

Designing an Effective Anti-Fraud Training Program

By implementing an effective fraud awareness program, management can harness the efforts of the full staff in its anti-fraud activities and can significantly reduce the cost of fraud within the organization. The following are important considerations that must be addressed when designing an employee anti-fraud training program to ensure its effectiveness.

Who Should Attend?

Every employee within the organization should be mandated to participate in the fraud awareness training program. No individuals — regardless of their position within the organization — should be provided an exemption from receiving an initial orientation and ongoing anti-fraud education.

Targeted Training for Managers and Executives

In addition to the information presented to all employees, managers and executives should receive special training that addresses the added fraud prevention and detection responsibility — and ability — provided by their positions of authority. For example, department managers should be trained in the specific warning signs and prevention/detection methods pertinent to their department's functions. Purchasing managers should be well versed in the red flags of bribery schemes; likewise, controllers should understand just how important their vigilance is in preventing and detecting fraudulent disbursements.

Frequency and Length of Fraud Awareness Training

Like any educational efforts, frequent exposure to anti-fraud topics is the key to ensuring employees absorb — and apply — the information provided. Formal fraud awareness training should be an ongoing process that begins at the time of hire. Employees should also participate in refresher training at least annually to help

keep the program alive and engrained in their minds. Additionally, all employees should sign an annual statement acknowledging their understanding of and commitment to the program.



Training Delivery Methods

Formal anti-fraud training can take many forms, including live, in-class instruction; recorded video or animated courses; or interactive self-study programs. Of these options, a live class is preferable, as it allows employees the opportunity to actively participate, interact with other employees, discuss the true fraud risks facing the organization, and seek and provide feedback regarding the anti-fraud program as a whole. Integrating games and role-playing exercises into the training curriculum can make the course more enjoyable — and thus more effective — for participants.

Perhaps most important, however, is that the training be based on the realities of the organization, rather than on generic anti-fraud messages. While providing general information is good and necessary, doing so without addressing the specific concerns of the company or providing employees with practical knowledge and ideas on how to apply it will render the training program ineffective.

In addition, the organization can use other informal means to reinforce its anti-fraud stance on a more constant basis. Periodic newsletters, posters in break rooms, and other casual reminders help keep fraud prevention and detection in the front of employees' minds.

Topics to Cover

The following topics should form the basis of the training, but the information presented should focus on the specific risks faced by the organization in order to provide employees with practical, implementable knowledge.

What Fraud Is and What It Is Not

A good anti-fraud training program informs employees of what behavior is acceptable and what is not. Providing employees with the legal definition of fraud is not enough; effective training includes an interactive discussion and examples of fraud, as well as examples of errors and abuse.

How Fraud Hurts the Organization

Surprisingly, some employees view the theft of a few thousand dollars from a big organization as having a negligible impact on the company as a whole. Others might believe that fudging numbers in the accounting records to enable the company reach its goals is actually a helpful act.

Fraud awareness training programs must make clear to employees how such actions harm the organization — how all frauds result in lost resources; decreased productivity; lowered morale; investments of time and money into investigation, punishment, and remediation; and a hit to the company's reputation.

How Fraud Hurts Employees

Employees must also be made aware of how a fraud perpetrated by another individual can negatively affect them personally through decreased salaries, loss of bonuses, possible layoffs, increased scrutiny, decreased trust throughout the organization, and the need to clean up after any mess created. Personalizing the fallout in this way helps increase employees' commitment to aiding fraud prevention and detection efforts.



Who Perpetrates Fraud

The fraud-triangle theory indicates that anyone who has the combination of sufficient pressure, adequate opportunity, and an ability to rationalize a dishonest act is at risk of committing fraud. Fraudsters come in all age groups, income levels, and from both genders. Further, ACFE research shows that the typical fraudster is college educated and does not have a criminal history. Anti-fraud training should work to dispel any preconceived notions held by employees regarding what a fraud perpetrator looks like, and help employees learn to focus on identifying the warning signs of fraudulent behavior.

How to Identify Fraud

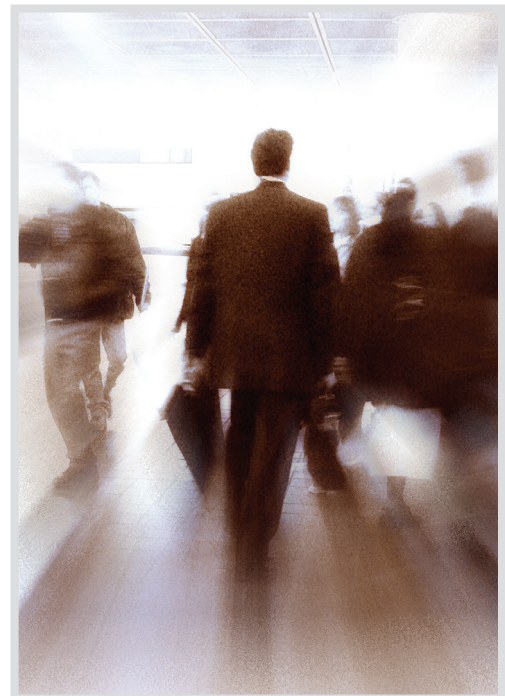
Instructing employees that they must help the organization fight fraud does little good without some accompanying information about what to look for. The following are some warning signs of fraud that employees should be aware of:

Financial/Transactional Red Flags

- Red flags regarding the structure of or personnel involved in a transaction
- Red flags within the organization's operations
- Red flags within the accounting system
- Red flags regarding the organization's financial performance

Behavioral Red Flags

- Living beyond their means
- Financial difficulties
- Control issues, unwilling to share duties
- Unusually close relationship with vendor/customer
- Wheeler/dealer attitude
- Divorce/family problems
- Irritability, suspiciousness, defensiveness
- Addiction problems
- Unwilling to take vacation days
- Past employment-related problems
- Complained about inadequate pay
- Excessive pressure from within the organization
- Past legal problems
- Instability in life circumstances
- Excessive family/peer pressure for success
- Complained about lack of authority





How to Report Fraud

More fraud is uncovered by tips than by any other means, making employees the best possible fraud detection control. But for employees to be able to serve this function, they must be well informed on how to report any suspicious activity, as well as empowered to make such reports without risk of retribution.

The Punishment for Dishonest Acts

The opportunity to commit fraud becomes more attractive when employees believe fraud normally goes undetected and unprosecuted. Consequently, the punishment (termination and possible prosecution) should be spelled out explicitly to all employees in advance. Providing examples of past transgressions that have been punished can reinforce the stance that such acts will be addressed with certainty, swiftness, and severity.



About The Association of Certified Fraud Examiners

The Austin, Texas-based ACFE is the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with nearly 65,000 members in over 150 countries, the ACFE is reducing business fraud worldwide and leading the fight against white collar crime. For more information about the ACFE, visit ACFE.com.