Why Traditional Compliance Reviews Miss Fraud in Federal Programs

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High-profile fraud cases tied to federal funding continue to surface, not because rules are unclear, but because oversight too often prioritizes compliance over insight. The Uniform Guidance establishes clear expectations, yet fraud persists when monitoring becomes a checklist exercise rather than a risk-focused discipline.

The problem with checkbox oversight

Traditional monitoring frequently focuses on desk reviews, policy confirmation, and audit reports. While necessary, these steps rarely reveal whether controls are functioning in practice. Fraud typically thrives in the gap between documented compliance and actual operations.

Monitoring requires presence, not just reports

Effective oversight means understanding how programs operate day to day. Risk-based monitoring, informed by COSO principles, defines “normal” operations and flags deviations. In many of the largest fraud cases, basic verification such as capacity checks, operational observation, and participant validation could have surfaced concerns years earlier.

Risk should drive rigor

Not all recipients present the same level of risk. Oversight resources are most effective when aligned to risk profiles, with more intensive monitoring for organizations experiencing rapid growth, limited controls, or leadership transitions, and streamlined approaches for mature organizations with proven control environments.

The case for showing up

Site visits, whether planned or unannounced, remain one of the most powerful fraud deterrents. Seeing operations firsthand provides insight that documentation cannot provide and reinforces accountability for both funders and recipients.

Accountability requires investment

Strong internal controls are not free. Expecting organizations to manage complex federal requirements without adequate administrative resources invites failure. Fraud prevention is not overhead; it is an essential infrastructure.

A better path forward

Preventing fraud does not require new regulations. It requires disciplined implementation: risk-based monitoring, adequate resourcing, operational visibility, and cultures where concerns are raised early. Organizations that treat oversight as stewardship rather than bureaucracy are better equipped to protect public funds and sustain trust.

Dean Dorton helps organizations move beyond compliance toward practical, effective oversight. Contact your Dean Dorton advisor to learn more about strengthening your monitoring and fraud prevention approach.