



6 Fraud Prevention Lessons from Forensic Accounting

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Forensic accountants discover a multitude of sins during case investigations, but like seeing the proverbial open barn door, their findings come after the fact. What went wrong, and what set of circumstances allowed it to happen? Patterns that reappear during forensic case investigations of government entities reveal common weak points. You can reduce the risk of fraud and theft by learning the lessons that forensic accounting provides.

Lesson 1: Vendor documentation demands monitoring and review.

Every government entity requires vendors (as well as internal staff and grant recipients) to document expenditures. But if no one is reviewing the underlying costs that justify invoices, reimbursements and funding requests, public funds may be flowing too fast — or into the wrong pockets. To prevent overbilling, ask for and review documentation of actual hours, programs, and purchases rather than automatically approving these requests.

Lesson 2: Procurement policies only work when they're followed.

Do staff complete the requisition process only after goods and services have been delivered and invoiced? Is your agency paying higher prices for goods and services than the contract calls for, or that aren't in the contract at all? Failure to follow established government requisition processes creates unnecessary risk exposure. Require staff to follow procurement protocols exactly and confirm appropriate contract pricing by cross-referencing purchase orders and invoices with the original contract.

Lesson 3: Any rise in purchases merits a closer look.

Many governments make routine purchases at familiar big-box and office supply stores, in amounts that often vary throughout the year. When the level of buying diverges from typical patterns, it's time to look closer. Do unusual events or exceptional needs explain the rise? If not, find the documentation for these purchases to determine who's buying extra and why.

Lesson 4: Late payments could indicate a problem.

If bills aren't being paid on time, you need to find out why — and fast. Juggling payments can let an unethical staff member cover up fraud, but not forever. Past due balances for vendor accounts and routine bills may be a sign that the money to pay those bills is gone. Similarly, if there are entries posted to the books that don't align with actual bill payments and other authorized expenditures, someone is likely trying to force the books to balance.

Lesson 5: Delayed or unusable financial reporting is a major red flag.

"I'm too busy to keep up!" "I'll get those reconciliations to you next month." "The budget reports aren't quite ready because I've had drama at home." If you hear these or similar phrases, be on guard — delays in financial reporting very often accompany fraud. Investigate immediately if staff are late submitting reports or providing documentation that shows remaining funds available. The same goes for financial records that are continually changing or so disorganized as to be unusable. Accept no excuses for delays of any kind and probe deeply to verify that finances are being appropriately managed.

Lesson 6: Transitions create additional risk.

Whether it's changing leadership or major technology upgrades, transition periods bring added risk for government organizations. New leaders often rely on lower-level personnel to show them the financial controls that are in place, lacking the institutional knowledge of their predecessors, while disruptions associated with moving to a new technology platform or system make it easy for fraudsters to "lose" or alter financial records. Government leaders at all levels should take extra precautions during times of transition to minimize fraud risk.

Maintain the trust of those you serve

The persistent threat of fraud by malicious actors is a serious concern for every government entity. While complete prevention is unattainable, adopting a [robust fraud prevention](#) strategy can significantly decrease the incidence of fraud and enable rapid detection when it occurs. The experienced government advisors at Mauldin & Jenkins are ready to assist you in designing and implementing a comprehensive fraud prevention program tailored to effectively mitigate your risks. Contact us today to discover how we can help you protect your entity.