

Federal Reserve Board of Governors

**Course Description for
Fundamentals of Fraud**

Last Revised: May 2009

FUNDAMENTALS OF FRAUD

Type of Participant Targeted

The Fundamentals of Fraud course is intended for examiners with a minimum of 18 months examination experience as well as seasoned examiners who wish to refresh examination skills involving transaction testing and funds tracing.

Prerequisites

None

Course Overview

The 2½ day Fundamentals of Fraud course is designed to enhance participants' fraud knowledge, analytical skills, and examination skills. The course is divided into five modules and centers on a case study involving a one-week, on-site examination of mythical Palm State Bank located in Sunshine, Florida. Each module begins with PowerPoint presentations that introduce participants to basic fraud concepts, techniques for detecting fraud, and other knowledge required for completing the case study.

For the case study, participants are assigned to small breakout groups to practice skills that lead to the discovery of fraud at Palm State Bank. As with most frauds uncovered by examiners, discovery often unfolds because examiners pursued additional information when something they analyzed just did not look right or make sense. Working in groups, participants analyze documents and records from Palm State Bank, note their observations, and identify actions that should be taken next to determine if fraud exists. Each breakout group session builds on information from prior sessions and walks participants through steps necessary to determine the true nature of various transactions and accounts. A classroom debriefing where groups present their observations and recommended actions follows each skills practice session.

Each module concludes with a short video of examiners conducting the Palm State Bank on-site examination. Examiners are shown reviewing and discussing the same documents participants reviewed in their breakout groups as well as identifying documents that will be reviewed in the next module. Additionally, the videos introduce new information relevant to uncovering fraud and resolve information that is not practical to address in the case study.

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Course Objectives

After completing this 2½-day course, the participant, at a minimum, will be able to accomplish the following objectives:

- Describe the basic types of fraud
- Identify fraudulent activities
- Research transactions and trace funds
- Identify red flags
- Identify and manage documents
- Apply interviewing techniques
- Explain the requirements for filing Suspicious Activity Reports
- Explain the effects of fraud on a bank's risk profile
- Discuss enforcement actions

Overview of Curriculum for Fundamentals of Fraud

The following topics will be reviewed:

- Occupational Fraud & Insider Abuse
- Financial Institution Fraud
- Transaction Record and Account Reviews (Tracing Funds)
- Internal Controls/Red Flags
- Identify and Manage Documents
- Enhanced Interviewing Techniques
- Fraud Examinations/Investigations (Processes/Procedures)
- Supervisory Concerns & Priorities
- Fraud & Risk Profile
- Formal/Informal Actions

Class Size

The optimal class size is 15 to 18 participants with three participants assigned to each breakout group.

Instructors

Fundamentals of Fraud includes one lead instructor and two or more additional instructors. All instructors must have an extensive background in fraud examination.