

# Seeing and stopping fraud for government agencies

*Support efficient, accurate fraud detection and investigation through intelligent analytics capabilities and a 360-degree view of case file information*



---

## Highlights

- Allows investigators to assess large sets of unstructured information for fraud patterns
  - Helps agencies recover revenue lost to fraud and duplicative cases more effectively
  - Enables more granular levels of pattern detection and partial matching
  - Helps investigators understand meaning in context while exposing trends and unusual patterns of activity
  - Provides links and context to create a 360-degree view of each case to aid investigation and records recovery
  - Provides technical capabilities for proactive and reactive fraud investigations
- 

No matter where in the world you go, governments are battling against fraud. The problem is widespread, large and growing quickly. Worldwide, the toll from fraud is in hundreds of billions of dollars annually. A high proportion of fraud and financial abuse occurs in the public arena, concentrated in entitlement areas such as healthcare and social benefits. And unless investigators are tipped off or otherwise explicitly alerted to its existence, fraud is hard to detect.

With governments worldwide implementing austerity or severe cutback measures, and financial scandals arousing public ire, public-sector agencies in many countries face growing pressure to investigate fraud, enforce compliance and reduce the amount lost to fraud. However, government agencies have major handicaps. Most agencies were conceived, organized and staffed to deliver services rather than to police, investigate and penalize citizens. In addition, most legacy systems used by government were not developed with fraud detection in mind. Even if they had been, their designers could not have foreseen the highly creative (and high-tech) fraud practices used by today's criminals.

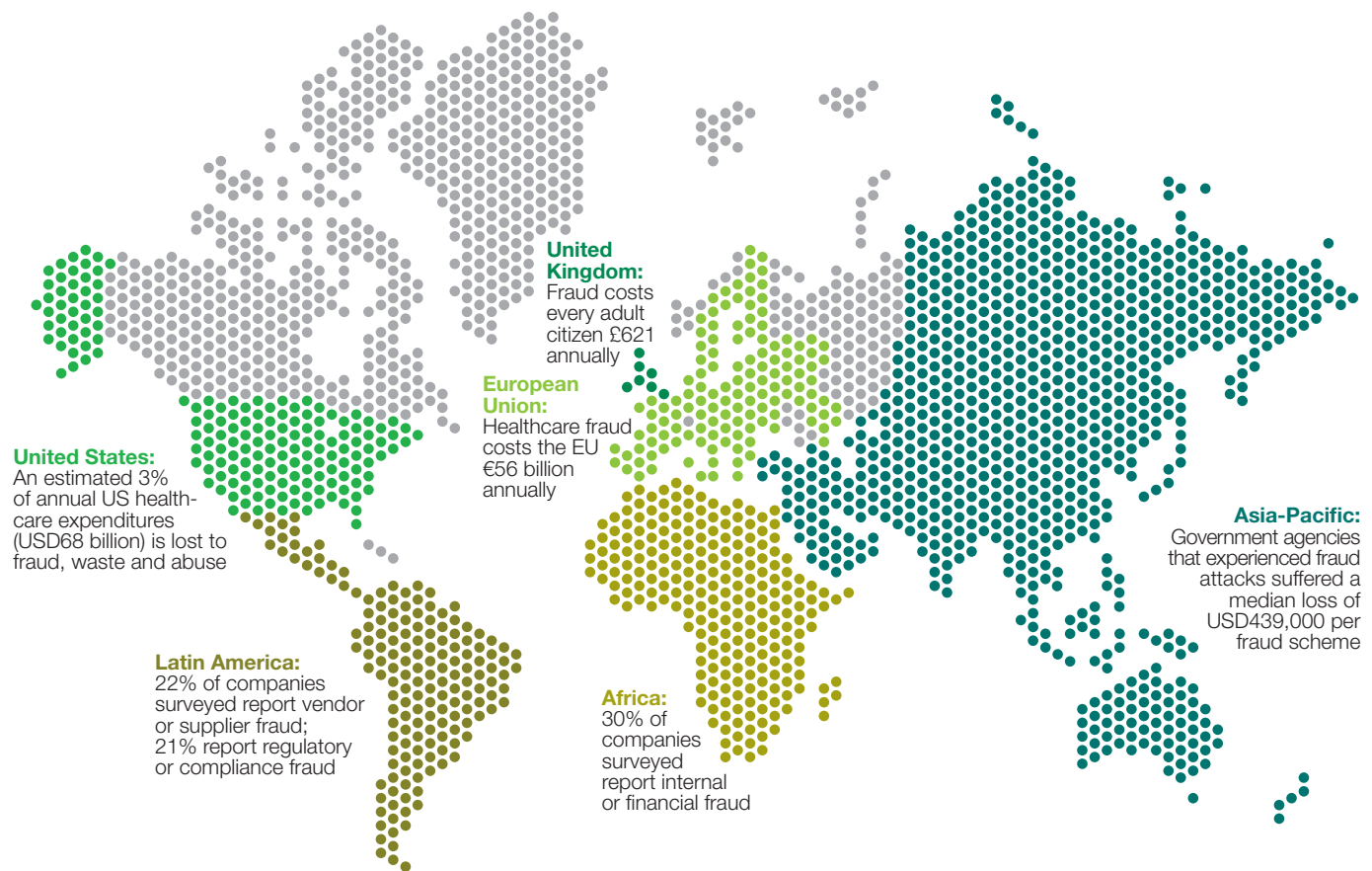
Governments need stronger strategies and solutions to fight fraud. They are now studying, adopting and deploying software applications and related technologies for that purpose, and developing new capabilities that accelerate the proactive and reactive detection, investigation and prosecution of fraud. With specialized enterprise content management (ECM) technologies from IBM, they are able to gather information more easily than ever before, analyze it to spot trends and make connections, document their findings and share them with their colleagues to more reliably investigate fraudsters.



## Obstacles to combating fraud

To fight fraud, you first must find it. Fraud perpetrators take advantage of information gaps and the odds in their favor against being detected or punished. Criminals experiment relentlessly until they find a successful model and then scale it up until they are caught—which may take years. Once the victims (governments, in this case) catch on, the criminals switch to a different fraud model.

But most public agencies depend on paper-based systems, which make this identification step expensive and time-consuming. Paper-based document collection also makes it more difficult to establish links to other cases to spot larger frauds. Another drawback of paper systems: the audit trail for later legal action is arduous and not always reliable. Governments need the ability to lock documents against alteration, and then track access to them. Plus, paper documents must be securely stored, often for long periods of time, requiring extra space and additional maintenance.



**Sources**

United Kingdom: The UK National Fraud Authority. [www.attorneygeneral.gov.uk/nfa/WhatWeDo/Pages/FAQS.aspx](http://www.attorneygeneral.gov.uk/nfa/WhatWeDo/Pages/FAQS.aspx)

European Union: European Healthcare Fraud and Corruption Network. [www.ehfcn.org/fraud-corruption/facts-and-figures](http://www.ehfcn.org/fraud-corruption/facts-and-figures)

United States: National Health Care Anti-Fraud Association. [www.nhcaa.org/eweb/DynamicPage.aspx?webcode=anti\\_fraud\\_resource\\_centr&wpscode=TheProblemOfHCFraud](http://www.nhcaa.org/eweb/DynamicPage.aspx?webcode=anti_fraud_resource_centr&wpscode=TheProblemOfHCFraud)

Africa and Latin America: "Global Fraud Report: Economist Intelligence Unit Survey Results." Kroll. 2010. [www.krollconsulting.com/media/pdfs/FraudReport\\_English-US\\_Oct10.pdf](http://www.krollconsulting.com/media/pdfs/FraudReport_English-US_Oct10.pdf)

Asia-Pacific region: "2010 Report to the Nations on Occupational Fraud and Abuse: Asia-Pacific Edition." Association of Certified Fraud Examiners. May 2010. [www.acfe.com/documents/rtnn-asia-pacific.pdf](http://www.acfe.com/documents/rtnn-asia-pacific.pdf)

Fraud costs billions each year across the world. As governments cut expenditures and new areas of cost recovery need to be investigated, many organizations view fraud as a growing threat.

When agencies do have electronic records available, the volume and variety of the information often offset the benefits of improved searching and easier storage. The information is frequently siloed and unorganized, and is often unstructured—a mix of text, data forms, diagrams, photos and audio or video recordings—which makes it difficult to search effectively. Analyzing this tremendous volume of information is especially difficult because while trying to uncover new fraud schemes, investigators often don't have a clear idea of exactly what they're looking for.

### Leveling the field: Detect and investigate fraud with intelligent ECM solutions

Regardless of the type or complexity of fraud being perpetrated, solution-based approaches make identifying fraud and duplication more accessible. To do this, many agencies are taking advantage of enterprise content management technology. With IBM® ECM solutions, agencies can collect, interpret, classify, store and retrieve large amounts of unstructured and structured information from multiple sources. The solutions automatically link numerous forms of information, enable rapid search and retrieval of electronically stored case materials and provide interactive content analysis tools that help users uncover connections that they didn't know existed, such as:

- **Patterns:** These can be scenarios where a suspicious set of characteristics has occurred in multiple cases. For example, workmen's compensation claims have long been subject to fraud. Investigators can quickly find cases that share a characteristic with established fraud, such as the initial injury claim being changed from a specific injury to a chronic condition that is harder to diagnose and confirm for veracity.

- **Trends:** Examples include a significant rise or drop in a type of claim or tax declaration. If the percentage of households with two wage-earners that also report a home-based business suddenly goes above historic norms, it may signal an increase in that type of fraud.
- **Duplication:** What if the same individual files for benefits, using different addresses and slight changes to national identification number and surname? Catching these duplicate claims requires a strategy that can establish duplicates despite ambiguous information.

IBM ECM solutions also help agencies maintain regulatory compliance. Agencies can set parameters and tolerance levels for rules and analytics to ensure that they adhere to policy and legislative guidelines. They can also easily document decision-making processes, creating auditable decision trails that simplify auditing and compliance.

### Manage fraud cases and dig deep into content

IBM ECM encompasses a broad portfolio, including two areas of capability that government agencies have found particularly useful in detecting and stopping fraud: advanced case management and content analytics.

Advanced case management unifies people, processes and information to provide investigators with a 360-degree view of case file information. Advanced case management makes it easier for investigators to analyze the chronology, the people, the claims, service providers, money, time and locations involved in a case. Investigators can quickly become familiar with a case and spot patterns and links to other cases while retaining an audit trail of decisions made across cases and contributors. Once fraud is detected, advanced case management facilitates an end-to-end investigation.

Advanced case management helps fraud investigators compile information as well as the decision trail and relevant documents, photos, video, recordings and text notes from multiple sources. Simply moving from paper to electronic records alone can result in significant cost savings. According to IBM calculations, a government office with 50 caseworkers can consume 25 tons of paper in a year, with handling costs of USD213,000—or USD4,260 per caseworker per year—if case management is not optimized. The handling cost is primarily in employee time drain for retrieving files.<sup>1</sup>

Many agencies have also found that an advanced case management approach helps increase the effectiveness of fraud investigators by automating the manual steps required to classify information and associate it with individual cases. Advanced case management provides collaborative, dynamic task capabilities to engage a broad group in investigations and move the case forward. It also supports the creation of case templates for common types of investigations, such as suspicious small-business tax filings, supply contract fraud, entitlement claims or healthcare benefits. Case templates help jumpstart an investigation by providing a case-specific structure for gathering and organizing information. They also incorporate industry best practices, and can prompt investigators to take specific actions based on lessons learned from previous cases.

With access to large data sets across information silos, agencies can uncover patterns that propel fraud investigation. For example, a caseworker may see one citizen with a claim of neck pain, but the system can see a pattern of car “accidents” where each time, six passengers suffered back injuries and were all treated at the same pain clinic—and the accidents tend to occur at the same time of day in a particular stretch of highway. The UK Insurance Fraud Bureau reports that one such accident can yield up to £30,000 to an organized gang, and the proceeds are often used to finance other, serious forms of criminal enterprise.<sup>2</sup>

Content analytics capabilities help investigators uncover insights hidden within tremendous volumes of structured and unstructured data. For example, investigation of Medicare kickbacks might demand the analysis of numerous claims submitted by the provider and suppliers. Content analytics sorts through the claims submissions, automatically grouping and electronically storing them. Similar cases from the past and present are quickly retrieved and analyzed, and documents can be connected to other cases under investigation, which helps identify patterns and catch partial name matches. The content analytics tools in IBM ECM solutions also find partial name matches to detect overlaps between similar incidents, as criminals often file multiple claims using similar but slightly permuted names.

With these types of analytics at their fingertips, case workers can not only find a wealth of information relevant to the single case they’re working on, but also quickly discover if the case fits into a much larger pattern or trend. As these links build up over time, they add to the overall system intelligence, increasing the chance that those connections will help identify larger scams or crime rings

IBM ECM solutions deliver insights to other systems, such as predictive models. For example, a modeling tool could take information collected through ECM and use it to predict the likelihood that a prospective government contractor will commit fraud. If the model shows a high fraud potential, the agency could take preventative action such as flagging all invoices from that contractor for additional review.

Investigative case management can also improve both prosecution success and asset recovery, as advanced case management drives investigations based on lessons learned and best practices and lets caseworkers prepare evidentiary and financial information for handoff to law enforcement or collections. For example, evidence may exist in many formats; IBM ECM solutions help coordinate the collection and management of scanned images, eDiscovery requests, records and other data formats within an “electronic file folder” containing all relevant information on a given case.

## Accurate, trusted information: A foundation for fighting fraud

Governments have launched aggressive initiatives to attack fraud with new laws, solutions and strategies. In addition to deterring otherwise law-abiding citizens, public-sector agencies are taking on an entrenched, organized, motivated white-collar criminal culture and habitual individual abusers of the system.

With IBM ECM solutions, agencies can easily capture, organize, manipulate and analyze all types of data—structured and unstructured. They have powerful analytics to detect similar case patterns, and by reducing paper handling and speeding retrieval, case workers can move much faster, react to more cases and prevent loss more efficiently.

By removing the barriers between information and fraud investigators, and by applying advanced case management with intelligence and awareness of how fraud continually mutates, IBM solutions help government agencies make fraud significantly more difficult and risky, while supporting prosecution, deterrence and recovery of money owed to government agencies.

## IBM Case Manager

IBM Case Manager supports an advanced case management strategy by unifying information, processes and people to provide a 360-degree view of fraud investigation cases. In addition to content and process management, it relies on advanced analytics, business rules, collaboration and social software to help drive more successful, optimized case outcomes. Moreover, IBM Case Manager helps capture industry best practices in frameworks and templates to empower users and accelerate return on investment with standards-based technology.

## IBM Content Analytics

IBM Content Analytics is a robust, standards-based content analytics platform designed to help organizations gain rapid insight into their unstructured content and related structured data. IBM Content Analytics supports interactive exploration and discovery to help users understand meaning in context while uncovering patterns, unusual activity and relationships that they didn't know existed. Using the extensive set of IBM Content Analytics connectors, companies can access and aggregate information from multiple internal and external content sources and types. Flexible and extensible, IBM Content Analytics enables deeper insights through integration with other systems and solutions and through easy-to-use tools for building industry-specific models, such as fraud indicators, with no coding experience required.

## About IBM Enterprise Content Management

IBM Enterprise Content Management software enables government agencies to make better decisions, faster. By gaining control of unstructured information, fraud investigators can access information and collaborate in new ways, making content a first-class source of insight. With industry-specific IBM ECM solutions, agencies can capture, manage and share content throughout its life cycle to help ensure compliance, reduce costs and maximize productivity. The IBM ECM portfolio includes a wide array of capabilities that integrate with existing systems to help organizations maximize the value of information, including document capture and imaging; social content management; advanced case management; information life cycle governance; and content analytics. More than 13,000 global companies, organizations and government organizations rely on IBM ECM to improve performance and remain competitive through innovation.

## For more information

To learn more about advanced case management solutions and IBM Case Manager, please contact your IBM marketing representative or IBM Business Partner, or visit [ibm.com/software/data/advanced-case-management](http://ibm.com/software/data/advanced-case-management)

Join the conversation at [ibm.com/community/ecm](http://ibm.com/community/ecm)



---

© Copyright IBM Corporation 2011

IBM Corporation  
Software Group  
Route 100  
Somers, NY 10589 U.S.A.

Produced in the United States of America  
July 2011  
All Rights Reserved

IBM, the IBM logo and [ibm.com](http://ibm.com) are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at “Copyright and trademark information” at [ibm.com/legal/copytrade.shtml](http://ibm.com/legal/copytrade.shtml)

Other product, company or service names may be trademarks or service marks of others.

References in this publication to IBM products or/and services do not imply that IBM intends to make them available in all countries in which IBM operates.

The information contained in this documentation is provided for informational purposes only. While efforts were made to verify the completeness and accuracy of the information contained in this documentation, it is provided “as is” without warranty of any kind, express or implied. In addition, this information is based on IBM’s current product plans and strategy, which are subject to change by IBM without notice. IBM shall not be responsible for any damages arising out of the use of, or otherwise related to, this documentation or any other documentation. Nothing contained in this documentation is intended to, nor shall have the effect of, creating any warranties or representations from IBM (or its suppliers or licensors), or altering the terms and conditions of the applicable license agreement governing the use of IBM software.

Each IBM customer is responsible for ensuring its own compliance with legal requirements. It is the customer’s sole responsibility to obtain advice of competent legal counsel as to the identification and interpretation of any relevant laws and regulatory requirements that may affect the customer’s business and any actions the customer may need to take to comply with such laws. IBM does not provide legal advice or represent or warrant that its services or products will ensure that the customer is in compliance with any law.

All customer examples described are presented as illustrations of how those customers have used IBM products and the results they may have achieved. Actual environmental costs and performance characteristics may vary by customer.

1 Source: IBM Research.

2 UK Insurance Fraud Bureau. [www.insurancefraudbureau.org/files/misc\\_pdfs/consumer\\_advice\\_-\\_crash\\_for\\_cash\\_scams.pdf](http://www.insurancefraudbureau.org/files/misc_pdfs/consumer_advice_-_crash_for_cash_scams.pdf)



Please Recycle