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Preventing and Detecting Fraud

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PREVENTING AND DETECTING FRAUD

**PRESENTED BY
DR. NICHOLAS M. ZACCHEA, PhD, CFE, CGFM**

**FOR
REPRESENTATIVES OF THE PEOPLE'S
REPUBLIC OF CHINA**

**HOSTED BY
THE GRADUATE SCHOOL USA,
WASHINGTON, DC**

SEPTEMBER 15, 2011

NEW YORK, NY

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PREVENTING AND DETECTING FRAUD

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HE IS AN INTERNATIONAL CONSULTANT, A UNIVERSITY LECTURER, AN INSTRUCTOR FOR THE GRADUATE SCHOOL, USA, WASHINGTON, DC, AND HAS CONDUCTED FRAUD RELATED TRAINING FOR GOVERNMENTS IN SOUTH AND CENTRAL AMERICA, AFRICA, ASIA, EUROPE, THE MIDDLE EAST AND THE PACIFIC.

A BRIEF BIOGRAPHICAL PROFILE IS ATTACHED.

THE VIEWS PRESENTED HERE ARE SOLELY THE PRESENTERS AND DO NOT NECESSARILY REPRESENT THE VIEWS OF THE GRADUATE SCHOOL USA.

REFERENCES AND SOURCES FOR MATERIAL IN THIS PRESENTATION ARE AVAILABLE.

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SEE THE NEXT PAGE.

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**PREVENTING AND DETECTING FRAUD, A PRESENTATION BY THE
GRADUATE SCHOOL USA, NEW YORK, NY, FOR REPRESENTATIVES OF THE
PEOPLE'S REPUBLIC OF CHINA,**

PRESENTED BY DR. NICHOLAS M. ZACCHEA, CFE, CGFM

SEPTEMBER 15, 2011,

Good Morning.

It is an honor to have been invited here today, and to have an opportunity to discuss this very important topic of fraud with you.

Fraud is something that touches the lives of every one of us.

It has a negative impact on the way in which we live, not only in the country in which we live, but in every other country in the world.

I hope that what we discuss here today will be useful to you.

I hope that it will help you to better comprehend the insidious nature of the corrupt behavior that constitutes fraud, and the devastating impact fraud has on everyone's lives.

I hope it will provide you with an understanding of not only what is being done to detect and prevent fraud here in the United States and elsewhere, but what you can do as part of the global initiative to prevent and detect fraud worldwide.

It is certain that preventing and eliminating fraud will improve the way in which we all live by eliminating the daily inconveniences we all encounter, and eliminate the pain and suffering brought about to many of our citizens by the effects of fraud and corrupt behavior.

As long as corruption continues to flourish, we will all continue to suffer its consequences.

I only wish that there were no need to discuss this topic.

I plan to start my presentation with an overview of corruption and fraud and its many nuances.

Why and how fraud occurs, what some countries are doing to combat fraud, and then what you may do as government executives to influence your country's efforts in its fight against fraud.

PREVENTING AND DETECTING FRAUD

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WHAT IS CORRUPTION: AN OVERVIEW?

Corruption, in our context here today, has many definitions and encompasses many different forms of aberrant and anti-social behavior.

The United States Agency for International Development defines corruption as "...the abuse of entrusted authority for private gain."

Corruption in combination with fraud—a subset of corruption--embraces the multitude of ways human ingenuity can devise and use to gain an undeserved advantage over another, regardless of the consequences of those actions.

It is an impairment of integrity, of virtue, or of moral principle or the inducement to commit a wrong by improper or unlawful means.

WHAT IS FRAUD?

Simply stated, fraud in government is the corrupt and intentional wrongful obtaining of either money or some other advantage or benefit from a government program or other government activity.

It is the specific use of intentional deception to obtain an unjust or illegal financial advantage.

Fraud can encompass a wide array of illegal activities and actions, all characterized by intentional deception to obtain an advantage, avoid an obligation, or cause loss to another party.

Experts estimate that there are hundreds of variations of fraud schemes.

Theft, embezzlement, filing false statements, receiving illegal commissions, offering or receiving kickbacks, obtaining contracts through collusive arrangements, offering or receiving bribes, forgery, extortion, theft, engaging in conspiracy, misappropriation, false representation, the concealment of facts, and collusion are the among the many ways fraud is committed.

It is intentional and misleading or deceitful conduct that deprives another of his/her resources or rights.

Fraud always involves intent and the violation of trust.

Fraud is a corrupt, dishonest and deliberate course of action that results in obtaining money, property or an advantage to which a person or the persons committing the fraud would not be entitled.

As regards fraud in government, all acts of fraud are considered material.

Fraud committed by government officials and others charged with stewardship over public funds, regardless of the amount, cannot be tolerated.

Common Elements of Fraud

Regardless of the definition used, the following characteristics are common to all fraud:

- Misrepresentation, false representation or concealment of a material fact.
- The misrepresentation, false representation or concealment is made knowingly or with gross negligence.

- The misrepresentation, false representation, concealment or gross negligence is made with intent to deceive.
- The victim of the misrepresentation, false representation, concealment or gross negligence relied on the misrepresentation, false representation, concealment or gross negligence,
- Injury or damage resulted from such reliance, and
- A party or parties to the act benefit.

For example fraud can involve:

- ❖ Giving a few Renminbi (RMB) to a government official to process an application for a permit or license.
- ❖ Offering a government procurement official a piece of jewelry for his wife in anticipation of getting a contract.
- ❖ Allowing a judge the use of a vacation home for a favorable decision.
- ❖ Knowingly submitting financial information to a bank official in return for an undeserved loan.
- ❖ Presenting an instructor in medical school a gift or money in expectation of receiving favorable academic treatment.

No matter what the act is, or how small the gratuity is, or why it is being done--it is fraud. It is altogether a:

- Degradation of the social order,
- Disregard for the law,
- Diminution of the rights of every citizen no matter where they live, and
- Has a negative impact on every one of us...including those who perpetrate the fraud.

Perhaps because fraud has no distinct shape or form, and perhaps because it is so ubiquitous, and has been around for such a long time in so many ways, that citizens have and others have stopped recognizing fraud for what it really is.

Perhaps because it is no longer recognized for what It really is—and make no mistake about it, it is one of any society's most destructive, most vicious scourges--the harmful and always devastating effects it has on the lives of each and every citizen, on any citizen of any country for that matter, have become obscured and difficult to recognize.

Consider for a moment the impact on society, in fact on all of us when:

- ❖ An unqualified, incompetent applicant receives a permit or license to construct a building or drive a vehicle,
- ❖ An unskilled contractor builds a government facility,
- ❖ An inequitable, unjust decision is rendered by a judge,
- ❖ A bankrupt applicant receives a loan from a bank,
- ❖ An inept medical student treats patients.

The possible effects on society one might imagine resulting from these seemingly petty acts of fraud are unpleasant and perhaps even horrifying to contemplate.

Fraud and corrupt behavior will continue to flourish and prosper as long as it is allowed to exist unfettered.

The longer that corruption is allowed to thrive and grow, the more pervasive, invasive, and destructive it becomes.

A reporter for the Wall Street Journal, referring to the prevalence of fraud in an East Asian country, observed that while citizens and businesses were struggling financially, fraud in the form of bribes and kickbacks was becoming a growth industry in that country.

He went on to say that as fraud grew, citizens and businesses were having to pay more in bribes than ever before, and even those bribes were often not enough to satisfy the bribe-takers.

He concludes by saying that bribe takers in that East Asian country now expect huge returns from their illicit activities.

Sadly, fraud seems to have an insatiable appetite that is difficult to satisfy.

Ask yourself, based on your own unique experiences, whether your economy is in danger of becoming dependant on fraud.

WHERE DOES FRAUD HAPPEN: HOW DOES IT OCCUR?

Fraud can occur anywhere and is indeed happening everywhere.

Fraud is being committed by and engaged in by members of every social, political, educational, and economic status in every country in the world.

As regards government, corruption is and always has been a constant presence both at the seat and in the halls of government.

Government is also a prime target for fraudulent acts because government is perceived to have deep pockets; an inexhaustible supply of money—money that belongs to the people.

Acts of fraud are committed against the government by those outside of government.

Acts of fraud are as often committed by those within government, specifically by those working for the government and more particularly—by those who should be working for us...the citizens.

DISCUSSION CASE

Consider this case from Australia.

A serious fraud was uncovered after the Australian Financial Crime Tracking Agency investigated a single mother with apparently very modest means.

She was found to have withdrawn \$300,000 from her bank account although she apparently had no significant source of income.

The subsequent investigation determined that employees of the Australian Tax Office created phantom taxpayers and then arranged for the phantom taxpayers to receive fraudulent tax refunds.

The phantom taxpayers then deposited those fraudulent returns in a bank account, and subsequently arranged to withdraw the money.

The single mother was one of those enlisted by the employees of the Australian Tax Office to withdraw the fraudulently obtained money from the banks.

This same type of fraud also occurred recently in Washington, DC. The fraud amounted to US \$48 million.

This type of fraud is almost certain to be occurring elsewhere...even as we speak.

And corruption is on the increase.

According to a survey conducted a few years ago, people in 48 out of the 69 countries covered in Transparency International's Annual Global Corruption Barometer Survey indicated that corruption has risen over the last several years.

And in another study it was reported that some company executives indicated that bribes were a usual part of doing business in some countries.

Some bribes were even being paid for the schooling of government official's children.

In certain jurisdictions companies were paying bribes to get a contract; paying bribes to get a contract amended; and paying bribes in order to get paid.

WHAT EXACTLY ARE THE EFFECTS OF FRAUD: WHO SUFFERS FROM IT?

The economic effects of fraud, while having been studied for decades, continue to slowly evolve.

It will be sometime before someone can actually develop a reliable technique for accurately estimating the extent of fraud and its impact on any given country or on the entire global economy.

It is clear however, that we all suffer from its effects.

Fraud has an impact on all sectors of developing and developed countries alike.

That impact can be viewed from a number of different perspectives:

- A measureable, negative macroeconomic impact.
- Damage to the national psyche.
- Domestic and international terrorism is supported by the proceeds of fraud and corruption.

Fraud is a Deterrent to Economic Growth

We do know that fraud is not simply a legal or law enforcement issue.

It has been long held that fraud, waste, and abuse are responsible for:

- Increased costs and prices of goods, services, and capital projects.
- The waste of money and an unnecessary expenditure of resources.
- The loss of quality in goods, services, and capital projects.

According to a recent *Report to the Nation* issued by The Association of Certified Fraud Examiners, it is estimated that 6 percent of organizations' total revenues are lost to occupational fraud and abuse.

Costs associated with fraud, waste and abuse result in decreased wages, higher costs to customers, lower profits and fewer resources available for new programs or the expansion of old ones.

Fraud has been determined to be a major deterrent to a country's economic growth because of its impact on investment and private sector development.

Consider:

- The World Bank estimates that widespread fraud can reduce a country's growth rate by as much as one percentage point and can drastically reduce inward investment.
 - It has been calculated that in one East Asian country, if there were no fraud, its real growth rate could be increased from 3.3%, to 4.3 %.
- The World Bank experts have suggested that fraud in the procurement process can consume up to 50 percent of all the funds allocated for any given project.
 - An Asian Development Bank official has been quoted as saying that fraud can add between 20-100 percent to the cost of the procurement of goods, services and contracts, and could cost a government as much as 50 percent of its tax revenues.
 - According to several independent studies between US \$5.5 billion and US \$8 billion in contraband commodities and goods, coming into one particular country were not subject to excise tax.
 - The inflow of this contraband caused a loss in tax revenues, and
 - Indicated that fraud among customs officials in that country had reached epic proportions.
 - The World Bank has described corruption as the "single greatest obstacle to economic and social development." The Bank believes that countries that tackle corruption successfully can:
 - increase their national income fourfold, and
 - reduce child mortality by up to 75 percent.
 - In the United States and Canada fraud has been estimated at about more than 2 percent of the annual gross domestic product of each of those two countries.

- Fraud and corruption discourages cross border investment, thus stymieing economic growth.
 - Investors are reluctant to invest in countries plagued by fraud.

A survey of three African countries showed that the economic impact of fraud was particularly prevalent and destructive.

The study found that households in these countries spent more than 20 percent of their income paying bribes.

World Bank research estimates that some US \$1 trillion dollars are paid each year in bribes to government officials and that annually.

Hundreds of billions of dollars are looted from the world's poorest regions of the world.

Significantly, and perhaps a more important notion, is the fact that corruption is a highly regressive type of “tax” because its burden falls disproportionately on those with the least resources...poor people.

PERVASIVE FRAUD HAS A LONG TERM NEGATIVE IMPACT ON THE NATIONAL PSYCHE

After living with fraud and corruption for generations, a nation’s psyche, its sense of self, can hardened.

Its citizens can become indifferent to the presence of fraud in their lives and the pain and suffering it is causing.

Endemic corruption is accepted and even embraced; suffering takes place, often unnoticed, among all a country’s citizens.

Pervasive fraud therefore can have a negative impact on a nation’s psyche. Consider these effects and their potential impact.

Fraud:

- Endorses the efforts of government officials and others in positions of authority, to seek bribes from even the most inconsequential of businesses.

- Encourages individual citizens, political leaders, academics, business owners, and others to act dishonestly.
- Erodes the legitimacy of government and undermines values like trust, tolerance, accountability, transparency, and citizen participation.
- Reduces competition between business enterprises and destroys the notion of legitimate competition that is so essential to business.
- Lowers compliance with construction, safety, environmental, or other regulations thus seriously degrading infrastructure development and maintenance.
- The quality of developed and developing services and citizen-access to these services is seriously eroded,
- Political, bureaucratic, and judicial processes are degraded.

Consider: In one reported instance, during a recent earthquake, building construction funded by the government, was among those that suffered the worst damage, including the most citizen deaths.

Buildings that survived and for which there were far fewer fatalities, were those erected for the private sector with private sector funding.

The failure of the government funded buildings and the ensuing deaths, was attributed in part to official corruption.

An investigation resulted in convictions and prison sentences for some of those involved.

Consider: One recent candidate for accession to the European Union had a health sector hampered by a crumbling infrastructure and fraud.

According to a World Bank report, in 2004 the citizens of that country paid US \$360 million in bribes for health services that should have been free.

Consider: In another country, fraud in the form of illegal logging was said to be destroying the largest remaining tract of primary tropical forest. Environmentalists estimate that hundreds of thousands of hectares of virgin forest are being illegally destroyed in that country each year.

Consider: In one Eastern European country, a government funded childhood vaccination program, available to all children less than 12 years of age, was not meeting its goals. It was determined that the doctors administering the vaccinations were charging mothers for vaccinations whereas they should not have paid anything.

Consider: Counterfeit drugs have killed people in:

- Niger- 2,500 people died from fake vaccines in 1995.
- Haiti-eighty-nine children died in from cough syrup prepared with diethylene glycol in 1995.
- Southeast Asia-in 2001, 38 percent of anti-malarial drugs on sale were found not to contain any active ingredients.

DOMESTIC AND INTERNATIONAL TERRORISM IS SUPPORTED BY THE PROCEEDS OF FRAUD AND CORRUPTION.

Fraud and corruption and the proceeds generated contribute significantly to domestic and international terrorism:

- Income generated by corruption and illegally laundered, funds the infrastructure of international and domestic terrorism, finances individual acts of terrorism, and
- Nourishes organized crime networks especially the worldwide trade in illegal and illicit drugs and human trafficking.

In an article published by the Association of Certified Fraud Examiners in 2010, Certified Fraud Examiner Frank Perri, tells us that terrorists derive funding from a variety of criminal activities, from low-level crime to fraud.

Credit card fraud, mortgage fraud, charitable donation fraud, insurance fraud, identity theft, money laundering, and tax evasion are just some of the types of fraud Perri says are used to fund terrorism.

He suggests that money is required, not only to fund specific terrorist operations, but to meet the costs of developing and maintaining an organization and creating an enabling environment necessary to sustain their activities.

Terrorist groups require significant funds to create and maintain an infrastructure, sustain propaganda output, and finance the ostensibly legitimate activities needed to provide a veil of legitimacy for their shell companies

Gary La Free, Director of the University of Maryland's National Consortium for the Study of Terrorism and Responses to Terrorism, tells us that the:

- 2005-London bombings cost about \$15,600.
- 2000-bombing of the USS Cole cost between \$5,000 and \$10,000.
- 2001- Al-Qaida's 9/11 operation cost between \$400,000 and \$500,000.

Perri concludes by saying that the lack of awareness about terrorists' links to fraud schemes is undermining the fight against terrorism.

An understanding of fraud should be central, not peripheral, in understanding the patterns of terrorist behavior.

Corruption Effects Everyone, Everywhere

In Bangladesh. A former prime minister was convicted of corruption in that country and was sentenced to serve 15 years in jail.

In Vietnam. Senior political party officials were found guilty of corruption. They accepted cash and gifts to secure the early release from detention of a Vietnamese crime figure.

In Japan. A prominent doctor, and professor of obstetrics at a top medical school in Tokyo, was disciplined after it was found that he and members of his research group had

inaccurately or inappropriately accounted for the use of about 16.4 million yen or about US \$200,000.

In Bosnia-Herzegovina. The Economist reported that over a four-year period, more than US \$1 billion in aid and public money intended for schools and other infrastructure, had been stolen. The anti-fraud unit of the office of the high commissioner's representative there reported that the money was stolen by senior Bosnian politicians.

Consider: Imagine the devastating impact caused by corrupt prime ministers, by releasing convicted criminals from prison, by failing to perform important medical research, and by not constructing schools and other important infrastructure...either properly or at all.

There is no question that corruption, attributable to some degree on the lack of transparency, accountability and oversight has a measurable impact on economic development and investment and thus on every citizen, regardless of social, educational, or economic status.

Make no mistake about it, fraud is very expensive, not only in economic terms but also in terms of the havoc it is capable of producing and the devastation it can wreak on virtually all elements of a society.

Whether in the short term or in the long term, fraud has an inherent way of making sure that everyone loses—even the corrupters...those who perpetrate the fraud.

WHO IS RESPONSIBLE FOR OVERCOMING FRAUD AND CORRUPTION?

The responsibility for combating fraud in every country is one that is shared by the government and its citizens.

Fraud, because everyone suffers from its effects, is everyone's problem to solve.

As we have pointed out during this discussion, no one is immune or sheltered from the effects of fraud.

It is therefore everyone's responsibility to participate in the struggle to eliminate this corrupt behavior.

The only other available option is to continue to suffer from its malevolent effects.

The stakes are high.

If fraud is not eliminated or if efforts to reduce its incidence are not adequate or not made in good faith, citizens all over the world have much to lose.

The Prevention and Detection of Fraud Is a Fundamental Management Responsibility

The management of every organization, whether in government or the private sector, is responsible for establishing an effective system of internal controls.

Controls to ensure compliance with laws and regulations and prevent fraud.

Management must therefore design and implement control procedures for:

- Promoting and monitoring compliance with laws, regulations, policies, procedures, and other governing instructions and mandates,
- Implementing strategies to prevent and detect fraud and other irregularities; and
- Receiving and investigating allegations of breaches of proper standards of financial conduct or fraud and irregularity.

The Four Pillars of Fraud Management

In designing and implementing procedures for controlling fraud the four pillars of fraud management might be used as guidance.

Prevention, detection, investigation, and prosecution are considered the four pillars of fraud management.

Each is as critical as each of the others if a fraud management system or initiative is to be successful in combating fraud.

The management of every organization must therefore consider whether the four pillars of fraud management are in place in every anti-corruption, anti-fraud initiative.

Each of the pillars, while separate and distinct from each other, is organically interrelated.

Prevention Pillar

The prevention pillar must detail how an organization will try to prevent fraudulent acts from occurring.

It will assign responsibility for fraud prevention measures and hold those assigned the responsibility, accountable for their efforts.

Examples of fraud prevention measures include implementing an anonymous fraud reporting system, conducting employment background checks and ensuring the physical security of assets.

Detection Pillar

The detection pillar is the second phase of fraud management. It involves a detailed detection initiative or systematic process of detecting fraud.

At a minimum organization's must design a system of internal controls to prevent fraud and train its staff to carryout fraud detection activities.

Investigation Pillar

The investigation pillar brings the prevention and detection pillars together.

It provides evidence that either supports or refutes fraud allegations.

Organizations should clearly outline how allegations will be investigated and by whom.

During the investigation pillar, predication must be determined to exist.

Predication is simply a set of facts that would lead a reasonable individual to believe a fraud has occurred, is occurring, or will occur.

Without predication, an investigation is generally not warranted.

Prosecution Pillar

The prosecution pillar is the fourth and final pillar in a system for combating fraud.

Prosecution is the institution and conduct of legal proceedings against a defendant for criminal behavior.

A judicial proceeding commences and a determination of a person's innocence or guilt by due process of law results.

Prevention, detection, and investigation have little meaning unless there is a commitment to the prosecution of those who commit acts of fraud against governments.

Management is responsible for drafting an anti-corruption strategy, which should encompass or be guided by the four pillars of fraud management.

That plan should make clear that institutional management is responsible, not only for drafting the plan, but also for assuring that it is being properly and appropriately implemented.

A member of management must be designated responsible for the plan and must be held accountable for its success or its failure.

What should be considered by management in developing a fraud management plan?

A strong system of internal controls is an absolute requisite...is indispensable in helping to prevent and detect fraud.

The existence of no, or weak internal controls creates an environment that is conducive to fraud.

Management of every entity must make certain that every component and activity of the organization has a system of internal controls in place to:

- Help assure that the desired objectives of that institution are accomplished efficiently, effectively, and economically.
- Protect the institution's assets.
- Assure that all transactions are promptly and accurately recorded.
- Assure that all applicable laws, regulations, and agreements are complied with.
- Prevent and detect fraud.

For example: In a procurement activity, strong controls can contribute to preventing the risk of procurement fraud.

These controls might include:

- routine rotation of the duties of department officials,
- requiring bids for all procurements,
- requiring written documentation for awards to other than the lowest bidder,
- separating the receiving department from the purchasing department,
- not allowing poor performing contractors to bid, and
- policies on the ethical behavior of purchasing department officials and the enforcement of those policies

An essential first step in preventing and detecting fraud is the creation of a system of internal controls that is adequate to prevent and detect fraud.

Suggested Aspects of a Fraud Prevention and Detection Plan

Organizations may improve their ability to prevent and detect fraud by considering and integrating into their fraud management system options such as:

- Assigning an official with the specific responsibility for developing fraud prevention and detection policies and procedures.
- Establishing a strong, competent, independent and well trained internal audit staff.
- Making certain that a system is in place that assures that audit disclosures of poor management and weak internal controls are expeditiously and appropriately corrected.
- Reviewing all policies and procedures to determine whether they have fraud prevention and detection components.
- Requiring training for all staff in fraud prevention and detection policies and procedures.
- Encouraging and requiring employees to look for ways to prevent, detect, and report as well as to suggest ways to eliminate fraud.
- Installing a hot-line to encourage fraud reporting.
- Developing a mandatory ethics policy for each organization and create a system or process for assuring it is complied with.

- Assuring that all allegations of fraud, corruption, coercion, collusion, and obstructive practices and staff misconduct are reported and thoroughly investigated.
- Making certain that all laws and regulations are clear and understandable, and not complicated, conflicting and subject to interpretation.
- Periodically reviewing and improving compliance with the policies designed to prevent fraud.
- Periodically reviewing and improving internal control and compliance systems.
- Identifying high risk-of- fraud areas for special attention.
 - Determine what preventive measures can be implemented to reduce or mitigate the risks.
 - Design and implement detection and prevention measures.
 - Consider requesting audits of those areas.
- Updating the fraud management system on a regular basis to improve its efficacy.
- Publishing an annual integrity report with aggregated data, describing outcomes and generic descriptions of significant cases of fraud.

WHAT CAN NATIONAL GOVERNMENTS DO TO PREVENT AND DETECT FRAUD?

Generally, governments may strategically approach fraud prevention and detection in a number of ways including:

- The development of financial, administrative and regulatory measures that promote transparency, accountability and effective governance.

Approaches might include consideration of:

- ◆ Public administration reform, e.g. salaries, benefits, working conditions.
 - ◆ Transparent budget making and implementation
 - ◆ Procurement system reform.
 - ◆ Financial management system improvement.
 - ◆ Government-wide ethics policies.
 - ◆ Regulatory reform.
- Encouraging the creation of a system of civil society advocacy on behalf of governmental integrity, the implementation of anti-corruption programs, the strict oversight of public functions and authorities.

Approaches for strengthening civil society and media oversight may include:

- ◆ Civil society advocacy, anti-corruption programming and oversight of government.
 - ◆ Open budget processes and budget oversight.
 - ◆ Freedom of information legislation and access to information.
 - ◆ Investigative journalism and other media strengthening.
 - ◆ Public education campaigns.
 - ◆ Corruption surveys, user surveys and report cards, and the dissemination of results.
- Promoting anti-corruption modules in all sectors of the economy, like health, education, natural resource management, and corporate governance, as well into such aspects as the rule of law, and legislative oversight.

Approaches for promoting anti-corruption may include:

- ◆ Creating Inspector General and Ombudsmen Anti-Corruption Agencies.
- ◆ Developing complaint mechanisms and whistle-blower protections through legislation.
- ◆ Increasing legislative oversight.
- ◆ Enacting anti-corruption legislation, for example the criminalization of bribery and kickbacks, and other relevant legal initiatives.
- ◆ Strengthening the capacity for oversight and control of institutions and branches of government which exert effective checks and balances and create increased accountability.

Legislative Initiatives

In some countries legislative initiatives have been in progress as a part of anti-corruption efforts.

For example:

In one country an anti-corruption commission was established.

Its mission was to clean up corruption among public servants, monitor public officials' wealth, examine reports of corruption, initiate investigations into the wealth of officials

based on indications of corruption, and gather evidence about officials suspected of corrupt behavior.

The law required that public officials disclose to the Commission their wealth before and after holding office.

The Commission was able to publish wealth information on approximately 4,000 officials including the President and Vice-President.

In addition, the Commission prepared draft legislation regarding its national ombudsman commission in order to:

- Increase public understanding of the ombudsman commission.
- Insure better coordination and cooperation among government institutions, universities, NGOs, experts and professional organizations.
- Follow-up on reports of violations conducted by public servants.
- Enhance law enforcement.
- Make public the wealth of government officials.

What Some National Governments Are Doing To Prevent and Detect Fraud

Globally, because of the insidious nature of fraud and its devastating impact on any country, virtually all countries with well organized systems of governance have engaged in initiatives designed to combat fraud.

For example:

In Indonesia

- ✓ Training judges in the application of Indonesia's newly adopted Judicial Code of Conduct.
- ✓ Training senior level court personnel in wealth reporting and monitoring.
- ✓ Publicizing all Supreme Court decisions on an enhanced website.
- ✓ Implementing public complaint procedures.
- ✓ Increasing public access to government information.
- ✓ Providing training to improve the capability of the Corruption Eradication Commission's capabilities to investigate and prosecute fraud.

In the Philippines

- ✓ Strengthening the Office of the Ombudsman through training, legal research, case buildup, and investigative and prosecutorial skills.
- ✓ Establishing a virtual integrity institute for government officials.
- ✓ Integrating corruption prevention in the curriculum of schools.
- ✓ Training lawyers in investigative techniques, legal writing and case preparation.
- ✓ Implementing the Government's National Anti-corruption Plan of Action.
- ✓ Building the capacity of anti-corruption NGOs and coordinate their efforts.
- ✓ Conducting regular public meetings to report progress on government anti-corruption efforts.
- ✓ Training staff in tax fraud, criminal investigation and developing financial fraud prosecution skills.
- ✓ Strengthening the investigative and prosecutorial skills of staff.
- ✓ Harmonizing all customs laws and regulations for effective enforcement.
- ✓ Establishing an internal control office and integrity programs to curb corruption.

In Tanzania

- ✓ Conducting procurement, contract and performance audits of government ministries and department and local government authorities to ensure compliance with law.
- ✓ Strengthening the oversight and regulatory capacity of the Public Procurement Regulatory Authority through training and expansion of its information management systems.

In Bosnia-Herzegovina

- ✓ State-level courts and new criminal procedure codes were implemented and are said to be having an impact on that country's fight against corruption.

In Slovenia

- ✓ An office called the Office for the Prevention of Corruption was established and is specifically charged with coordinating that country's fight against corruption.

In South Korea

- ✓ The city of Seoul has adopted a systematic approach to combat corruption.

That approach includes preventive measures, punitive measures, ensuring transparency in governmental administration and a public-private partnership.

In Armenia

- ✓ Anti-corruption efforts include more than 90 pieces of legislation to guide its anti-corruption initiatives including:
 - Legislation that covers money laundering and a transparent judicial system.
 - Rules for state tenders.
 - A commission to oversee civil service appointments.

In Macedonia

- ✓ A Law on the Prevention of Corruption was passed.

The Law envisages active co-operation between authorities which play an important role in the fight against corruption and organized crime.

Those authorities include the State Audit Office, the Public Prosecutor's Office, the Ministry of Interior, the Public Revenue Office, the Financial Police and Customs.
- ✓ The Law also established the State Commission for the Prevention of Corruption. The Commission is an autonomous and independent body consisting of seven members, elected by and accountable to Parliament. The State Commission has adopted two major documents: the National Program Against Corruption and the Action Plan for the implementation of anti-corruption measures.
- ✓ The State Commission has both a preventive role and investigative powers. It may investigate cases with regard to conflicts interest involving public officials and is also entitled to initiate cases to be investigated by prosecutorial bodies.

FRAUD MEASUREMENT METRICS

Are there metrics that can be used by senior Government executives to help measure the nature and extent of fraud in their country?

Can these metrics help them determine if their corruption fighting efforts have been effective?

The World Bank Institute has compiled a list of factors that it uses as part of a comprehensive system to measure the degree to which fraud may prevail or is otherwise controlled in a given country.

World Bank Institute-Control of Corruption Indicators

Countries are evaluated on factors which include the following:

- The prevalence of corruption and petty corruption at all levels of government.
- The effect of corruption on the “attractiveness” of a country as a place to do business.
- Nepotism, cronyism and patronage in the civil service.
- The estimated cost of bribery as a share of a company’s gross revenues.
- The perceived involvement of elected officials, border officials, tax officials, judges, and magistrates in corruption.
- How well citizens think the current government is fighting corruption;
- Public trust in the financial honesty of politicians.
- The extent to which legal contributions to political parties are misused by politicians.
- The existence of an independent anti-corruption agency that receives regular funding, has a professional, full-time staff, regularly issues public reports, responds to citizen complaints in a timely manner, independently initiates investigations, possesses sufficient powers to carry out its mandate, and is protected from political interference.
- The extent to which conflict of interest and ethics rules for public servants are observed and enforced.
- The extent to which the income and asset declarations of public officials are open to public and media scrutiny and verification.
- The extent to which senior government officials are immune from prosecution under the law for malfeasance.
- The extent to which the government provides victims of corruption with adequate mechanisms to pursue their rights.
- The extent to which the executive budget-making process is comprehensive and transparent and subject to meaningful legislative review and scrutiny.
- The extent to which the government ensures transparency, open-bidding, and effective competition in the awarding of government contracts.
- The extent to which whistleblowers, anti-corruption activists, and investigators have a legal environment that protects them.
- The extent to which allegations of corruption at the national and local level are thoroughly investigated and prosecuted without prejudice.

- The extent to which government is free from excessive bureaucratic regulations, registration requirements, and/or other controls that increase opportunities for corruption.
- The extent to which citizens have a legal right to information about government operations and can obtain government documents at a nominal cost.

THE STRENGTHENING OF THE CAPABILITIES OF ALL PUBLIC SECTOR AUDIT INSTITUTIONS: AN ESSENTIAL COMPONENT OF A COUNTRY'S EFFORTS TO COMBAT CORRUPTION

Auditors Must Participate in the Prevention and Detect of Fraud

As mentioned, management has the primary responsibility for preventing and detecting fraud.

However, management also expects that internal and external auditors will play an important and supporting role in those efforts.

Auditors are responsible for planning audits that have a reasonable assurance of detecting fraud if it exists, for exercising due care during an audit so as not to jeopardize future investigations, and for reporting potential fraud when it is uncovered.

In that regard, entity management expects auditors to:

- Familiarize themselves with the entity and its potential or risk of fraud exposure.
- Specifically plan to look for fraud.
- Be able to recognize fraud indicators and red flags
- Aggressively look for those fraud indicators and red flags.
- Investigate and follow through on all detected indicators.
- Assess and present evidence of possible fraud.
- Report and otherwise communicate findings of possible fraud.

Professional Skills and Attributes Auditors Need In Order To Assist In the Prevention and Detection of Fraud

Auditors should be proficient in a wide variety of skills. While most auditors possess all the necessary skills to varying degrees, organizations expect all of these skills to be well developed if the auditors are to be effective in contributing to their efforts to prevent and detect fraud.

Auditors who want to function efficiently and effectively in detecting fraud must expand their knowledge, skills, and abilities in areas which include:

- Accounting and auditing
- Fraud concepts and principles
- Law and rules of evidence
- Investigative mentality and critical skepticism
- Psychology and motivation
- Communications, both written and oral
- Computer technology

Auditors should possess these and other necessary skills essential to detect fraud and corruption.

Management must assure they have them.

Once having investigated suspected violations of law or ethics uncovered during an audit, auditors are often viewed as playing an important role in working with law enforcement representatives to develop evidence in support of a prosecution.

Management must assure they are prepared for that role.

Auditor Do Not Detect Much Fraud

Most fraud in the United States and other countries is detected through tips, allegations, and complaints.

Many of these tips come from “hot lines” or telephone numbers set up particularly to allow government officials and others to call and anonymously report allegations about potential fraud.

Auditors are on the front lines in the battle to combat fraud.

Therefore it is important that auditors understand what fraud is, how to detect it, and be given the tools with which to undertake fraud related inquiries.

However, studies show that only about 20 percent of all fraud is detected as a result of audit initiatives.

Some of the reasons why auditors do not detect fraud include:

- Lack of audit skills.
- Failure to recognize weaknesses in internal controls.
- No experience, skill, or training in fraud prevention, detection, or investigation.
- The failure to include fraud detection steps when planning audits.
- Lack of an awareness of the probabilities of fraud occurring in the area being audited.
- Indifference to fraud indicators and the failure to follow up on fraud symptoms and indicators.
- Auditors sometimes simply do not want to detect fraud.

Management must assure that these and other impediments are removed and a climate for detecting fraud prevails amongst its audit institutions.

All auditors must become effective in detecting fraud and thus help prevent its continued occurrence.

Accordingly, each organization must make certain that its auditors:

- Understand their responsibilities in the prevention and detection of fraud.
- Know how those responsibilities are to be carried out, and

- Technically and professionally are prepared to implement those responsibilities.

Organizations must make certain that its auditors are well trained and prepared to take on this important fraud prevention and detection role.

Internal and External Auditors Are Responsible for Taking Steps to Detect Fraud

The Auditor's Responsibilities

In approaching an audit, internal and external auditors must make themselves aware of the risk that fraud may have occurred.

Further, if information is developed that indicates that fraud may have occurred or may in fact be occurring, auditors must apply audit procedures during the execution of the audit directed at documenting the probability that fraud has occurred.

Specifically the auditor when planning an audit must:

- Become aware of possible exposures to fraud.
- Know the symptoms that indicate the occurrence of fraud.
- Develop an audit program with steps that look for symptoms
- Be alert and able to recognize the symptoms of fraud.
- Follow through on all symptoms that become apparent

In executing an audit, auditors must:

- Exercise due professional care in pursuing indications of procurement fraud to determine its probability, and
- Not do anything that would interfere with potential future investigations, and legal proceedings.

In reporting a probable fraud, auditors should:

- Report all probable fraud or other illegal acts, to parties external to the audited entity, such as law enforcement officials as appropriate.
- Follow the policies and procedures established by the audit organization for reporting probable fraud.

In preparing the final audit report the auditor must not only address the probable fraud, but must also describe the cause and effect, and make recommendations to management which will help to prevent similar reoccurrences in the future.

An important aspect of an auditor's role when performing an audit is the detection of probable fraud.

It must be fully and unequivocally supported by management.

RECENT ANTI-CORRUPTION ADVISORY EXPERIENCE

One recent project that I have been associated with involved the strengthening of a government ministry's internal audit organization.

The project included a number of components designed to prepare its internal audit staff for detecting, and investigating for referral to the state attorney, the police, or other official bodies, incidents of fraud uncovered during its work.

The specific components of the project included:

- The development and delivery of training programs designed to teach audit staff how to recognize and detect fraud, and how to investigate it and work with law enforcement agencies.
- The preparation of an operating manual containing guidance for audit staff on forensic auditing.
- The hands on training of and consultations with auditors and investigators by forensic audit experts during the execution of audits and investigations.
- Assembling public awareness seminars to acquaint the public and other stakeholders with the issue of fraud and what can be done to help eliminate it.

Another advisory project included the implementation of specific actions designed to strengthen an external audit office's effectiveness, including:

- Training in fraud detection and prevention for every auditor.

- Increasing systematic coordination and cooperation with the Public Prosecutor's Office.
- Enhancing coordination and cooperation with the country's commissions that focus on the prevention, detection, investigation and prosecution of fraud.
- Obtaining Certified Fraud Examiner status for qualified staff.
- Increasing attention on identifying causes of internal control weaknesses, making actionable recommendations, and improving the quality of audit reports.
- Implementing an audit recommendation tracking system.
- Augmenting the nature of the coordination and cooperation with internal auditors.
- Implementing risk-based audit planning.
- Conducting assessments of the effectiveness of internal audit units.

A public sector audit community that is well trained and highly motivated is absolutely vital to any national government's plans to prevent and detect fraud.

SHOULD GOVERNMENT ENLIST THE AID OF ITS CITIZENS IN COMBATING FRAUD: ARE CITIZENS RESPONSIBLE FOR HELPING TO OVERCOME FRAUD?

The responsibility for combating fraud in any country is one that is shared by citizens and the government alike.

Corruption, because everyone suffers from its effects, is everyone's problem to deal with.

As we have attempted to point out during our discussion, because no one is immune or sheltered from its effects, it is everyone's responsibility to help in the struggle to eliminate it.

The only other available option is to continue to suffer from its malevolent effects.

All citizens have a stake in the economic and social vitality of their country.

Accordingly, every citizen must play a role in combating fraud wherever and whenever it is encountered.

It cannot be simply left up to the government and its institutions to combat fraud.

Each citizen must not only cooperate with the government's efforts to eliminate fraud, but must also play an active role in its destruction.

Governments must encourage its citizens to help in its efforts to eliminate fraud.

What Can Governments Expect Its Citizens To Do About Fraud?

Every citizen has a responsibility to support the government in its efforts to combat fraud.

Without the support of all of its citizens a government's efforts will be doomed to failure.

There are a number of ways that government might suggest to its citizens that will support the government's efforts to combat fraud.

Citizens Should be Encouraged to Become Aware

Every citizen must be aware of the way in which fraud and corruption takes place.

This awareness helps assure that citizens are mindful of situations, sometimes overlooked, that indicate that fraud is taking place, or that an opportunity for fraud to occur is evident.

In addition, every citizen should be thoroughly familiar with the means that the government has established to prevent corruption.

Citizens Should Be Encouraged To Not Participate In Corrupt Behavior

The most fundamental act a citizen can commit to assist the government in its efforts to combat fraud is not to participate in the system that encourages corruption.

Not participating in the system includes not paying a bribe or offering a gratuity and not accepting a bribe.

It means not engaging in any action that is known to be a part of the system of corruption that has invaded the lives of every citizen.

It may be difficult at the outset for citizens not to participate in fraud that is seemingly endemic and pervasive.

However, in the long run, not participating in fraudulent activities will serve to deter and frustrate the growth of corruption.

Refusing to pay a bribe for a license or permit will ultimately make it difficult for a government official to ask for a bribe to issue a license or permit, and will help to eliminate that very common form of fraud.

Citizens Should Be Encouraged To Report All Known or Suspected Incidents of Fraud

The next act citizens should be encouraged to perform is to report anyone who is soliciting a bribe, or report anyone who is suspected of accepting a bribe.

Knowing that a bribe has been solicited and refusing to participate is only part of the prevention equation. The next most important part is reporting the incident to the authorities.

It is only by reporting such incidents that steps can be taken to investigate and then prosecute those who are engaging in this behavior.

Once a government has established the means to report fraud, it is up to each citizen to

avail themselves of those means.

MONIES SPENT ON PROCUREMENT IS BIG BUSINESS: FRAUD FOLLOWS MONEY

Billions of dollars are expended annually to purchase goods and services, and on capital improvements.

Because of the financial enormity of these expenditures, and the widely documented propensity for fraud in this area, it is essential that everyone be alert for indications of fraud in procurement activities.

- On average, 12 to 20 percent of a developing country's budget is spent through public procurement systems.
 - In some countries it is as much as 70 percent.
- Unfortunately, procurement systems in many developing countries are extremely inefficient and are thus prone to fraud.

Why Fraud Occurs In Procurement

- The procurement official and/or contractor believe it will not be detected.
- The procurement official and/or the contractor is in need of the money.
- Too much trust is placed in the procurement official and/or the contractor.
- Dishonest contractors are not barred from doing business with the government.
- Procurement officials and contractor employees deal at less than arms length.
- Complicated and burdensome procurement policies discourage honest contractors from bidding for government contracts.
- There is little or no oversight of the procurement official and/or the contractor's activities.

Why Fraud in Contracting and Procurement Is Increasing

- Increased pressure on vendors and contractors to stay in business.
- The importance of profits to vendors and contractors.
- Too little emphasis on fraud prevention and internal controls in procurement.
- Breakdown or override of procurement internal controls.
- Established procurement policies and procedures are ignored.
- Incompetent management of the government procurement activity.
- No code of ethics for procurement officials and those they do business with.
- An opportunity is present.
- Ineffective, inefficient, sometimes corrupt system of criminal justice.
- Political pressure.

SOME COMMON TYPES OF PROCUREMENT FRAUD TECHNIQUES EXAMINED

There are many ways procurement fraud takes place. The following are just a few ways it can occur.

Collusive Bidding or Bid Rigging

Several vendors or contractors meet, and agree to allow one of the conspirators to get the contract or purchase order.

Case Example

Two or more contractors conspire to rig a bid for a contract for a construction project.

The conspirators agree not to be competitive on a government highway construction contract, and designated that one of the conspirators submit the lowest bid.

That winning contractor-conspirator then subcontracts a portion of the project to the other co-conspirators.

Change Order Fraud

Change order fraud generally involves an agreement between the procurement official and a contractor.

The conspiring procurement official looks at bids submitted by other bidders and tells the favored contractor the quotes submitted by the other bidders.

The conspiring contractor then submits a bid, lower than the other bids.

The bid is low enough to win the award. It is often so low that it could cause the conspiring contractor to suffer a loss.

After the award, through a series of questionable change orders, the conspiring contractor's price is substantially increased so that it exceeds the price bids submitted by the losing bidders.

The increase in price results in a substantial profit to the conspiring contractor or vendor. Those profits are then shared with the conspiring procurement official.

Case Example

A contractor, with the cooperation of a government procurement official and the payment of a bribe, submitted an unreasonably low bid and was awarded the contract.

Through the submission of unnecessary change orders, the contractor was able to extend the contract beyond its original time period without competition.

The change orders doubled value of the contract, and the contractor made an exorbitant profit...some of which was shared with the government procurement official as a kickback.

Bid Bumping

In a bid bumping scheme, the conspiring procurement official reads the bids submitted by other bidders and tells the favored contractor the quoted prices submitted by other bidders.

The conspiring contractor “bumps up” or “bumps down” the bid being prepared for submission.

That” bumping” generally allows the conspiring contractor to submit the lowest bid.

If it is high enough to make a profit, the conspiring contractor shares the profits with the conspiring procurement official as a bribe or kickback.

If it is too low to make a profit, two actions may follow:

- Fraudulent change orders may be executed by the conspiring procurement official to make the procurement profitable, or
- Non-competitive follow on contracts may be awarded by the conspiring procurement official that include prices high enough to make an unreasonable profit.

The conspiring contractor’s profits are then shared with the conspiring procurement official as a bribe or kickback.

Case Example

A government procurement employee accepted a bribe in exchange for confidential bid information on a government contract.

In return for the bidding information the employee received tickets to a sporting event valued at approximately US \$1,600 dollars.

Both were convicted.

Failure to Meet Contract Specifications: Product Substitution

This fraud involves the deliberate failure on the part of a contractor to comply with contract specifications.

Failure to comply with specifications may result from contractor incompetence, or the submission of a bid that contains information that the contractor knows is false and otherwise misleading.

The contractor may not be able, or prepared to do the work it is bidding on for the price it quoted.

The contractor in an effort to perform resorts to product substitution.

Product substitution may take the form of using substandard or adulterated materials, delivering inferior products, or not carrying out work in accordance with prevailing standards.

It may also include hiring personnel that are ill prepared and poorly trained to do the required work.

The contractor, in an attempt to avoid detection, may offer bribes to procurement officials in exchange for change orders, or may offer bribes to receiving personnel and those inspecting the work to influence their judgments.

Case Example

A government inspector pled guilty to a scheme where he took cash bribes for accepting falsified asphalt tickets from a paving contractor.

The tickets showed that the asphalt was meeting contract specifications for quality and quantity, but did not meet contract specifications.

The scheme enabled the contractor to receive payment for materials that did not meet contract specifications, and for materials the contractor did not supply.

Manipulation of the Bid Solicitation and Evaluation Process

In this type of fraud those involved in the bid solicitation and evaluation system manipulate the system so that a favored contractor receives the award.

One or more procurement officials may be involved with a contractor in this type scheme.

A variety of actions can be undertaken to carry out this fraud.

For example:

- Preparing specifications so that only the favored contractor or vendor can adequately respond.
- Fabricating reasons for not accepting bids submitted by other bidders.
- Not giving all prospective bidders sufficient information to permit them to adequately respond.

- Sending out invitations for bid too late to allow an adequate proposal to be prepared, or for a proposal to be submitted at all.
- Falsifying reasons as to why the lowest qualified bidder did not get the award.
- Not evaluating bids in compliance with approved bid evaluation criteria.

Involved procurement officials are expected to benefit by awarding the procurement to the favored contractor and receive a bribe or kickback in return.

Case Example

A contractor official pled guilty to charges stemming from bribes he paid to government officials in return for receiving government construction contracts.

The contractor also admitted submitting fraudulent invoices for materials that were never used in order to pay for these bribes.

Fraud in the Billing Process

The ways in which fraud occurs in the billing process are too numerous to mention.

In reviewing contractor invoices one is almost certain to notice invoices that appear questionable.

To determine whether the possibility of fraud exists, all invoices that appear unusual should be examined.

For example:

- Undelivered goods. The vendor does not ship the ordered products but bills the customer. The absence of a receiving and inspection report may indicate that the vendor has not shipped the purchased goods.
- Altered and unusual invoices. Copies of invoices, erasures on invoices, illegible invoices, and other modifications to an invoice may indicate that a procurement employee or other employee may have altered a vendor's invoices.
- Mismarked, mislabeled shipments. A vendor may package ordered goods in shipping cartons that are incorrectly labeled or marked. The goods in the cartons may not match the labels or markings on the shipping cartons.

The labels or markings on the shipping cartons conform to the purchase order in terms of quantity and quality. The quantity and quality of goods actually received may be different.

Case Example

An official of steel supply company was convicted of fraud and conspiracy after being charged with the substitution of substandard steel pipe on government construction projects.

He concealed the unapproved steel pipe from government inspectors and falsely labeled the substandard steel pipes so they appeared to be the approved steel pipes.

The lifespan of the unapproved pipe was estimated at 20 years, compared with 70 years for the approved pipe.

There are many, many ways in which those doing business with the government, and government officials can commit costly acts of fraud.

Procurement fraud, because of its prevalence, is costly in financial terms, costly to a country as a whole, and costly in terms of the quality of life and the well being of its citizens.

Accordingly, because of the billions spent on procurements by governments and its risk and susceptibility to fraud, government must make certain that:

- internal controls in this area are well-developed and strictly adhered to,
- policies and procedures are well-articulated and followed, and
- a program for oversight of procurement activities, including systematic audit scrutiny, is initiated and executed.

SUMMARY REMARKS

Fraud can all but destroy a country's economy.

It can have a lasting impact on the physical and psychological health of all its citizens.

It can feed the coffers of domestic and international terrorism.

It is the responsibility of those both inside and outside of government to cooperate in efforts to eradicate the plague of fraud that is so pervasive worldwide.

I hope that what we have discussed here today will be helpful to you in developing a strategy to battle corrupt behavior in your country, and support your efforts to eliminate or at least mitigate fraud and its devastating effects on your country and its citizens.

COMMENTS, QUESTIONS, DISCUSSION

That concludes my presentation.

Thank you for your kind and respectful attention.

I now would like to invite questions, comments, or other matters you would care to discuss.

BIOGRAPHY

Dr. Nicholas M. Zacchea holds a bachelor's degree in accounting, a master's degree in management and a doctorate in international economics. His government service includes over 30 years of audit and investigative experience with responsibility for conducting a wide variety of audits, including financial, forensic, compliance, program results, and performance audits. While with the U.S. Government Accountability Office (GAO) in New York he served as its Assistant Director, the Director of its Technical Assistance Group, and its Coordinator for Special Investigations. His other government service includes appointments as the Director, Office of Enforcement, U.S. Department of Energy, service as the director of an organizational development project in the Middle East, and instructor for the International Organization of Supreme Audit Institutions.

He was an accountant and auditor in private industry before entering government service.

Since leaving government service, Dr. Zacchea served as the Chief Resident Auditor and Financial Advisor to the United Nations Peacekeeping Mission, Republic of Haiti, and has been engaged as an audit skills consultant by the United Nations, the World Bank, the Asian Development Bank, the US Agency for International Development, and several public accounting firms.

His advisory work has taken him to countries in South and Central America, the Caribbean, Europe, the Pacific, Africa, Asia and the Middle East. In Brazil he trained auditors in performance audit techniques, advised self-regulating organizations of accountants and auditors in Moldova and Bosnia-Herzegovina, conducted forensic audit skills training in Macedonia, Bulgaria, and Palau, and advised the Government of Armenia on financial management techniques. He assisted in the development of a national audit office for the Government of Ukraine; in Indonesia he helped improve the capabilities of the public audit sector, and in Kosovo he was responsible for enhancing the skill levels of the staff of the national audit office of Kosovo and strengthening its institutional capabilities. He also conducted training for each of these organizations in contemporary audit skills, including fraud detection and forensic audit techniques.

Dr. Zacchea taught at the university level for over 15 years. He lectured at the New School University for Social Research, the University of Maryland, New York University, and Carleton University. He was a member of the teaching cadre at the US Government Accountability Office's Training Institute in Washington, D.C., and has developed and conducted audit and forensic audit training programs serving as a technical advisor to governments throughout the world.

He has published articles in professional journals on the technical and behavioral aspects of auditing and is regularly invited to lecture and conduct seminars for professional organizations. He is a Certified Government Financial Manager and Certified Fraud Examiner.

Dr. Zacchea currently instructs the following courses:

- ◆ Auditing Outsourced Government Services
- ◆ Zeroing in on Bribes, Kickbacks, and Payoffs
- ◆ Contracting for Professional Audit Services
- ◆ Assessing Controls in Performance Audits