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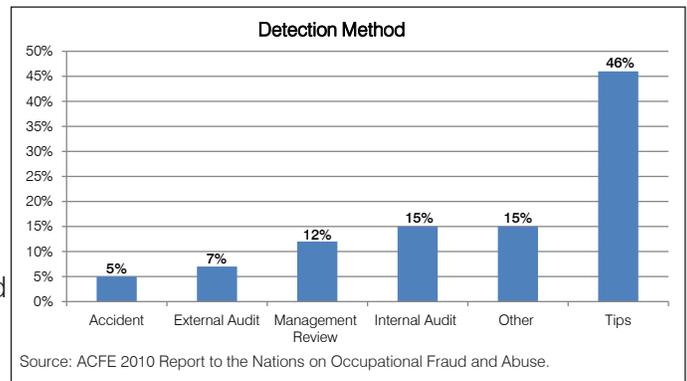
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## Detecting Fraud Schemes

Police go undercover and catch a cashier at a county treasurer’s office skimming cash receipts. Caught red-handed, the cashier confesses to stealing more than \$100,000 over a period of 2 years. The cashier is convicted, ordered to pay full restitution, and sentenced to 5 years in jail. Justice is served and another case is closed. Is this really how most cases of occupational fraud are detected?

The Association of Certified Fraud Examiners (ACFE) recently completed a global study of occupational fraud and abuse. One of the principal goals of the study was to identify how frauds were detected so that organizations can apply that knowledge to their anti-fraud efforts. It turns out that most fraud is detected from tips received by employees, customers, vendors, and other sources.

For government organizations, tips uncovered over three times as many frauds as any other method of detection. In every study conducted by the ACFE since 2002, tips have been the most common means of fraud detection. As shown in the graph below, tips, internal audit, management review, and external audit detected approximately 80 percent of all frauds in governmental entities. Another 5 percent were discovered by accident.



## Collecting/Responding to Fraud Tips

Very few of the governments that we audit have implemented effective fraud reporting systems to collect and respond to fraud tips, which is surprising given that nearly half of all frauds are detected this way. An effective system, such as a fraud hotline, allows employees and others to report fraud, waste, and abuse by phone or through a Web-based portal. Effective systems are well publicized and are designed to ensure anonymity and confidentiality. People are unlikely to report suspicious activity if they fear retaliation. The ACFE found that organizations that implemented fraud hotlines reduced their loss per case by nearly 60 percent and detected fraud schemes 7 months earlier than organizations without hotlines.

Implementing a system to collect and respond to fraud tips is an effective way of fighting fraud in your organization. The ACFE has additional information on implementing a fraud hotline at [www.acfe.com](http://www.acfe.com).

