Occupational fraud costs municipalities millions in taxpayer dollars and lasts for months without detection

The [Report to the Nations](#) is a global study on the costs and effects of occupational fraud released biennially by the Association of Certified Fraud Examiners (ACFE). The report says that organizations lose 5% of their revenue to fraud each year. However, with proactive data analysis and monitoring, median fraud loss can be reduced by 33% and the median duration of fraud to just 7 months from the typical 14 months. In 2020, the ACFE released a [supplemental report](#) that focuses on the 338 cases in the latest study of occupational fraud that occurred at government organizations.

While government organizations vary by size, budget, and staff, none are immune from occupational fraud, or "fraud committed by individuals against the organizations that employ them," as defined by the Association of Certified Fraud Examiners (ACFE).

This type of fraud costs government organizations over $1.8 million on average, according to the ACFE's 2020 *Report to the Nations*.

The median cost of occupational fraud was $100,000 among the 338 government organizations analyzed in the study. The median duration of an occupational fraud scheme was *19 months* before detection. Over half of the organizations did not recover any fraud losses, according to the report. For government organizations, revenue lost to occupational fraud translates to mishandled taxpayer dollars and results in diminished public trust.

The ACFE studied the anti-fraud controls that the government organizations had in place at the time the frauds occurred, as well as the internal control weaknesses that contributed to the frauds. The internal audit department is one of the most common anti-fraud controls in government organizations.

Not all organizations have internal audit departments, however, making the external audit of internal controls over financial reporting the next most common anti-fraud control. This specific control was associated with 40 percent lower losses and 25 percent faster detection of occupational fraud.

If schemes bypassed controls, the most common form of initial fraud detection in government organizations were tips—mostly from employees—and internal audits. Tips were more common in large organizations (100+ employees) and in those with a hotline or formal reporting mechanism and fraud awareness training for employees.

Government organizations could benefit from data-driven internal controls and reporting mechanisms to detect, prevent, and even anticipate, costly fraud schemes.

ThirdLine is a continuous monitoring platform for municipalities to stop fraud, decrease waste, plan audits, and discover cost savings.

ThirdLine is powered by 400+ analytics that monitor enterprise resource planning (ERP) system data and flag transactions across an organization. Analytics work together and run continuously to review all transactions and highlight risk. With each refresh of an organization's ERP data, analytic results update across ThirdLine's interactive platform, reporting:

- *Where* the transaction was flagged (e.g., Payroll, Accounts Payable, etc.)
- *Who* was involved in the transaction (employees, approvers, vendors, etc.)
- *When* the transaction was created, modified, and approved.

By simply integrating ThirdLine with the an ERP system, a municipality has the assurance of hundreds of analytics running continuously to detect fraud, waste, and abuse, test internal controls, and reveal employee training opportunities across these 10 Modules:

1. Accounts Payable
2. Accounts Receivable
3. General Ledger
4. Human Resources
5. Payroll
6. Purchasing Card
7. Purchasing
8. Separation of Duties
9. Travel & Expense
10. Vendors

ThirdLine technology provides municipalities an automated way to monitor and mitigate risk *before* it escalates to a full-blown occupational fraud scheme that costs six figures and lasts over a year and a half.

For example, in 2020 someone from outside the City of Tulsa changed a City vendor's bank account number, initiated a deposit of over $600,000 to that account, and then changed the account back to the vendor's previous number. ThirdLine flagged this transaction, and the City was able to intercept the deposit, saving taxpayer dollars and countless hours of investigation.

"What we're doing here is revolutionary, we haven't ever done this before," City Auditor Cathy Carter said.

ThirdLine is available to municipalities across the U.S. To learn more and request a demo, please visit https://thirdline.io/.