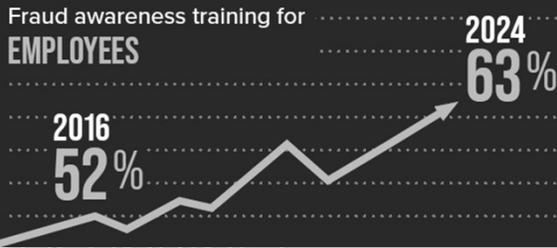
MAKE AN IMPACT

FRAUD AWARENESS TRAINING

THE IMPORTANCE OF PROVIDING FRAUD AWARENESS TRAINING

Providing fraud awareness training to staff at all levels of an organization is a vital part of a comprehensive anti-fraud program. Our study shows that training employees, managers, and executives about the risks and costs of fraud can help reduce fraud losses and ensure frauds are caught more quickly.

A GROWING PERCENTAGE OF ORGANIZATIONS ARE PROVIDING FRAUD AWARENESS TRAINING FOR THEIR STAFF



KEY FINDINGS:

FRAUD AWARENESS TRAINING

THE IMPORTANCE OF PROVIDING FRAUD AWARENESS TRAINING

Organizations that **DID NOT PROVIDE** fraud awareness training lost nearly **2X MORE.**

TRAINING BOTH employees and managers/executives

\$100,000

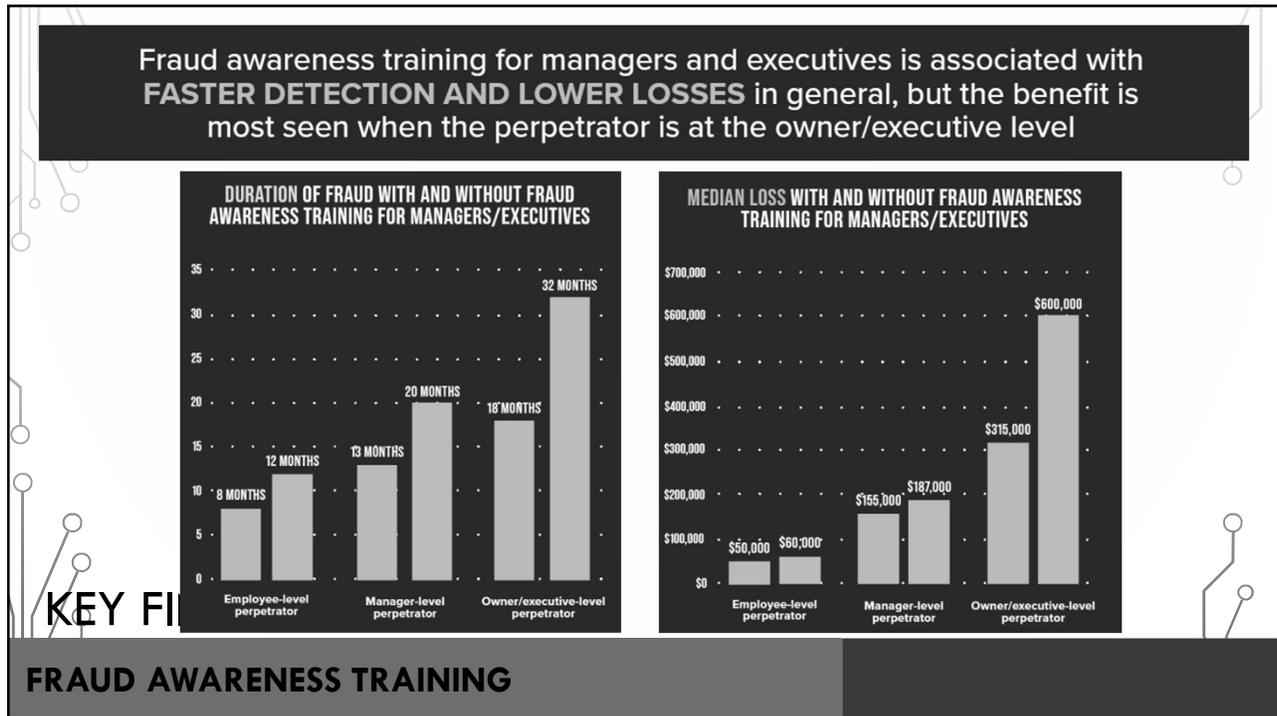
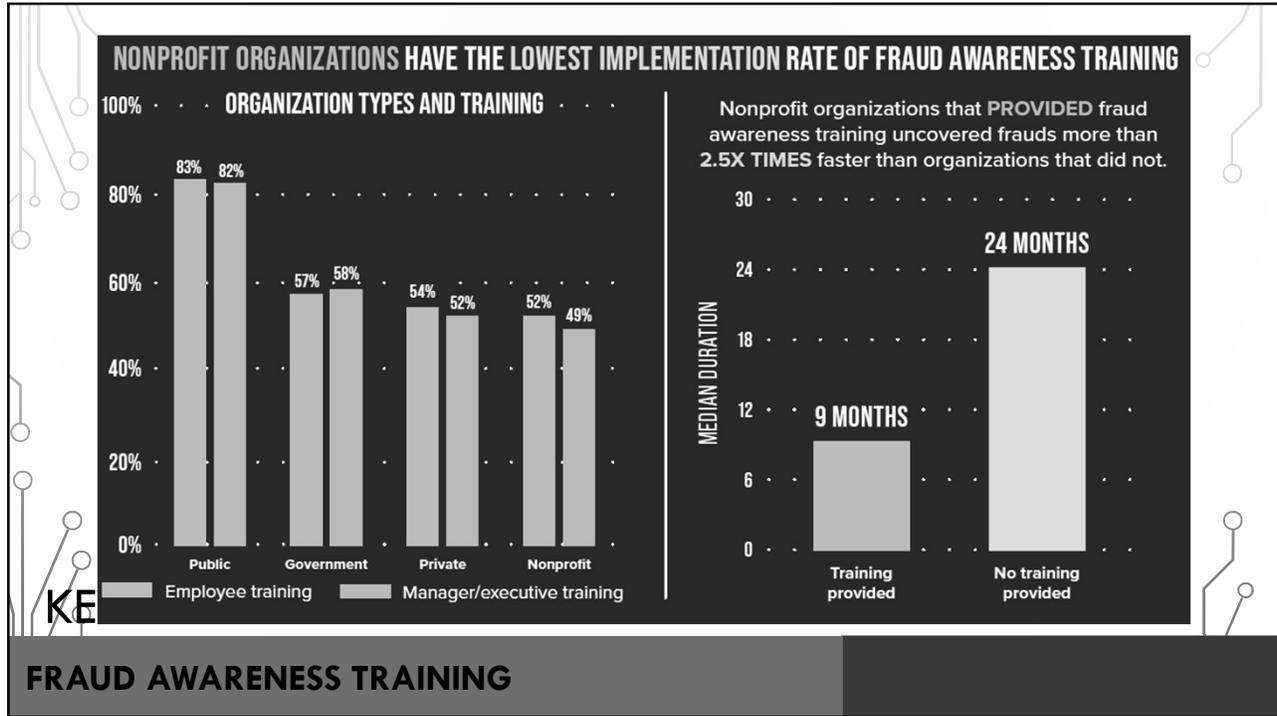
TRAINING NEITHER employees nor managers/executives

\$199,000

KEY FINDINGS:

FRAUD AWARENESS TRAINING





HOTLINE & TRAINING

While the presence of a **HOTLINE** is associated with reduced fraud losses, the impact is even greater when the hotline is accompanied by **FRAUD AWARENESS TRAINING**



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FRAUD AWARENESS TRAINING