

FRAUD EXAMINERS MANUAL

TABLE OF CONTENTS

VOLUME I

SECTION 1 FINANCIAL TRANSACTIONS AND FRAUD SCHEMES

ACCOUNTING CONCEPTS

Accounting Basics	1.101
Financial Statements	1.105
Generally Accepted Accounting Principles.....	1.116

FINANCIAL STATEMENT FRAUD

What Is Financial Statement Fraud?.....	1.203
The Cost of Financial Statement Fraud.....	1.204
Why Financial Statement Fraud Is Committed	1.204
Trends in Financial Statement Fraud	1.206
Financial Statement Fraud Schemes.....	1.208
What Red Flags Are Associated with Financial Statement Fraud in General?	1.237
Detection of Fraudulent Financial Statement Schemes	1.238
Financial Statement Analysis	1.240
Interviews in Fraudulent Financial Statement Cases	1.248
Prevention of Financial Statement Fraud.....	1.256

ASSET MISAPPROPRIATION: CASH RECEIPTS

Skimming.....	1.301
Cash Larceny.....	1.320
Theft of Cash on Hand	1.333

ASSET MISAPPROPRIATION: FRAUDULENT DISBURSEMENTS

Register Disbursement Schemes.....	1.401
Payment Tampering Schemes	1.410
Billing Schemes.....	1.437
Payroll Fraud Schemes	1.457
Expense Reimbursement Schemes.....	1.475

ASSET MISAPPROPRIATION: INVENTORY AND OTHER ASSETS

Misuse of Inventory and Other Assets	1.501
Theft of Inventory and Other Assets.....	1.502
Misappropriation of Intangible Assets.....	1.518

FRAUD EXAMINERS MANUAL

FINANCIAL TRANSACTIONS AND FRAUD SCHEMES

CORRUPTION

What Is Corruption?	1.601
Forms of Corruption	1.601
Methods of Making Corrupt Payments	1.609
Detection of Corruption Schemes.....	1.611
Conflicts of Interest.....	1.627
Anti-Corruption Programs	1.638

THEFT OF DATA AND INTELLECTUAL PROPERTY

Competitive Intelligence Versus Espionage.....	1.702
Where Intelligence Professionals Get Information	1.704
Favorite Employee Targets of Intelligence Professionals.....	1.712
How Information Is Lost or Stolen	1.713
Electronic Countersurveillance	1.734
Insider Threats to Proprietary Information	1.735
Investigating Corporate Espionage	1.740
Program for Safeguarding Proprietary Information	1.742
Minimizing the Risks of Misappropriation Claims.....	1.754

IDENTITY THEFT

Perpetrators of Identity Theft	1.801
Victims of Identity Theft	1.802
Methods of Committing Identity Theft.....	1.803
Types of Identity Theft Schemes.....	1.804
How Identity Thieves Steal Information.....	1.808
Methods of Preventing Identity Theft.....	1.815
How to Respond to Identity Theft.....	1.816

FINANCIAL INSTITUTION FRAUD

Embezzlement Schemes	1.901
Loan Fraud.....	1.905
Real Estate Fraud.....	1.916
New Account Fraud Schemes.....	1.936
Money Transfer (Wire) Fraud Schemes.....	1.940
Automated Teller Machine Fraud.....	1.943
Account Takeover.....	1.944
Advance-Fee Fraud.....	1.945

FRAUD EXAMINERS MANUAL

FINANCIAL TRANSACTIONS AND FRAUD SCHEMES

FINANCIAL INSTITUTION FRAUD (CONT.)

Letter-of-Credit Fraud.....	1.947
Inside/Outside Frauds	1.947
Prevention	1.948
Suspicious Transaction Reports.....	1.950
The Basel Committee on Banking Supervision.....	1.951

PAYMENT FRAUD

Check Fraud.....	1.1001
Payment Card Fraud.....	1.1013
Prevention and Detection of Payment Card Fraud	1.1023
Electronic Bill Payment and Person-to-Person Payments.....	1.1034
Online and Mobile Account Fraud	1.1043
Alternative Currencies	1.1045

INSURANCE FRAUD

Types of Insurance Policies	1.1101
Agent/Broker Fraud.....	1.1102
Underwriting Irregularities.....	1.1103
Vehicle Insurance Schemes	1.1105
Property Schemes.....	1.1108
Life Insurance Schemes.....	1.1109
Liability Schemes.....	1.1109
Workers' Compensation Fraud.....	1.1109
Detecting and Preventing Insurance Fraud.....	1.1119

HEALTH CARE FRAUD

Types of Health Care Systems	1.1201
Provider Fraud.....	1.1205
Fraud by the Medical Staff.....	1.1212
Inflated Billings.....	1.1212
Kickbacks in the Health Care Industry.....	1.1217
Fraud by Medical Institutions	1.1218
Other Frauds in the Institutional Setting.....	1.1224
Fraud in Special Care Facilities	1.1225
Fraud by the Patient.....	1.1227
Fraud by Insurance Companies	1.1230
Employee Claims Fraud.....	1.1232

FRAUD EXAMINERS MANUAL

FINANCIAL TRANSACTIONS AND FRAUD SCHEMES

HEALTH CARE FRAUD (CONT.)

Agent Fraud	1.1234
Electronic Claims Fraud.....	1.1235
Health Care Compliance Programs	1.1238

CONSUMER FRAUD

Consumer Fraud Schemes	1.1301
Elder Fraud	1.1313
Telemarketing Fraud.....	1.1316
Ponzi and Pyramid Schemes	1.1334

CYBERFRAUD

What Is Cyberfraud?	1.1401
Recognizing Computer Intrusion	1.1402
Insider Threats.....	1.1404
Computer Hacking.....	1.1405
Malware	1.1419
Email.....	1.1432
Internet Fraud.....	1.1434
Electronic Commerce and Information Security	1.1436
Cybersecurity	1.1439

CONTRACT AND PROCUREMENT FRAUD

Basics of Contract Law	1.1501
Methods of Procurement.....	1.1503
Phases in the Procurement Process.....	1.1507
Categories of Procurement Fraud Schemes	1.1511
Preventing Contract and Procurement Fraud.....	1.1534

FRAUD EXAMINERS MANUAL

SECTION 2 LAW

OVERVIEW OF THE LEGAL SYSTEM

Basic Concepts of the Law	2.101
Types of Legal Systems	2.103
International Issues in Fraud Cases.....	2.109
Court Systems	2.110
Civil and Criminal Actions for Fraud.....	2.111
Parallel Proceedings	2.113
Administrative Proceedings.....	2.114

THE LAW RELATED TO FRAUD

Definition of <i>Fraud</i>	2.201
Principal Types of Fraud.....	2.201
International Initiatives Against Fraud and Corruption.....	2.222

BANKRUPTCY (INSOLVENCY) FRAUD

Key Parties in the Bankruptcy System	2.301
Types of Bankruptcy Filings.....	2.304
Bankruptcy Schemes.....	2.305
Cross-Border Insolvency Regimes	2.308
The World Bank Principles	2.309

SECURITIES FRAUD

What Constitutes a Security?	2.401
Securities Laws and Regulations	2.422
Self-Regulatory Organizations.....	2.438
Securities Fraud Schemes.....	2.440
Investigative Tips	2.455

MONEY LAUNDERING

The Money Laundering Process	2.501
Money Laundering Methods	2.504
International Anti-Money Laundering Efforts	2.529
Enforcement and Prevention Strategies	2.540
Special Problems for Insurance Companies	2.544

FRAUD EXAMINERS MANUAL

LAW

TAX FRAUD

Introduction.....	2.601
Evidence of Tax Fraud.....	2.604
Types of Tax Evasion Schemes	2.605
Common Defenses to Allegations of Tax Evasion	2.607
Fraud Schemes Targeting Taxpayers.....	2.609

INDIVIDUAL RIGHTS DURING EXAMINATIONS

Employees' Duties and Rights During Investigations.....	2.701
Rights and Obligations Under Criminal Law.....	2.708
The Law Relating to Government Search and Seizure.....	2.714
Investigations in Private Actions	2.717

THE CRIMINAL JUSTICE SYSTEM

International Covenant on Civil and Political Rights	2.801
The Charging Process.....	2.803
Defenses	2.805
The Trial Process	2.807
Sentencing	2.816
Punishment	2.817
Appeal.....	2.818
Corporate Criminal Liability.....	2.819

THE CIVIL JUSTICE SYSTEM

Procedure in Civil Cases	2.901
Decisions and Remedies in Civil Cases.....	2.910
Alternative Dispute Resolution.....	2.912

BASIC PRINCIPLES OF EVIDENCE

Three Basic Forms of Evidence	2.1002
Direct Versus Circumstantial Evidence	2.1002
Admissibility of Evidence	2.1003
Special Rules Concerning the Admission of Evidence in Adversarial Proceedings.....	2.1005
Chain of Custody	2.1024
Impeachment	2.1026
Privileges and Protections.....	2.1028

FRAUD EXAMINERS MANUAL

LAW

TESTIFYING

Considerations for Testifying as a Lay Witness.....	2.1102
Considerations for Testifying as an Expert.....	2.1105
Qualifying to Testify as an Expert Witness.....	2.1111
Preparing to Testify	2.1115
Direct Examination	2.1118
Cross-Examination	2.1123
Expressing an Opinion on Guilt.....	2.1130
Witness Immunity for Experts.....	2.1132
Summary.....	2.1132

FRAUD EXAMINERS MANUAL

VOLUME II

SECTION 3 INVESTIGATION

PLANNING AND CONDUCTING A FRAUD EXAMINATION

Why Conduct a Fraud Examination?	3.101
What Fraud Examination Entails	3.102
Fraud Examination and Forensic Accounting	3.104
Fraud Examination Methodology	3.104
Develop a Fraud Response Plan	3.112
Initial Response to Suspicions or Allegations of Fraud	3.116
Planning and Conducting a Formal Investigation	3.124
Structure the Investigation to Preserve Confidentiality	3.144

COLLECTING EVIDENCE

Types of Evidence	3.201
General Rules for Collecting Documents	3.202
Obtaining Documentary Evidence	3.202
Examining Fraudulent Documents	3.205
Handling Documents as Physical Evidence	3.207
Identifying Writings	3.210
The Document Expert's Findings	3.213
How to Obtain Handwriting Samples	3.214
Typewriters and Computer Printers	3.216
Photocopies	3.217
Dating a Document	3.220
Indented Writings	3.222
Counterfeit Printed Documents	3.223
Fingerprints	3.224
Disposal of Evidence	3.226
Sources for Expert Document Examinations	3.227

INTERVIEW THEORY AND APPLICATION

Preparation	3.301
Characteristics of a Successful Interview	3.302
Characteristics of an Effective Interviewer	3.303
Legal Considerations When Conducting an Interview	3.303
Elements of Conversations	3.305
Inhibitors of Communication	3.306

FRAUD EXAMINERS MANUAL

INVESTIGATION

INTERVIEW THEORY AND APPLICATION (CONT.)

Facilitators of Communication	3.309
Interviewing Methods and Techniques.....	3.311
Interview Mechanics.....	3.321
Question Typology	3.325
Introductory Questions.....	3.327
Informational Questions.....	3.335
Closing Questions.....	3.349
Assessment Questions.....	3.352

INTERVIEWING SUSPECTS AND SIGNED STATEMENTS

Admission-Seeking Questions.....	3.401
Signed Statements	3.426
Criteria-Based Statement Analysis	3.429

COVERT OPERATIONS

Establishing an Identity.....	3.502
Objectives.....	3.503
Problems in Covert Operations.....	3.504
Surveillance	3.506
Sources and Informants	3.514
Use of Operatives	3.522

SOURCES OF INFORMATION

Public Versus Nonpublic Records.....	3.602
Laws Governing Access to Information	3.605
Local Records	3.607
Court Records.....	3.609
Property Records.....	3.614
Business (Corporate) Filings.....	3.617
Other Agency Records	3.619
Nonpublic Records.....	3.624
Other Non-Government Sources.....	3.631
Accessing Information Online.....	3.633
Additional Information Sources	3.666

DATA ANALYSIS AND REPORTING TOOLS

Understanding the Need for Data Analysis	3.701
Data Mining.....	3.703

FRAUD EXAMINERS MANUAL

INVESTIGATION

DATA ANALYSIS AND REPORTING TOOLS (CONT.)

The Data Analysis Process	3.705
Spectrum of Analysis	3.712
Using Data Analysis Software	3.713
Textual Analytics	3.739
Visual Analytics	3.742
Evaluating Data Analysis Software.....	3.746
Reporting and Case Management Software	3.749

DIGITAL FORENSICS

Conducting an Investigation Involving Computers.....	3.801
Investigations and Digital Forensics	3.814
Investigating in the Cloud.....	3.830
Mobile Forensic Investigations	3.834
Digital Forensics Software.....	3.840

TRACING ILLICIT TRANSACTIONS

General Process for Tracing Illicit Transactions	3.901
Direct Methods of Tracing Financial Transactions	3.911
Indirect Methods of Tracing Financial Transactions.....	3.941
Locating Hidden Assets	3.958
Asset Recovery	3.978

REPORT WRITING

Types of Reports.....	3.1001
Preparation.....	3.1002
Characteristics of a Good Report.....	3.1003
Common Reporting Mistakes	3.1005
Organization of Information.....	3.1009
Analyzing the Reader.....	3.1010
Outlining.....	3.1013
Grammatical Considerations	3.1014
Report Structure.....	3.1018
Reporting Documents	3.1027
Visual Aids	3.1031
Presenting the Case for Prosecution	3.1036

FRAUD EXAMINERS MANUAL

INVESTIGATION

APPENDIX A: ENGAGEMENT AND ADVISORY LETTERS

Fraud Examination Engagement Letters.....	3.1101
Fraud Examination Advisory Letters.....	3.1103

APPENDIX B: FRAUD EXAMINATION CHECKLIST

Fraud Examination Checklist.....	3.1201
----------------------------------	--------

APPENDIX C: SAMPLE FORMS

Consent to Search	3.1301
Telephone Recording Consent.....	3.1303
Consent to Record.....	3.1304
Customer Consent and Authorization for Access to Financial Records.....	3.1305
Fraud Incident Report Log.....	3.1306
Inventory of Evidence and Chain of Custody Log.....	3.1308
Evidence Control Log.....	3.1309

APPENDIX D: SAMPLE FRAUD EXAMINATION REPORTS

Short-Form Report	3.1402
Long-Form Report	3.1409

APPENDIX E: SAMPLE EXPERT WITNESS REPORT

Expert Witness Report.....	3.1501
----------------------------	--------

FRAUD EXAMINERS MANUAL

SECTION 4 FRAUD PREVENTION AND DETERRENCE

UNDERSTANDING CRIMINAL BEHAVIOR

Behavioral Analysis and the Prevention of Fraud.....	4.101
Why People Obey the Law.....	4.107
Theories of Crime Causation	4.116

WHITE-COLLAR CRIME

What Is White-Collar Crime?.....	4.201
<i>Crimes of the Middle Classes</i> —A Look at White-Collar Crime.....	4.202
Referring White-Collar Criminals to Law Enforcement.....	4.212
Organizational Crime.....	4.214
Occupational Fraud.....	4.230
Research in Occupational Fraud and Abuse.....	4.231

CORPORATE GOVERNANCE

Who Is Involved in Corporate Governance?.....	4.301
The Role of Corporate Governance in Fighting Fraud.....	4.307
Principles of Corporate Governance	4.308
Establishing a Corporate Governance Framework.....	4.321
Sources of Corporate Governance Guidance.....	4.322

MANAGEMENT’S FRAUD-RELATED RESPONSIBILITIES

The Legal Foundation for Management’s Fraud-Related Responsibilities.....	4.401
Management’s Responsibility for Internal Controls	4.402
Management’s Responsibility for an Effective Compliance and Ethics Program.....	4.406
Document Retention Policies	4.416

AUDITORS’ FRAUD-RELATED RESPONSIBILITIES

External Auditors’ Fraud-Related Responsibilities	4.501
Internal Auditors’ Fraud-Related Responsibilities	4.525
Government Auditors’ Fraud-Related Responsibilities.....	4.533

FRAUD PREVENTION PROGRAMS

Selling Fraud Prevention to Management.....	4.601
Procedures to Prevent Fraud.....	4.602
Anti-Fraud Policy.....	4.617

FRAUD EXAMINERS MANUAL

FRAUD PREVENTION AND DETERRENCE

FRAUD PREVENTION PROGRAMS (CONT.)

Ethics Programs	4.621
Sample Anti-Fraud Policy	4.625
Fraud Policy Decision Matrix.....	4.629
Sample Code of Business Ethics and Conduct.....	4.630

FRAUD RISK ASSESSMENT

What Is Fraud Risk?	4.701
What Factors Influence Fraud Risk?.....	4.701
What Is a Fraud Risk Assessment?.....	4.703
Preparing the Company for a Fraud Risk Assessment.....	4.710
Fraud Risk Assessment Frameworks	4.714
Addressing the Identified Fraud Risks.....	4.731
Responding to Residual Fraud Risks.....	4.733
Reporting the Results of the Fraud Risk Assessment.....	4.735
Making an Impact with the Fraud Risk Assessment.....	4.737
The Fraud Risk Assessment and the Audit Process	4.738
Fraud Risk Assessment Tools and Resources.....	4.739

FRAUD RISK MANAGEMENT

Foundational Guidance for Fraud Risk Management	4.801
What Is Risk Management?	4.801
Risk Management Frameworks.....	4.803
Integrating Anti-Fraud Initiatives into Risk Management	4.807
Managing Third-Party Fraud Risks.....	4.809
Who Is Responsible for Managing Fraud Risk?	4.814
The Objectives of a Fraud Risk Management Program	4.819
Fraud Risk Management Principles.....	4.819
Steps in Developing a Fraud Risk Management Program	4.824
Fraud Risk Management Program Components.....	4.828
The Use of Data Analytics in Managing Fraud Risk	4.832

ETHICS FOR FRAUD EXAMINERS

What Is Ethics?	4.901
Morality, Ethics, and Legality	4.903
Conclusion	4.907

FRAUD EXAMINERS MANUAL

FRAUD PREVENTION AND DETERRENCE

ACFE CODE OF PROFESSIONAL ETHICS

Commitment to Professionalism and Diligence.....	4.1002
Legal and Ethical Conduct and Conflict of Interest.....	4.1005
Integrity and Competence.....	4.1009
Court Orders and Testimony	4.1012
Reasonable Evidential Basis for Opinions	4.1013
Confidential Information.....	4.1016
Complete Reporting of Material Matters.....	4.1022
Professional Improvement	4.1023

CFE CODE OF PROFESSIONAL STANDARDS

CFE Code of Professional Standards	4.1101
--	--------