

National Fraud Enforcement Action: A 10-Point Checklist for Municipalities & Local Governments

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On January 8, 2026, the Trump White House announced the [National Fraud Enforcement Division](#) of the Department of Justice (DOJ), a newly established unit mandated to centralize and escalate nationwide enforcement against fraud related to federal programs and funds. With direct oversight from the President and Vice President, this increased scrutiny targeting fraud in federal programs will directly impact municipalities' funding for housing, education and social services.

Local programs that receive federal funding can anticipate more frequent audits, investigations and focused attention on mismanagement by government entities, increasing the risk of civil and criminal inquiries.

Municipalities and local government agencies that interact with federal programs, funds, or regulators can—and must—prepare for this government-enhanced interagency coordination combating fraud.

Follow this **10-Point Municipality Fraud Risk Checklist** to identify areas of vulnerability and mitigate potential fines and legal action:

- Evaluate Compliance Programs and Internal Controls**
Assess compliance programs tied to federal funding, with an emphasis on procurement practices, internal controls and representations made to federal agencies.
- Conduct Fraud Risk Assessments and Strengthen Controls**
Perform quarterly or semi-annual fraud risk assessments and integrate anti-fraud controls into all financial and operational systems
- Designate a Fraud Risk Officer**
Assign clear responsibility (often the Chief Compliance Officer or equivalent) for evaluating internal controls and coordinating risk mitigation efforts across departments.

- ❑ **Update Compliance, Ethics and Whistleblower Policies**
On a quarterly basis, review and update compliance policies and procedures for all federally funded programs to ensure clarity and alignment.
- ❑ **Review Grant Applications and Federal Reporting Requirements**
Continuously monitor and review grant applications, supporting documentation and ongoing reporting obligations tied to federal funding, which can change often.
- ❑ **Enhance Data Analytics and Ongoing Monitoring**
Strengthen data analytics capabilities to support continuous transaction monitoring, anomaly detection and periodic financial reviews.
- ❑ **Perform Risk-Based Reviews of Subrecipients and Vendors**
Implement due diligence and documentation requirements, including compliance certifications for subrecipients, contractors and vendors.
- ❑ **Provide Training and Leadership Education**
Deliver annual fraud awareness training for employees and targeted briefings for elected officials and agency leadership on enforcement trends and red flag indicators.
- ❑ **Prepare for Investigations and Monitor Regulatory Changes**
Develop protocols for responding to investigations and continuously monitor municipal codes, fraud-related legislation and procurement policies and procedures.

The current federal enforcement climate means that documentation gaps, weak controls or incomplete reporting are no longer viewed as minor administrative oversights, but rather investigative triggers. Municipalities and local governments should assume that federal investigators have the analytical tools and a strong mandate to identify fraud and act swiftly.

Ultimately, the announcement of the National Fraud Enforcement Division signals a more cohesive, centralized and aggressive enforcement to combating fraud. Municipalities must proactively align their compliance, operations and internal controls to avoid draconian fines, reduce legal exposure, and minimize other punitive measures.



About the Author: Joseph Spinelli, JD, CFE is a Managing Director in the Forensic, Investigation, and Dispute Services practice at Delta Consulting Group with more than 40 years of experience in fraud investigations, compliance oversight, and integrity monitoring. A former FBI Special Agent and New York State Inspector General, he advises public- and private-sector clients on governance, ethics, and regulatory risk matters.