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2026 State and Local Government Industry Update

July 23, 2026

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- You need to attend 75 minutes to receive the full 1.5 CPE credit.
- There will be 5 attendance markers and 1 polling question throughout the presentation. You must respond to a minimum of 3 to receive the full CPE credit.
- **Both requirements must be met to receive CPE credit.**

Welcome

Speakers

Chris Kessler
Managing Principal of Industry

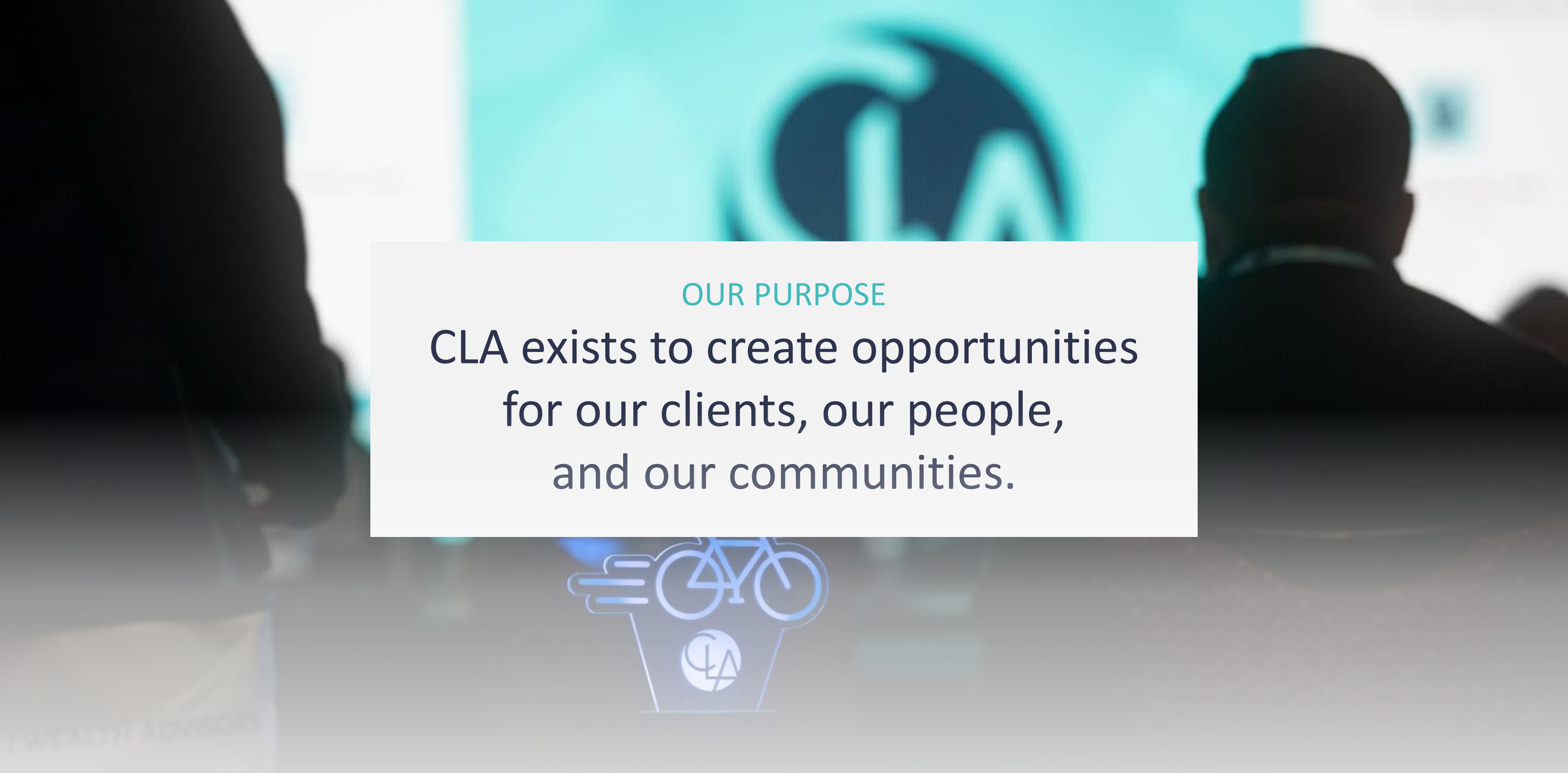
Sean Walker
Principal

Heather Plitt
National Assurance Quality Leader

Christian Fuellgraf
Principal

Mitch Thompson
Digital Director

Folashade Abiola-Banjac
Principal



OUR PURPOSE

CLA exists to create opportunities for our clients, our people, and our communities.

Learning Objectives

- Identify ***current trends impacting government professionals and practices*** to address these trends
- Identify upcoming ***GASB pronouncements and their potential impact*** on state and local government financial statements
- Recognize how ***economic conditions, federal regulations, and state-specific policies influence the financial operations and accounting practices*** of state and local governments

Agenda

- State of the industry
- Accounting and compliance update
- Case studies in operational change
- Case studies in digital transformation
- Culture and fraud risk

Our Industry Roadmap

Setting the table for today's webcast

- Fiscal picture
- Community focus
  - 2026 and beyond priorities
- Tech and the ledger
- Cyber and identity
- Workforce and pipeline
- Policy + GASB

The Frame

2026 is the year of stabilization — growth is normalizing, one-time supports are fading, and every operational, technology, and audit decision now carries more weight.

The FY26 Fiscal Reality

From expansion to stabilization

STATES		CITIES	
~1% FY26 general fund spending growth	**23/50** States holding flat or reducing spending	**7.5→<1%** General fund growth: FY24 → FY25	**~45%** CFOs confident meeting FY26 needs
0.7% FY26 projected revenue growth	Rainy day funds trending down	**~60%** Of general fund goes to public safety	**ARPA** Cliff is here — post-relief budgeting

Source: NASBO Fall 2025 Fiscal Survey

Source: NLC City Fiscal Conditions 2025

Takeaway: *shift from expansion → stabilization. Reserves discipline and one-time-vs-ongoing separation are the differentiators.*

2026 Focus Areas for Community Leaders

Where budget conversations are actually landing this year

1. Economic development and downtown revitalization

Mixed-use redevelopment, office-to-housing conversions, main-street reinvestment. Tax-base recovery is a top FY26 conversation.

2. Housing supply and affordability

States investing in housing infrastructure bonds, workforce housing funds, and zoning modernization to unlock supply.

3. Core infrastructure and disaster readiness

Aging water systems, PFAS remediation, climate resilience. Capital planning meets emerging federal and state requirements.

4. Budget management amid federal funding shifts

Tougher tradeoffs, sharper long-range forecasting, structural balance without one-time relief cushions.

→ Bridge: These four pressures are why organizations are redesigning how they operate — the setup for our operational and digital case studies.

Where Tech Meets the Ledger

Technology decisions are budget, risk, and governance decisions

DOJ Title II/WCAG 2.1 AA

Apr 24, 2026 (50K+) and Apr 26, 2027 (smaller/special districts). Accessibility is now a mandated cost center — multi-year roadmap + ongoing maintenance.

AI: From assisting to acting

Agentic AI on the horizon. The question is no longer 'can we use AI' — it is 'can we scale it responsibly' with data, controls, and public trust intact.

Leadership churn

State CIO tenure averages ~2 years. Without strong governance, projects stall, restart, or drift — driving up total cost of ownership.

Chargeback funding models

Modernization costs are decentralized across departments. Cyber, accessibility, and AI mandates create simultaneous, unplanned budget hits.

→ Bridge: This is why 'readiness' — AI, cyber, data governance — will be the core of the digital transformation case studies next.

Identity Is the Front Door

Where cyber becomes a ledger and controls conversation

$16B+

Reported cyber losses in 2024

Across ~859,532 complaints (FBI IC3, 2024).

Phishing and personal-data breach lead the categories

#1

Entry point: compromised identity

Phishing, credential misuse, and access-control gaps are the front door to fraud and disruption.

Three leader asks

1 **Sustain MFA and identity proofing**

…across the workflows that touch money: payments, vendor bank changes, payroll, financial system access, data exports.

2 **Budget for controls monitoring**

An unmonitored control is functionally the same as one that doesn't exist. Treat monitoring as a recurring governance investment.

3 **Align cyber insurance to reality**

Don't discover a coverage gap during a claim review. Match policy assumptions to the controls you actually sustain.

→ ***Bridge:*** *culture meets controls — a handoff into today's culture + fraud risk conversation.*

The People Problem

Vacancies limit modernization. Pipeline signals are mixed — but improving.

641K

State and local job openings

BLS JOLTS, Dec 2025 (231K education + 410K non-education)

61%

Governments lacking a formal succession plan

MissionSquare 2025 Workforce Survey

6.6%↓

Accounting degrees (2023–24 y/y)

BUT enrollment up 12% in 2024 (AICPA 2025 Trends)

Leader responses that work now

Job redesign

Reserve credentialed capacity for high-value work: grants, reporting, controls.

Paid apprenticeships

Build local pipelines with colleges and universities; alternative pathways.

Automate routine

Reduce manual reconciliations, invoice processing, and reporting prep.

Watch licensure

MN + 20 states now offer alternate CPA pathways (effective 1/1/2026 in MN).

→ ***Bridge:** capacity affects how audits get done, too — which sets up the compliance and single audit changes.*

What Could Move Your Forecasts

Three federal/state signals + three standards on your near-term horizon

Policy watch

Tariffs and trade policy

Capital project bids and fleet costs move fast — treat as a budget variable.

Municipal bond tax exemption

Changes could reshape borrowing costs and project sequencing. Keep a timing-sensitive project list

Federal appropriations timing

Grants calendars, continuing resolution risk, and match windows drive cash flow — watch timing as closely as totals.

GASB + single audit on-ramp

Bridging to the accounting and compliance segment

Now	**GASB 103 — Financial Reporting Model** Biggest impact in proprietary funds, subsidies, MD&A, major fund determination
Now	**GASB 104 — Capital Asset Disclosures** Break out right-of-use and intangible assets by underlying asset class.
Next	**GASB 105 — Subsequent Events** Clarifies timeframe, recognized vs. nonrecognized, and disclosure requirements.
Audit changes	**AICPA Single Audit — Appendix B** RMNC disaggregation, PRPs, RAWTC — bigger, more targeted testing.

Accounting and Compliance Update

Single Audit Changes – Appendix B to the AICPA Guide for Government Auditing Standards and Single Audits

How will this impact auditees?

Guide Issuance and Transition

October 2025

- 2025 Guide issuance – includes Appendix B, which previews changes

Interim

- Review period for users to consider the guidance in Appendix B and prepare accordingly

October 2026

- 2026 Guide issuance (expected)
- Appendix B becomes Part II

Risk of Material Noncompliance (RMNC)

Testing internal control over compliance

Big Changes

Compliance testing

Evaluating instances of noncompliance

Key Words and Phrases

DISAGGREGATION	Compliance/cost categories	RAWTC	Process risk points
Individually important items	Good populations	Bad populations	BIGGER SAMPLES AND MORE SAMPLES

RMNC – Compliance Categories

- Subdivisions within a compliance requirement that have characteristics that distinguish them from the broader compliance requirement
- Separate direct and material assessment

Type of compliance requirement	Compliance category
Equipment and real property management	• Equipment • Real property management
Matching, level of effort, earmarking	• Matching • Level of effort • Earmarking
Procurement and suspension and debarment	• Procurement • Suspension and debarment

RMNC Disaggregation

Disaggregated RMNC – more populations and larger number of sample items tested

Matter of **professional judgment**.

One RMNC is likely **too broad** for certain types of compliance requirements

Consider **nature (similarities or differences)** of the populations tested related to the compliance requirement or category

If RMNC results in nonhomogeneous population tested together, RMNC is at **too high** of a level

Example – Allowable Costs

Before – assess RMNC between payroll and non-payroll

Compliance requirement	Old	New
Allowable cost	Payroll	Payroll
	Non-payroll	Fringe benefits
		Contractual payments
		Cost transfers
		Central service cost
		Other

After – disaggregate and assess RMNC for each material cost category. Separate sample for each RMNC.

Testing Internal Control Over Compliance - *What's Changing*?

- PRP = where/how noncompliance applicable to the RMNC can occur
- May be more than one PRP for a specific RMNC!
- **More controls to test**
- **Increased sample sizes**

Four-step approach for obtaining understanding of internal controls – increased focus on "process risk points" (PRPs)

Concept of "Risk Associated with the Control (RAWTC)"

Revised control sample size table

Focus on reliability and relevance of information used in a control, including information generated by IT systems (i.e. exception reports)

Risk Associated With The Control (RAWTC)

- Risk that the control might not be effective to address the risk of material noncompliance
- NOT the same as control risk
- Ordinarily NOT less than inherent risk of the RMNC, but may be greater
- Will directly impact sample sizes

Compliance Applicable to Each Major Program - *What's Changing*?

- Increased focus on individually important items
- Revised sampling tables may lead to increased sample sizes
- Evaluating audit evidence related to instances of noncompliance
  - More involvement by auditees to help determine root cause and disaggregate into "good" and "bad" populations.

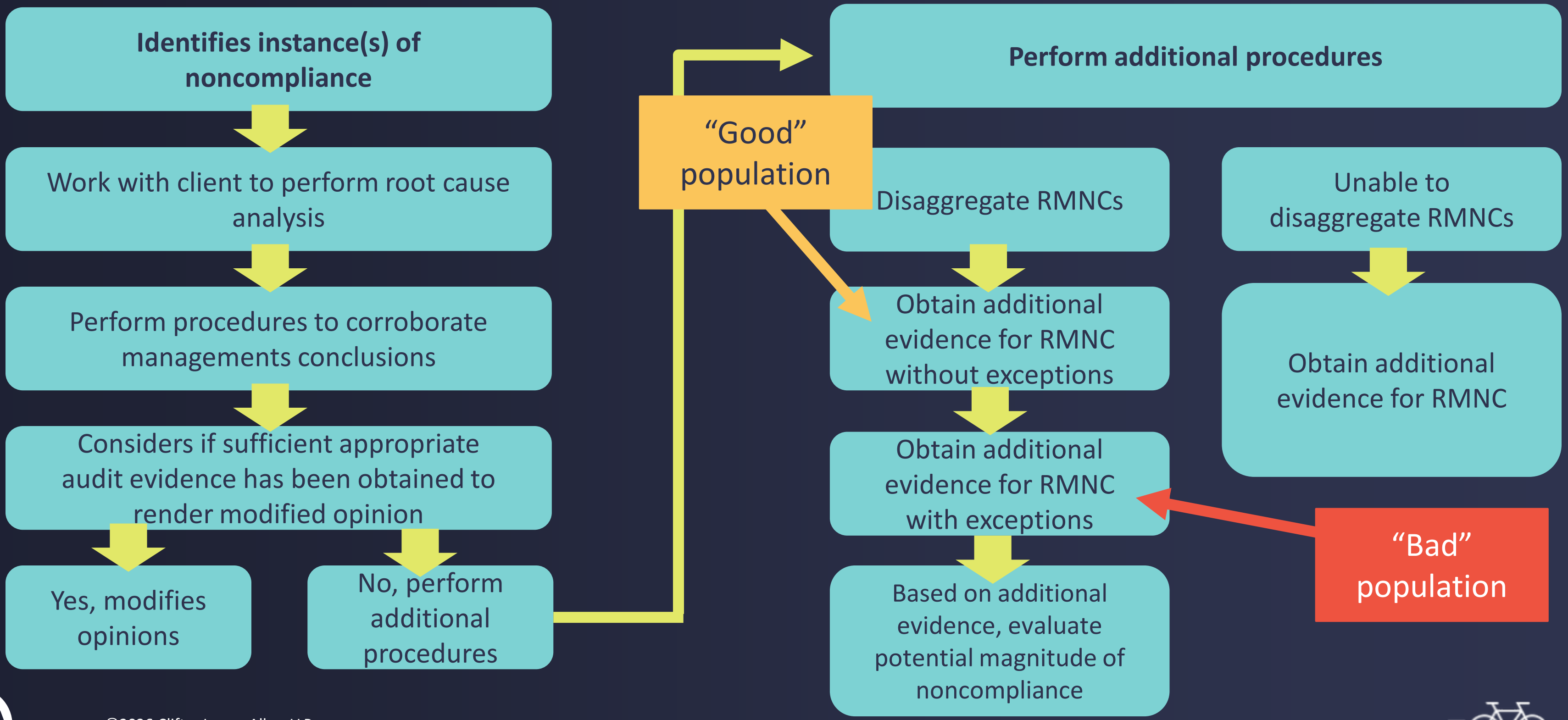
Putting It All Together... Allowable Costs Example

Disaggregated RMNC leads to more testing populations

More PRPs = more controls to test

Risk of material noncompliance	Obtaining an understanding	Inherent risk	Control risk	Controls	Substantive
RMNC-1 – direct payroll	Process 1	L/M/H	Reliance/no reliance	PRP 1, PRP 2 – Control 1, Control 2	Substantive 1
RMNC-2 – fringe benefits	Process 2	L/M/H	Reliance/no reliance	PRP 3, PRP 4 – Control 3, Control 4	Substantive 2
RMNC-3 – contractual payments	Process 3	L/M/H	Reliance/no reliance	PRP 5 – Control 5	Substantive 3

Evaluating Audit Evidence When Instances of Noncompliance Identified



Example (for Illustrative Purposes Only)

Noncompliance identified – procurement documentation missing for one federal expenditure.

Actions taken by management – determine who initiated the transaction, who reviewed and approved, what controls *should have operated,* what systems were involved, and where the process broke down.

Potential management response – “This occurred during a temporary staffing vacancy. Expenditures processed through Department A during March were not subjected to the normal secondary procurement review.”

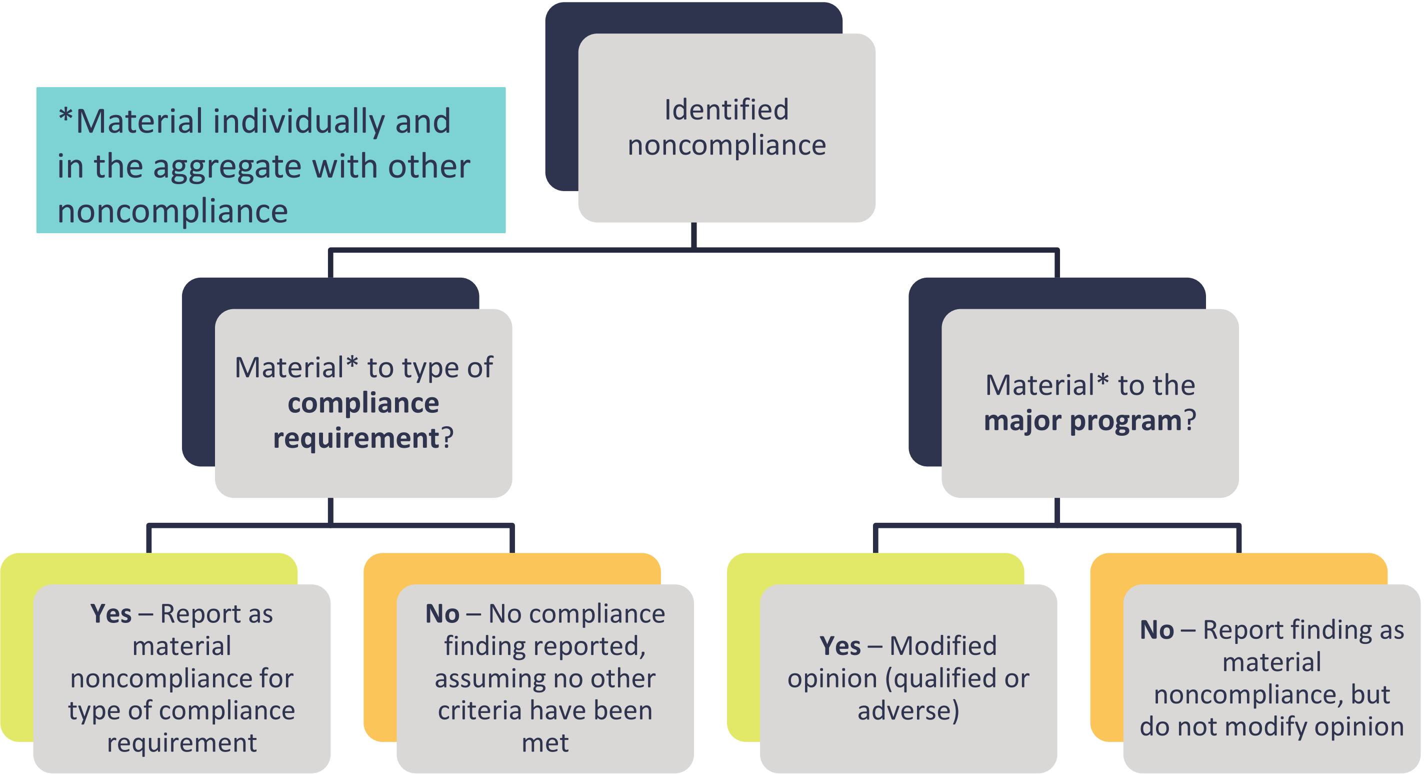
The auditor may then expand testing to additional March transactions, other transactions processed by the same employee, or other purchases within that department.

Evaluating Control Deficiencies

- Evaluation of potential deficiencies should be in relation to individual compliance requirement, not major program or SEFA
- Minimum internal control sample sizes are based on expectation of having no control deviations in sample
- Based on rate of deviations rather than potential dollar or magnitude error

Reporting Noncompliance Findings

*Material individually and in the aggregate with other noncompliance



How Can Auditees Prepare?

- With increased focus on PRPs, make sure you understand access controls, change management, and how data integrity is maintained for grant related info.
- Be ready to discuss program-specific risks in detail (e.g., specific cost categories, processes, and where noncompliance could realistically occur).
- Expect more targeted, disaggregated testing rather than broad sampling.

How Can Auditees Prepare?

Organize documentation by cost category

Make a plan for following up on any potential noncompliance identified during the audit:

- What happened?
- Why did it happen?
- Which control failed?
- Is the issue isolated or systemic?
- What population could be affected?
- Are other programs or compliance requirements potentially impacted?

GASB 103 and Subsidies

Effective 6/30/26!

Reminder – High Level Overview

Proprietary funds – most effort will be required here!

Management's discussion and analysis

Budgetary information

Major discretely presented component unit presentation

Unusual and infrequent items

Statistical section

Proprietary Fund Resource Flows AFTER — GASB 103

Transfers are by definition subsidies. They are classified in either noncapital subsidies or other nonoperating depending on provider stipulation (IG 2025, Q 4.5).

NONCAPITAL SUBSIDIES			
Intergovernmental Revenue	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Noncapital Subsidies			-
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	-	-	-
OTHER NONOPERATING REVENUES (EXPENSES)			-
Investment Income			-
Interest Expense			-
Gain (Loss) on Sale of Capital Assets	-	-	-
Capital Contributions	-	-	-
Transfers In- Restricted for Capital Assets	-	-	-
Total Other Nonoperating Revenues (Expenses)	-	-	-

Section added for noncapital subsidies, along with total line.

New subtotal line added

Section title revised to **Other** Nonoperating Revenues (Expenses) with same revision to total line.

Items in red box are by definition non-operating. Capital contributions are considered to be capital subsidies.

What Are Subsidies?

- Resources received from another party or fund
  - For which fund does not provide goods or services and
  - That directly or indirectly keep current/future fees and charges lower than they would be otherwise
- Resources provided to another party or fund
  - For which the other party or fund does not provide goods or services and
  - That are recoverable through current or future pricing policies
- All other transfers

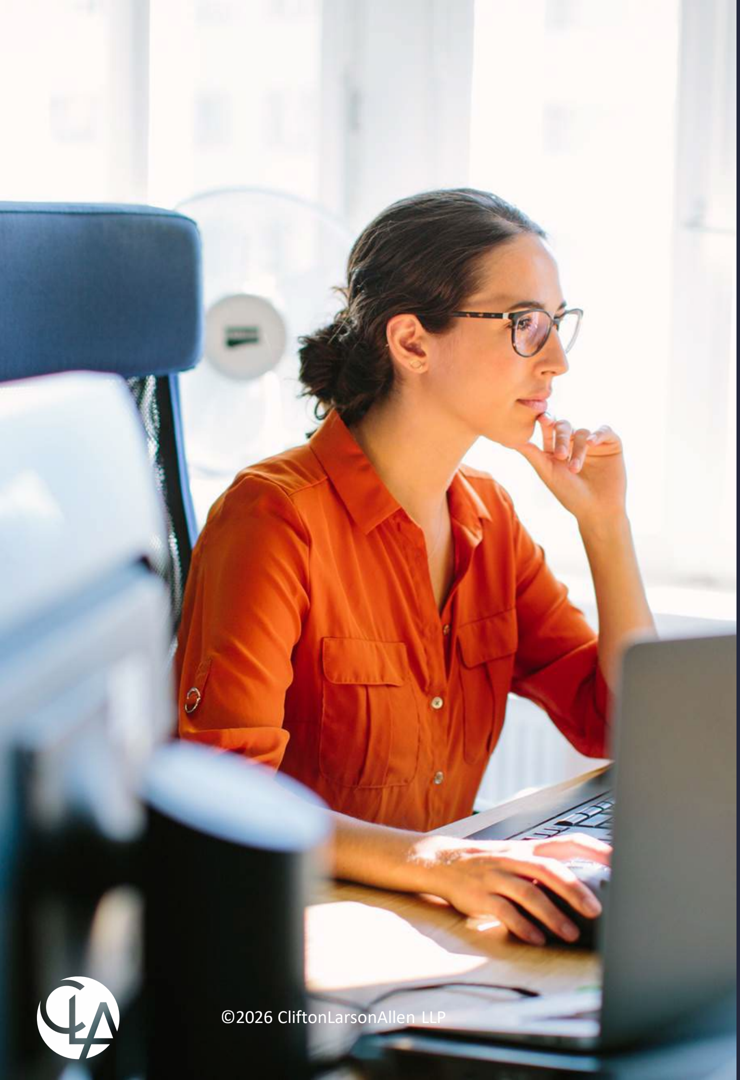
GASB 103 Impact on Specific Items – 2025 Implementation Guidance

Lease revenue = operating (GASB IG 2025, Q 4.4)

Interest income on leases = nonoperating (GASB IG 2025, Q 4.3)

Payments in lieu of taxes (PILOTs) = the dreaded “it depends”

- Look to whether the flow in question compensates for tax revenue lost due to tax exemptions for supporting governmental activities, OR fund establishes a rate or fee that produces operating income >= amount of PILOT
- If in substance a payment for good or service, then NOT a subsidy



Putting the Puzzle Together… GASB IG 2026 Exposure Draft and What To Expect

- Taxes imposed by a BTA
- Passenger facility charges
- Certain types of nonexchange revenues

Before We Leave GASB 103…

Major Fund Determination (Pre-GASB 103)

Revenues

Total revenues means, all revenues (both operating and nonoperating revenues of enterprise funds, including capital contributions) except for other financing sources (governmental funds), transfers in, and gains arising from extraordinary items.

Expenditures

Total expenditures/expenses means, all expenditures or expenses (both operating and nonoperating) except for other financing uses (governmental funds), transfers out, and losses arising from extraordinary items.

GASB 104 – Disclosure of Capital

Break out right of use an intangible assets by underlying asset class.

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 29,484	$ 2,020	$ (4,358)	$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	32,399	15,240	(19,204)	28,435
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	218,431	20,480	(5,363)	233,548
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	$ 201,052	$ 28,395	$ (22,470)	$ 206,977

Capital Assets Held for Sale
Example Disclosure

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of $8.0 million and an accumulated depreciation of $5.0 million, and they are pledged as collateral for debt with a balance of $1.5 million.

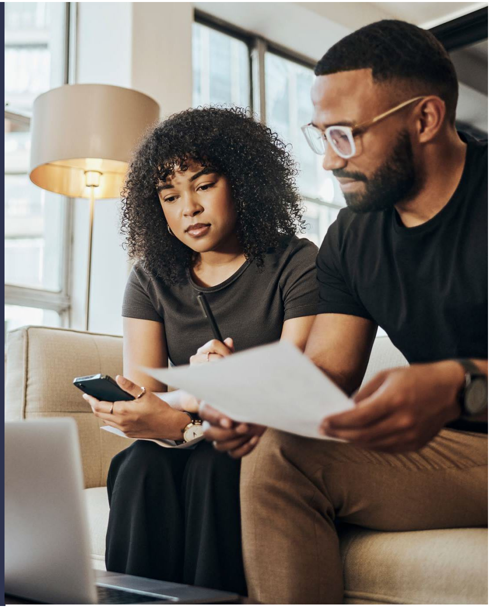
GASB 105 Subsequent Events

Effective date

June 30, 2027

Clarifies subsequent event definition and establishes specific note disclosure requirements:

- Subsequent event time frame
- Recognized vs nonrecognized events
- Disclosure of date through which subsequent events were evaluated
- Specific disclosure requirements for nonrecognized events



What’s Coming Up?

Revenue and expense recognition – exposure draft expected Q3 2027

Going concern uncertainties and severe financial stress – exposure draft expected Q2 2027

Infrastructure assets – final standard expected Q1 2027. Proposed effective date 6/30/2029

2026 implementation guidance – final standard expected Q3 2026

Operational Opportunities

What's on Leadership's Mind?

education growth costs

culture value green-energy health

succession well-being funding arts

transparency technology equality

change honesty sustainability

safety environment

service efficiency future

prosperity planning happiness

grants AI

Many governments are facing similar financial and management challenges nationally

According to the *National League of Cities* less than 45% of municipal CFOs are confident in their organizations ability to meet needs – down from almost 70% just two years ago

Risk assessment

Fiscal stabilization and ARPA cliff

Workforce gaps and retirements

Cyber risk and AI

Risk/internal controls

Policy and GASB complexity

A Seamless Case Study

A large western county

The County was experiencing collapsing internal business and delivery infrastructure as well a rapidly deteriorating financial state.   They recognized the challenges and recognized that they did not have the resources or experience to handle completely on their own.

They contacted CLA for help…

What we did and how we are serving them now

- Stabilize and risk-based triage and prioritization
- Financial statements caught up and updating underlying requirements
- Training and documenting, updating and training new policies and procedures
- Ongoing audit preparation
- Business optimization analysis
- Grants' management operations, technology and grant discovery
- Internal audit

Incremental approach based on organizational risk assessment

Digital Transformation

The Next Wave of Digital in Government Is Not *"More Tech"*

It is operational readiness: AI that is useful, data that is trusted, and cybersecurity that lets leaders move with confidence.

- AI
- Cyber
- Digital readiness

Move from isolated experiments to governed, measurable action.

Three Trends Finance Leaders Should Care About

1 **AI shifts from pilots to operations**
Common use cases: policy/document summarization, workflow automation, customer service, internal knowledge access. The issue is no longer "Can we use AI?"; it is "Can we scale it responsibly?"

2 **Cyber becomes the trust layer**
AI creates new productivity pathways and new risk. Cyber readiness, identity management, vendor risk, and response plans must be part of every digital move

3 **Data readiness decides what scales**
AI, automation, dashboards, and fraud analytics all depend on trusted, governed data. Governance turns data from a liability into an operating asset

AI: Practical, Mission-Aligned, and Governed

Defining the outcome

The most successful public-sector AI efforts start with narrow but meaningful operational problems, then build the governance, data access, and change management needed to scale.

Examples

- AP/invoice intake and routing
- Policy and board packet analysis
- Grant, contract, and compliance document review
- Internal knowledge assistant for procedures and forms
- P-card exception review and transaction triage

***AI is not replacement; it is capacity, consistency, and better decision support — if readiness is addressed first*.**

Cyber + Data Governance: The Foundation for Trusted Digital

Digital risk is now operational risk.

For state and local governments, the board/council question is increasingly: “How do we modernize and improve service while protecting data, funds, identity, and public trust?”

Cyber readiness

- NIST-aligned assessment, identity, third-party risk, incident response, resilience

Data governance

- Ownership, definitions, quality, access, retention, security, reporting confidence

Responsible AI

- Acceptable use, use-case risk, human oversight, transparency, records/public trust

If you are thinking about AI, start with readiness. If you are thinking about automation, start with your data. If you are thinking about digital services, start with trust.

How To Make This Actionable After the Webinar

1. Assess
Current-state readiness across AI, data, cyber, systems, people, and governance

2. Prioritize
Select use cases by mission value, feasibility, risk, cost, and stakeholder impact

3. Protect
Embed identity, access, privacy, vendor risk, and incident response into the plan

4. Pilot
Test practical use cases with controls, training, and a defined success measure

5. Scale
Move from tool adoption to operating model, roadmap, and accountable ownership

Tailored solutions to turn challenges into opportunities, backed by an ROI-driven approach aligned to your business and designed for ***transformative outcomes***.

Data analytics and insights
Developing custom insights and data infrastructure for organizational outcomes.

IT advisory
Aligning technology strategy, architecture, and governance to business outcomes; enhanced by IT due diligence, carve out, and portfolio value creation.

Software selection, implementation, and optimization
Selecting, implementing, and optimizing software through innovative solutions and advisory services.

AI and automation
Using AI and automation to optimize operations and streamline workflows and communication.

Cybersecurity
Protecting systems and data through technical experience and risk-based methods for a strong cybersecurity plan.

Enablement services
Aligning strategy, project management, change management, and process improvement to accelerate adoption and reduce risk.

Managed services and infrastructure
Running and optimizing critical infrastructure with managed services that strengthen resilience and reduce operational burden.

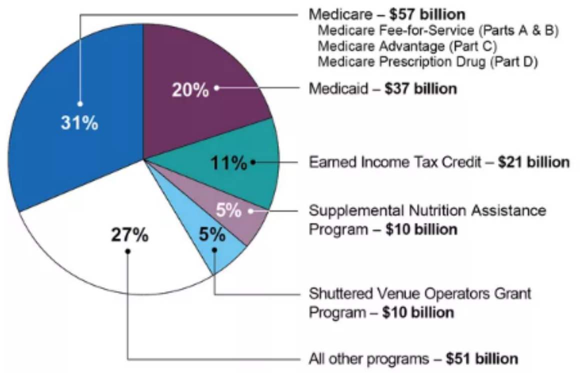
Culture and Fraud Prevention

The Scale of the Challenge

Strengthening civic integrity

Federal enforcement is intensifying — state and local governments face greater scrutiny than ever before

Programs Reporting the Largest Percentage of Government-Wide Improper Payments Estimates for Fiscal Year 2025



Source: GAO analysis of Office of Management and Budget PaymentAccuracy.gov data. | GAO-26-108694

- In FY 2025, federal grant awards of more than $1 trillion flowed to state and local governments.
- Grants are awarded by more than 30 federal agencies through more than a thousand grant programs.
- In FY 2025, 15 federal agencies reported a total estimate of about $186 billion in improper payments across 64 programs, an increase of $24 billion from the prior fiscal year.
- There is no available estimate of federal grant fraud, but GAO estimated fraud losses between $233 billion and $521 billion annually across all federal programs.

Grant Fraud Enforcement Efforts

PRESS RELEASE

Former Orleans Parish Sheriff's Office Employee and Slidell Resident Guilty of Theft and Bribery Conspiracy Concerning Program Receiving Federal Funds

PRESS RELEASE

Former Amarillo Employee Sentenced to 18 Months in Federal Prison for Embezzling HUD Program Funds

Wednesday, August 6, 2025

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For Immediate Release

U.S. Attorney's Office, Northern District of Texas

A former Amarillo city employee was sentenced to 18 months in federal prison for embezzling more than $121,000 from a federal program that provided housing for homeless individuals, announced Acting United States Attorney Nancy E. Larson.

Vanessa Robinson, 35, was a Grant Manager for the City of Amarillo from 2013 to January 2024 in Amarillo's Community Development Department. In this role, she was responsible for distributing funds supplied by the U.S. Department of Housing and Urban Development (HUD) to help homeless or near-homeless citizens in Amarillo, Texas with housing costs. This program paid market-rate rents to landlords willing to house those who needed assistance. Robinson communicated with Amarillo property owners who were willing to lease their properties through the program, assisted in completing lease agreements, coordinated physical inspections of their properties, and assembled payment voucher packages.

Court documents reflect that for approximately five years, from July 2019 to September 2024, Robinson embezzled from the program by various means. She posed as a program recipient and took steps to live rent-free for more than two years, including enlisting a co-conspirator—another former employee who participated in a similar scheme—to act as Robinson's case worker and communicate with Robinson's landlord. The twenty-five months of Robinson's rent-free living cost the program $34,673. Robinson admitted that she also created fraudulent lease agreements and a fictitious landlord, using her husband's identity, to receive funds from HUD's Emergency Services Grant. Additionally, she filled out fraudulent applications in family members' names to enable them to receive housing assistance. In total, Robinson caused the program to spend $121,325 on Robinson's fraudulent applications, leases, and vouchers.

In March 2025, Robinson pled guilty to an information charging her with conspiracy to embezzle from a federally-funded program. On July 22, 2025, U.S. District Judge Matthew Kacsmaryk sentenced Robinson to 18 months in federal prison and ordered her to pay restitution of $121,325.21 to the City of Amarillo.

Separately, former City of Amarillo employee Amy Dixon pled guilty to a similar conspiracy charge in June 2024 for embezzling more than $465,000 from the same HUD-funded program. Dixon was sentenced to 24 months in federal prison by U.S. District Judge Matthew Kacsmaryk in October 2024 and ordered to pay restitution of $465,511.65 to the City of Amarillo.

"These defendants abused trusted positions within the City of Amarillo to steal from federal funding intended for residents experiencing significant financial hardship and homelessness," said Acting U.S. Attorney Nancy Larson. "This breach of the public trust will not be tolerated, and we are proud of our law enforcement partners' work in seeing justice done in this case."

"The defendants in this case embezzled funds from a program meant to help disadvantaged residents in their area. They abused their positions as city employees for personal gain at the expense of their community," said FBI Dallas Specia Agent in Charge R. Joseph Rothrock. "The FBI would like to thank HUD-OIG for partnering with us to hold these individuals accountable for defrauding a federal program funded by taxpayer dollars."

PRESS RELEASE

Shiprock Man Sentenced to 5 Years in Prison for $1.5 Million Bid-Rigging Scheme Against Federally Funded Educational Organization

Thursday, July 24, 2025

PRESS RELEASE

Successful Transfer of Abdikerm Eidleh from Somalia to Minnesota to Face Charges for Role in Feeding Our Future Fraud Scheme

Thursday, July 16, 2026

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For Immediate Release

Office of Public Affairs

WASHINGTON – United States Attorney Daniel N. Rosen announced today that Abdikerm Abdelahi Eidleh, 42, of Burnsville, Minnesota, was successfully transferred to Minnesota on July 16, 2026, after his lawful surrender in Somalia.

Eidleh was among the defendants originally charged by indictment in the Feeding Our Future scheme in September 2022 and is facing 31 charges including conspiracy to commit wire fraud, wire fraud, conspiracy to commit federal programs bribery, federal programs bribery, conspiracy to commit money laundering, and money laundering.

In September 2022, the U.S. District Court for the District of Minnesota signed a warrant for Eidleh's arrest.

Almost four years later in June 2026, Eidleh was located by law enforcement in Somalia. As a result of strong international law enforcement partnerships between the Federal Bureau of Investigation, the National Intelligence and Security Agency of Somalia, and the Somali Police Force, Eidleh was escorted to the District of Minnesota by Special Agents of the FBI and IRS Criminal Investigation. The Department of Justice's Office of International Affairs provided valuable assistance in securing Eidleh's return to the United States.

"Fraudsters like Abdikerm Eidleh should know full well that they cannot escape the full weight of the Justice Department," said Assistant Attorney General Colin M. McDonald of the Justice Department's National Fraud Enforcement Division. "I commend our law enforcement partners for swiftly and securely returning Eidleh to the United States, where he will now face justice for his crimes."

"Abdikerm Eidleh is second only to Aimee Bock in the Feeding Our Future fraud scheme. His capture and transfer back to Minnesota show how far the arm of American law enforcement can reach, and that you can run, but you cannot hide," said United States Attorney Daniel N. Rosen.

PRESS RELEASE

Nevada Businesswoman Sentenced to Prison for Fraudulent Scheme Seeking Millions in COVID-19 Tax Credits

PRESS RELEASE

Nurse Practitioner Sentenced to 87 Months in Prison for $12M Medicare Fraud

Wednesday, June 17, 2026

Share

For Immediate Release

Office of Public Affairs

A Louisiana nurse practitioner was sentenced today to 87 months in prison and three years of supervised release for causing over $12 million in false and fraudulent claims to Medicare for medically unnecessary cancer genetic tests. She was also ordered to pay $1,508,868.25 in restitution.

According to court documents and evidence presented at trial, Scharmaine Lawson Baker, 59, of Fulshear, Texas, a licensed nurse practitioner and Medicare provider, received tens of thousands of dollars in illegal kickbacks in exchange for ordering expensive cancer genetic tests. Lawson Baker held herself out as an expert in Medicare regulations — authoring books on medical necessity and patient-provider relationships — while actively violating those very standards.

From October 2018 to October 2019, Lawson Baker worked as an independent contractor for a company that claimed to provide telehealth services. In her role, Lawson Baker signed hundreds of orders for medically unnecessary cancer genetic tests after brief phone calls with the patients, typically lasting less than 30 seconds, and without examining the patients. In a recorded call admitted at trial, a telehealth company's phone operator told Lawson Baker that she would be "rolling in money" by signing the orders, and Lawson Baker responded with "Honey, I am not complaining." The evidence at trial also showed that Lawson Baker ordered ovarian and cervical cancer tests for male patients, demonstrating that she was acting as a rubber stamp to get paid instead of providing real medical care. Lawson Baker never reviewed the results of any of the tests she ordered, including when the results showed that patients actually had variants predisposing them to certain cancers.

Where Culture and Fraud Risk Intersect in Government

Fraud risk often concentrates where discretion, pressure, and complexity meet.

Procurement and vendor management	• Conflicts of interest, split purchases, and bid manipulation — where personal relationships with vendors create blind spots in oversight.
Grants and federal funds	• Eligibility, subrecipient oversight, and allowable costs. In FY 2025, the federal government provided an estimated $1.2 trillion to state and local governments in federal grants.
Payroll, time and benefits	• Ghost employees, overtime abuse, and leave manipulation — high-volume, routine transactions where anomalies hide in plain sight.
Programs and public services	• Eligibility, claims, benefits, and data manipulation — where large caseloads and manual decision-making create gaps in accountability.
Red flags	• Missing or altered documentation, duties never shared, leave never taken, transactions just under approval limits, weak segregation of duties

Culture risk signals: Pressure to meet grant deadlines | Personal familiarity with vendors | "We've always done it this way" | Fear of retaliation | Excessive exceptions

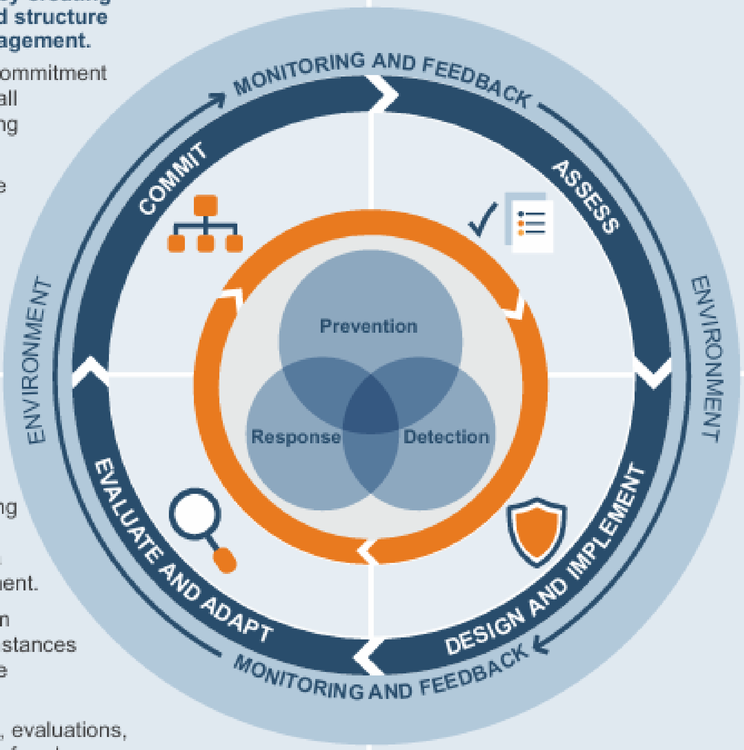
The Fraud Risk Management Framework and Selected Leading Practices

Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management.

- Demonstrate a senior-level commitment to combat fraud and involve all levels of the program in setting an antifraud tone.
- Designate an entity within the program office to lead fraud risk management activities.
- Ensure the entity has defined responsibilities and the necessary authority to serve its role.

Plan regular fraud risk assessments and assess risks to determine a fraud risk profile.

- Tailor the fraud risk assessment to the program, and involve relevant stakeholders.
- Assess the likelihood and impact of fraud risks and determine risk tolerance.
- Examine the suitability of existing controls, prioritize residual risks, and document a fraud risk profile.



Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.

- Conduct risk-based monitoring and evaluation of fraud risk management activities with a focus on outcome measurement.
- Collect and analyze data from reporting mechanisms and instances of detected fraud for real-time monitoring of fraud trends.
- Use the results of monitoring, evaluations, and investigations to improve fraud prevention, detection, and response.

Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.

- Develop, document, and communicate an antifraud strategy, focusing on preventive control activities.
- Consider the benefits and costs of controls to prevent and detect potential fraud, and develop a fraud response plan.
- Establish collaborative relationships with stakeholders and create incentives to help ensure effective implementation of the antifraud strategy.

Source: GAO. | GAO-15-593SP

Common Defenses and Recommended Practices

The public trust lifecycle

Prevent	Perform	Protect
• Segregation of duties • Approval thresholds • Vendor onboarding checks • Conflict disclosures	• Exception reporting • Data analysis • Hotline intake • Reconciliations and inventory counts	• Clear triage and investigation protocols • Lessons learned • Reporting rhythm • Corrective action – remediation and internal controls

Design principles: Risk-based | Embedded in workflow | Transparent | Proportionate | Reviewed after incidents and major program changes

Action Plan

Start small, make risk visible, and build momentum through practical wins.

Step 1
Stress test your operational infrastructure

- Identify risk owner
- Analyze exceptions, listen to employees
- Define top processes and success measures
- Identify antiquated workflows or decentralized processes
- Map fraud schemes
- Review control gaps

Step 2
Monitor and analyze

- Identify data sources
- Monitor high risk areas
- Identify anomalies
- Investigate, quantify the impact, determine intent (error vs. fraud), and legally fortify the findings

Step 3
Refresh controls

- Prioritize fixes, simplify workflows
- Train supervisors
- Establish monitoring rhythm

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Next webinar:

Clean Energy, Real Savings for Governments

- August 11
- Registration information to come. Watch CLA Events, Webinars, Conferences, Livestreams

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Thank you!

Chris Kessler, Managing Principal of Industry
chris.kessler@CLAconnect.com

Sean Walker, Principal
sean.walker@CLAconnect.com

Heather Plitt, National Assurance Quality Leader
heather.plitt@CLAconnect.com

Christian Fuellgraf, Principal
christian.fuellgraf@CLAconnect.com

Mitch Thompson, Digital Director
mitch.thompson@CLAconnect.com

Folashade Abiola-Banjac, Principal
folashade.abiola-banjac@CLAconnect.com

CLAconnect.com

CPAs | CONSULTANTS | WEALTH ADVISORS