



COUNTER FRAUD CENTRE

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Preventing Fraud In Times of Crisis

May 2023



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1 Introduction

In times of emergency and disaster it is important that government can get funding to where it is needed quickly. Disaster management often involves rapidly designing and implementing relief and recovery measures to help individuals, businesses and communities get back on their feet.

Government responses to disaster also come with an inherently high risk of fraud. Relief programmes are an attractive target for fraudsters seeking dishonest financial gain.

In disaster situations, the largest failure would be to fail to support those who need it. It is not a failure for some fraud to happen – a certain level of fraud is inevitable and likely unpreventable due to the time critical nature of delivery.

What would constitute a failure is if fraud was to happen in an uncontrolled manner, with the responsible leaders unaware. When fraud happens in an uncontrolled manner, it can quickly become endemic. This in turn can have significant impacts: increasing the cost of emergency management and reducing the resources available to government to manage the issue, leading to further suffering for disaster victims.

1.1 Why should we care about fraud in disaster management?

When priority in disaster management situations is to provide support and services to individuals, communities and areas in need as swiftly as possible, it could be asked why fraud and corruption should be considered at all.

Where fraud and corruption happen, there are many impacts; Most obviously, there is the financial impact. However, in many cases the impacts are far more wider reaching, for example:

Financial Impacts

Redirecting funds away from activity that would support the disaster response and the communities can increase the cost of disaster management, and lead to less support and services going to those affected by the disaster.

Human Impacts

There can also be a human cost. Fraud and corruption can lead to an increase in the level of emotional and psychological harm for the victims.

Public Trust

Fraud and corruption undermine the public's trust in the government and institutions. In disaster management situations, trust between the government and the community is important as it enables communication and action to happen effectively and efficiently.

Download a copy of the nine impacts of public sector fraud at <https://sfo.govt.nz/prevention/counter-fraud-resources/>

1.2 Purpose

The purpose of this document is to provide fraud practitioners and those responsible for delivering disaster relief and recovery with information to better manage fraud in disaster scenarios.

2 Fraud control in disaster management

The following are the principles that underlie the effective control of fraud in disaster scenarios.

- ▶ Accept that there is an **inherently high risk** of fraud, and that it is likely to happen.
- ▶ Integrate fraud control resources (employees) into the policy and process design to **build awareness of fraud risks**.
- ▶ The business and fraud control should work together to implement **low-friction countermeasures** to prevent fraud risk where possible.
- ▶ Carry out **targeted post-event assurance** to look for fraud, ensuring access to fraud investigation resource.
- ▶ Be mindful of the shift from emergency payments into **longer term services** and revisit the control framework – especially where large sums are invested.

Download a copy of this document at

<https://sfo.govt.nz/counterfraud/cfc/resources/guides-and-factsheets/fraud-prevention-in-times-of-crisis>

2.1 Inherently high risk of fraud

There are numerous examples of fraudsters using disaster scenarios to make gains, either through receiving services that they are not entitled to, or through acting fraudulently in the delivery of services to affected communities.

In disaster scenarios policies, systems and processes must be put in place rapidly. This limits the time that is available for reflection on what the criteria are for payments or services to be delivered.

Inevitably, disaster payments have to be made quickly. This means the appetite for up-front countermeasures to check eligibility for a payment (which may delay those payments) is low.

As a result of the above factors, the risk of fraud is inherently higher in disaster management. This should be acknowledged by the business, those leading the administration of disaster management and by those assisting in fraud control. There should also be an acceptance that since the priority is getting funding to affected communities, this will inherently mean a high likelihood of fraud in the system.

It is worth noting that the nature of the disaster management scenario can have a

significant impact on the types of fraud that arise and the impacts of these frauds. Those working in disaster management scenarios should be mindful of the unique opportunities for fraud that may be specific to the situation they are in.

2.2 Integrate fraud control resources and build awareness of fraud risks

Where possible, when policy and delivery areas are developing disaster management processes, there should be experienced fraud personnel involved to analyse policies and processes as they are developed.

Their role is to identify how the system could be defrauded (by carrying out a fraud risk assessment), to record this, and to communicate it to the key responsible leads. It helps to think like a fraudster when exploring fraud risks in disaster management.

Download a copy of the seven Fraudster Personas at

<https://sfo.govt.nz/counterfraud/cfc/resources/guides-and-factsheets/the-basics>.

Without a fraud risk assessment, those responsible for disaster management will have no awareness of how the response could suffer from fraud or corruption. They will not be able to implement effective countermeasures or build an awareness in the system of fraud. As such, the overall risk and likelihood of fraud and corruption will be much higher.

2.3 Implement low-friction countermeasures

Once the business understands some of the risks of fraud and corruption, the fraud control resources should actively support the policy and delivery teams. This can be done by suggesting key countermeasures that could be used to reduce some of the most significant risks.

Where possible, entities should use established delivery processes. Creating new processes and systems can lead to untested and inconsistent practices and decision making.

Low friction up-front countermeasures should be implemented. While this approach can carry a significant residual risk, agencies should back this up with post-event assurance activity to understand the extent of the risk and identify funds that have been paid incorrectly.

Download the ‘Disaster management low-friction countermeasure’ document at <https://sfo.govt.nz/counterfraud/cfc/resources/guides-and-factsheets/fraud-prevention-in-times-of-crisis> for examples of fraud countermeasures that might be deployed when delivering disaster management to reduce the risk of fraud.

Organisations can use insights from data analytics to inform which countermeasures to implement.

2.4 Carry out targeted post-event assurance

The extent to which upfront, preventative, countermeasures can be implemented will be limited. As such, it is important that post-event activity is undertaken to establish whether the fraud risks came to pass.

It is important, during planning, that resources are agreed and put aside to deliver post-event assurance. Post-event assurance can be done on a variety of scales. It could be the allocation of time from an audit plan, expanded or reprioritised activity in an already established resource, or the investment in new, capable compliance resources.

Post-event assurance consists of considering the fraud risk assessment and reviewing a sample of payments and services, in light of the risks, to see if any instances of fraud can be identified. The focus should be on actively looking for fraud in the system, rather than checking whether countermeasures have been undertaken successfully.

Download the ‘Disaster management know your data’ document at <https://sfo.govt.nz/counterfraud/cfc/resources/guides-and-factsheets/fraud->

[prevention-in-times-of-crisis](#) for examples of how to use data to support post-event assurance activities. Organisations who use data throughout a disaster will be more equipped to support fraud risk assessments with an evidence base, to make informed decisions about focus areas for countermeasures and to lower the risk of some frauds.

In addition to securing or putting aside resources for post-event assurance, it is important that there is, at least, access to fraud investigation resources. These may not be necessary, but if potential fraud is identified, they will be.

Fraud investigation is an increasingly complex and technical activity. Investigation into potential fraud or corruption should not be given to generalists, but instead to trained and experienced investigators.

When announcing disaster management payments or services, highlighting that there will be post-event assurance checking can act as a deterrent to would be fraudsters.

2.5 Be mindful of the shift into more longer-term services

Disaster management covers both the immediate response to disaster scenarios and longer-term disaster management such as the rebuilding of communities and infrastructure that have been damaged.

There often comes a point when the initial time-pressured response comes to an end and a more systematic investment in longer term services and support begins.

If this is led by the same organisation or team that led the disaster response, there is a risk that the short term processes and culture built by the team developing the policies and processes can last longer than is necessary for dealing with the situation they are managing. This can unnecessarily increase the risk of fraud and corruption in these less time pressured disaster management situations.

Those leading disaster management should aim to be aware of this shift and the opportunity to revisit the fraud risks and countermeasures.

It is essential that fraud risks are reconsidered during this period of transition. If the low-friction preventative fraud countermeasures that were appropriate during the initial response are maintained, fraudsters are likely to take advantage of these, which could be prevented.



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