

# FRAUD INVESTIGATION STRATEGY

Best Practices in Planning  
Fraud Investigation

Special Guest Speaker



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# **Fraud Investigation Strategy:**

## ***Best Practices in Planning a Fraud Investigation***

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# Why Conduct an Investigation?

- Identifying improper conduct
- Identifying the persons responsible for improper conduct
- Stopping fraud
- Sending a message throughout the organization that fraud will not be tolerated
- Determining the extent of potential liabilities or losses that might exist
- Helping facilitate the recovery of losses
- Stopping future losses
- Mitigating other potential consequences
- Strengthening internal control weaknesses

# Conducting an Initial Assessment

- An initial assessment should be conducted to determine whether a formal investigation is needed and what possible steps are required.
- The assessment should be a limited, fact-finding analysis focused on the specific allegation or incident.

# Conducting an Initial Assessment



- The initial assessment should seek to:
  - Determine whether fraud occurred.
  - Identify the status of the fraud.
  - Review any applicable policies and procedures.
  - Identify potential claims and offenses.
  - Determine the scope of the investigation.

# Identify the Status of the Fraud

- The initial assessment should answer:
  - When did the fraud begin?
  - Where did the violation come from?
  - Was it internal or external?
  - Is the fraud still occurring?
  - If the fraud is no longer occurring, when did it stop?

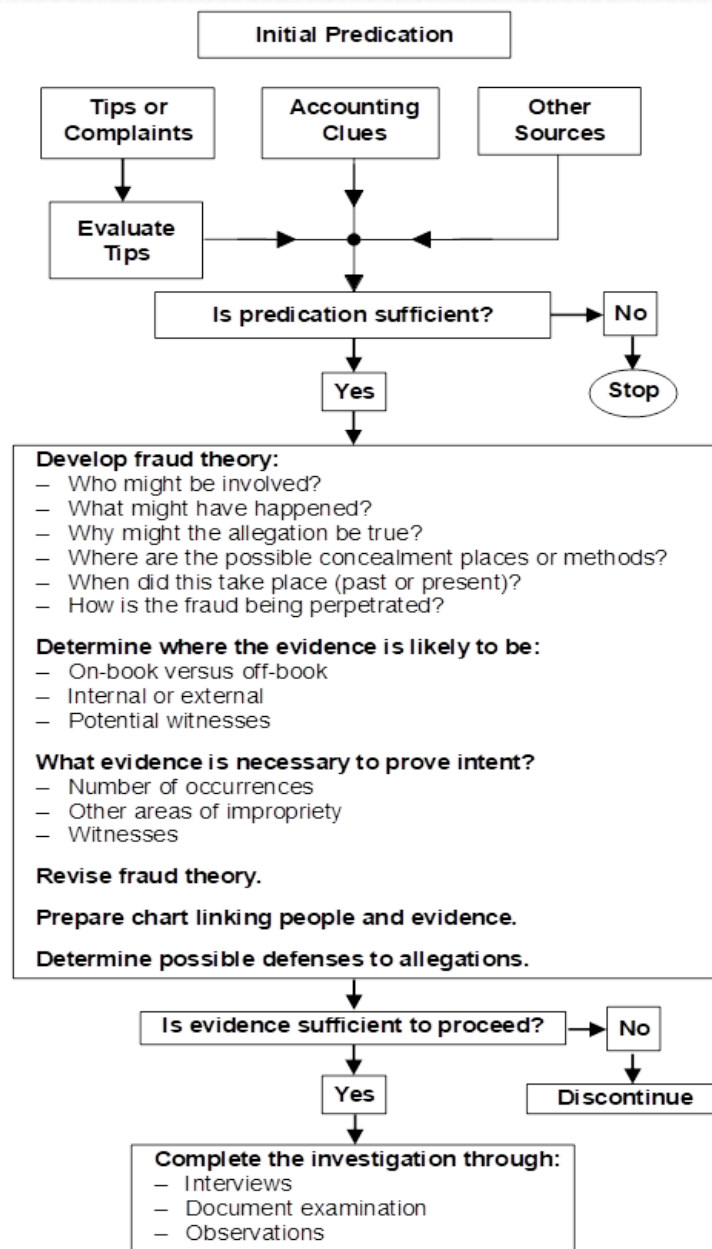




# Fraud Examination Methodology

- Assume litigation will follow.
  - Conduct each fraud examination with the assumption that the case will end in litigation.
- Act on predication.
  - Do not conduct or continue fraud examinations without proper predication.







# Determine Whether Fraud Occurred



- It is important to differentiate between inadvertent violations and those carried out with deliberate criminal intent.
- Ask yourself, “Can you prove this wasn’t a mistake?”

# Identify Potential Claims and Offenses



- Consider the potential legal claims and offenses, including:
  - Civil
  - Criminal
  - Administrative
- Don't forget to check insurance policies

# Determine the Scope of the Investigation

- Develop a list of key issues.
- Consider the quality of the anti-fraud program.
- Consider the organization's anti-fraud culture.
- Consider the risk profile of the affected area.
- Examine the nature of the suspected misconduct.
- Determine whether the issue is widespread or isolated.
- Who all could be involved

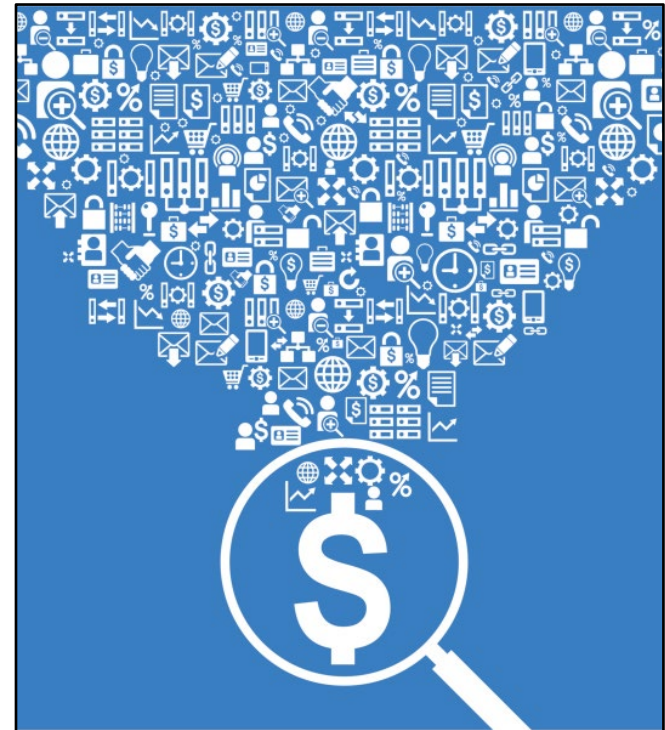


# Determine the Scope of the Investigation

- Ascertain whether company policies prohibit the suspected misconduct.
- Consider broadening the scope if the allegations indicate a failure in these policies.
- Decide whether a civil suit is likely.
- Determine whether the issue is likely to result in negative publicity.

# Considering Financial Ramifications

- Consider financial ramifications beyond the direct financial loss, such as:
  - Was the amount involved billed to a customer?
  - Are there tax implications of the alleged scheme?



# Structuring the Investigation to Preserve Confidentiality



- Legal privileges and discovery rules depend largely on how the information was gathered and secured.



# Assembling the Team

- An internal fraud investigation might include:
  - Certified Fraud Examiners (CFEs)
  - Legal counsel
  - Forensic accountants
  - Auditors
  - Audit committee
  - Corporate security
  - Compliance personnel

# Assembling the Team

- An internal fraud investigation might include:
  - HR personnel
  - Building security personnel
  - Management
  - IT personnel
  - Computer forensic experts
  - E-discovery specialists
  - External consultants

# External Notifications

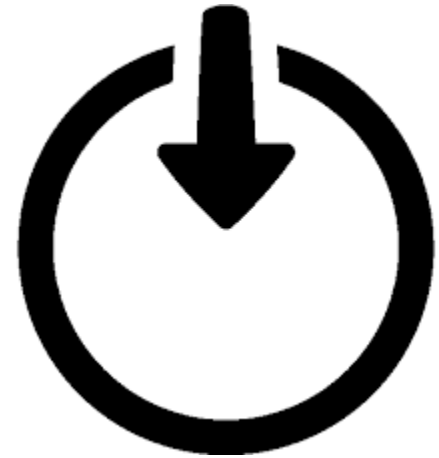
- Management should determine whether, and at what stage of an investigation, it might have an obligation to notify outside parties.
- Consider whether the case requires:
  - Notification of government agencies
  - Notification of insurer
  - Notification of customers or vendors
  - Involvement of law enforcement





# Internal Notifications

- The investigative team should determine which parties in the organization need to be informed.
- Examiners might notify:
  - Compliance
  - Human resources
  - Corporate security
  - Information technology
  - The subject's supervisor



# Availability of Records



- Consider whether the needed records are readily available internally or externally, and at what cost.
- Determine the need to place a hold on routine destruction of records.

# Ongoing Considerations

- Stay in touch; meet regularly
- Document, document, document
- Ensure staff are aware of goals and timelines
- Keep management notified
- Meet frequently with attorneys, keep them apprised of your findings
- Maintain confidentiality





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**3**

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Collecting, analyzing and documenting Evidence