

“ Why AML and Fraud Investigations Fail

[dominion-advisors.com](https://www.dominion-advisors.com)



The purpose of AML is to identify, investigate, and report suspicious activity.

Organizations that do this correctly avoid penalties. Organizations that do not face severe regulatory, reputational, and financial consequences. For individuals, it means a damaged career. Fraud investigations must detect and ideally prevent financial loss to customers and their institutions.

Get in touch

5000 Birch St. West Tower, Ste. 3000,
Newport Beach, CA 92660

Phone: 1-877-815-1550

Email: Info@Dominion-Advisors.com

Because identifying, investigating, and reporting are the primary core functions of AML compliance, and for fraud, it's preventing financial loss, all programs should focus their attention and effort on ensuring complete, accurate, and timely investigations. Unfortunately, this is not always the case. Failure to properly investigate and report suspicious activity remains the leading driver of Enforcement Actions. And, failure to stop fraud harms customers and the organization. Why? What causes AML and Fraud investigations to fail?

#1 PEOPLE

AML and Fraud investigations fail because organizations do not hire and retain enough investigators. Without proper staffing, work piles up and is rushed. Rushed work means sacrificing the time it takes to investigate thoroughly, compromising quality.

Organizations also fail to ensure investigators are sufficiently trained. AML compliance requirements continue to grow. Thousands of new FinTech, crypto, and non-bank financial organizations need investigative talent. The explosion of fraud in the past few years creates the same need there. Organizations must hire quickly and get investigators producing immediately, often cutting short time and investment in training, which then harms quality.



To Do: Complete a thorough, well-crafted, and documented staffing assessment. Measure your team's skills, experience, and quality. Drill into the time it takes the best investigators to complete cases correctly. Be honest about production time and what individual investigators can complete weekly. Use the staffing assessment to identify weaknesses in procedures and systems and then upgrade training and hire investigators as needed.

#2 PROCESS

Let's focus on all the steps investigators take to complete work. Think for a few moments about the last decade of audits and examinations. How many times did AML and Fraud management agree to add a step here and step there to assuage an auditor's or examiner's "finding?" How many of these new "enhancements" are required by regulation? How many actually make investigations better?



To Do: Dig into every process and procedure. Determine why each step exists. Compare current processes and procedures to the last five (at least) years of audit and examiner recommendations. Ask which are useful and which are not. Document a strong case for why you will eliminate some (or many) of the current ineffective and time-consuming steps.

#3 OVERSIGHT

We strongly advocate "management by walking around" but realize this is often no longer possible in a remote or hybrid work world. However, management must always know what is going on in their investigation operation. Accurate and up-to-date Management Information Reports make this possible. In countless failures, we have seen either the absence of tracking reports or incomplete tracking reports, leaving management blind to problems. Management must know the status of every open investigation, its age, to whom it is assigned, and where it sits in the investigation assembly line. Without this information, backlogs accumulate, timing issues arise, and quality suffers, all while management is in the dark.



To Do: Build reliable, timely, and transparent management information reports that track all investigations from inception to completion. Track every source of investigation (monitoring, referrals, subpoenas, adverse media, etc.). Use management reports to build and refine staffing plans and identify aging issues and potential backlogs before they become problems. If you run the AML or Fraud investigation department, do you know right now how many open cases there are and which are the oldest? If not, that is a problem.

#4 COST

Budgets are always tight. Banks, FinTechs, and other financial organizations don't have extra money to waste. But, saying you cannot pay investigators competitive wages is a big problem. Skilled, experienced, and reliable investigators cost what they cost. It is a competitive market. Leaders in AML and Fraud are responsible for making the business case to management why investigators need to be paid the wage they need to be paid. AML and Fraud leaders, think like you are running a business. Make a business case for your people.



To Do: Assess your AML and Fraud investigator's compensation with the market. Are you competitive in your local market and in a remote and hybrid work world? If you cannot hire all the full-time staff required, are there supplemental staffing services you can employ when needed? Create and share a strong case for the budget you need to maintain an effective AML and Fraud program.

All four of these issues are interwoven—a weakness in one cascades to negatively impact the others. Having the right people, process, budget, and oversight are AML and Fraud management fundamentals. Are you on top of all four?