

## **Fraud – Finding it, Documenting it and Reporting it**

Presented by Allen F. Brown, CPA, CFE

Middle Tennessee Chapter of ACFE

January 24, 2012 - 8:00 a.m. to 5:00 p.m.

The purpose of this class is to expose the participants to several types of fraud schemes that may be committed, how they were committed, how they were discovered and investigated. This will be done by using examples of real frauds that were investigated by the instructor. In addition to general lecture the participants will be provided with case studies related to real frauds and be allowed to determine how they would investigate, document and report the issues. In addition, for each type of fraud scheme the participants will discuss how the fraud could have been prevented or discovered timely.

The class will conclude with a discussion focusing on how to report what you found during your investigation.

### **1. Why do people commit fraud**

a. List reasons why people commit fraud.

b. What are some reasons people don't commit fraud?

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- c. M – O – R
  - i. Motive

- ii. Opportunity

- iii. Rationalization

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**2. Getting the investigation started**

a. Source of the allegation or initiating information

b. Tips

i. Talking with the tipster

1. The tipsters motive

2. Anonymous VS Known

3. Get as much detail as possible

4. Decision making information

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(Getting Started Continued)

c. Hot lines

i. The Positive

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ii. The Negative

iii. How to address the negative



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(Getting Started Continued)

### 5. Interviews

a. Neutral witnesses

b. Corroborating witnesses

c. Co-conspirators

d. Special person

iv. To seize or not to seize – that is the question

1. You must protect the records (hard copy and electronic)

2. Establishing a chain of custody

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(Getting Started Concluded)

v. The special person

1. Are they still there?

2. Do you want them there?

3. Other issues related to the special person

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**3. Altered document schemes**

a. Why are documents altered?

b. Purchasing scheme –

i. By Whom

ii. What documents might be altered and in what manner

c. Cash receipts scheme –

i. By whom

ii. What documents might be altered and in what manner

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(Altered Documents Continued)

- d. Payroll scheme –
  - i. By whom

- ii. What documents might be altered and in what manner

- e. Inventory scheme -
  - i. By whom

- ii. What documents might be altered and in what manner

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(Altered documents concluded)

f. Examples of documents that were altered and how they were exposed

i. Case Study One - Office supplies LRDC

ii. Case Study Two - Water Company Checks

iii. How could these frauds have been prevented?

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**4. False billings**

a. Red flags

i. Inventory

ii. Services

iii. Raw materials

b. Case Study – The Coroner

c. How could the scheme have been prevented ?







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**8. Payroll schemes**

a. What are the most common payroll fraud schemes?

b. Proving payroll fraud

c. Case Study One – Time Cards

d. Case Study Two - St. Helena Assessor

e. How can such schemes be prevented?





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(Documenting the Investigation Continued)

b. Organizing the information

i. Allegation Sheet

1. The allegation

2. Background

3. Facts obtained

4. Conclusion

5. Recommendation

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**11. Preparing the report**

- a. To whom are you writing
- b. How do you expect the information to be used
- c. Charts, Graphs and pictures
- d. Example - City of Monroe

**12. Working with the attorneys**

- a. Presentation
  - i. Easy to understand
  - ii. Evidence obtained legally
- b. Available to assist
- c. Accurate

**13. Concluding discussion of ideas and issues**