Identifying and preventing fraud

While no plan is immune from fraudulent activity, there are several controls that can be implemented to prevent and catch most types of fraud.

STEP 1

Structure pension support roles in a manner that makes it difficult for anyone who may decide to commit fraud from having the ability to hide that fraud, even for a short period of time.

STEP 2

Require dual approvals for any transactions involving plan assets, including investments, bill payments and participant distributions. Ensure that subordinates are not approving transactions of their manager.

STEP 3

Have clear written procedures covering all critical pension activities.

STEP 4

Thoroughly vet all potential plan investments, especially hard-to-value assets such as hedge funds, foreign assets and derivatives.

STEP 5

Carefully review all plan invoices to ensure that the vendor invoicing the trust, actually performed the work, that the amount matches the agreed upon fee and that the invoice has not already been paid.

STEP 6

Conduct at least an annual search for deceased participants, and adjust payments accordingly.

STEP 7

Ask your pension plan auditor what tests they are performing to identity potential fraud.

STEP 8

Disclose any potential fraud to pension trustees and engage your fund attorney in determining the appropriate course of action.

STEP 9

Report any actual fraud on the plan's annual 5500 report, even if the loss was recovered through insurance.

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