Detection of Fraud Schemes

The initial detection of a fraud scheme is often the most crucial moment in the fraud examination process — decisions must be made quickly to secure evidence, mitigate losses and execute the best investigation strategy available. The method by which a fraud is uncovered can open or close several options for an organization. For instance, the outcome of a case might vary substantially if the first time management learns of an alleged fraud is through an anonymous tip, as opposed to a law enforcement action.

Moreover, analyzing the means by which organizations detect instances of fraud gives us insight into the effectiveness of controls and other anti-fraud measures. We asked respondents to provide information about how the frauds they investigated were initially uncovered, allowing us to identify patterns and other interesting data regarding fraud detection methods.

Initial Detection of Occupational Frauds
Perhaps the most prevalent trend in the detection data is the ongoing importance of tips, which have been the most common method of initial detection since we first began tracking this data in 2002. As in our 2010 Report, management review and internal audit were the second and third most common methods of detection, respectively.