



Gone missing: Can AI save public funds from fraud, waste and abuse?

How the public sector can deploy data and AI to strengthen fiscal oversight





While fraud prevails as a top concern, public sector entities are pressured to be more vigilant with fewer resources. It's also estimated that fraud, waste and abuse (FWA) siphon 16% of annual agency budgets.

Public trust depends on the integrity of institutions and the responsibility lies on government shoulders. It may seem like a dilemma only a hero can overcome, but now data and AI are positioned to conquer FWA with unprecedented precision and efficiency.

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01

Prioritizing the fight against FWA

Governments and public health organizations remain committed to their missions to serve the public. However, budget constraints, FWA and the need for transparency and accountability continue as pressing concerns.

The high cost of FWA

Even a casual observer can't miss the cringeworthy headlines around the world when another public agency succumbs to the relentless pressures of high-tech fraudsters:

- ✓ The United States Government Accountability Office **estimates** the federal government has been losing up to **US\$521 billion** a year to fraud, and experts believe the number is moving close to **\$1 trillion** per year.
- ✓ In the United Kingdom, the Department for Work and Pensions overpaid (FY 2021 – 22) an “eye-watering” **£8.6 billion** across benefits, with **£6.5 billion** of that figure due to **fraud**.
- ✓ The Guardia di Finanza (Italy) reported that 48,392 fraudsters were identified from 2019 – 2023, and they unduly received or requested social welfare benefits amounting to **€505,721,704**.

Confidence grows for AI-powered fraud solutions

The problem is worldwide, but for your organization, it's personal. Leaders like you wake up every day focused on the mission and the public trust behind it. A global research study, *Trust and Transparency: Combating fraud to maximize public program efficiency*, reveals that tackling FWA is among the most crucial leadership priorities for the public sector as it drains resources and undermines citizen confidence.

As many surveyed for the study indicated, even the most prepared organizations are constantly put to the test as counter technologies and tactics change. Among the 1,100 senior and mid-level public sector employees surveyed for this study:

- ✓ 85% include fighting fraud among their top five priorities.
- ✓ 97% expect to use at least one kind of generative AI tool to combat FWA within the next two years.
- ✓ Top challenges include privacy, security, data and ensuring responsible use of AI.

Beyond immediate plans, respondents clearly indicated a desire to expand AI and GenAI technologies. For instance, respondents expect the use of large language models (LLMs) to grow from 18% to 84% over the next two years.

The paradox of AI is that while most respondents have observed AI fraud schemes and expect them to increase, they also plan to rely on AI to fight FWA. Leaders are optimistic that data analytics and AI will provide the needed capabilities to help them detect, investigate and prevent FWA. They also believe in the positive impacts of data transformation to improve productivity across their agencies.



It's a difficult situation because criminals are adopting AI technology quickly and are hiding between the operational silos within government agencies that need to combat these fraud, waste and abuse enterprises.

Stu Bradley

Senior Vice President, Risk, Fraud and Compliance Solutions





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The road to public trust

Government accountability is multi-factored and uniquely positioned for sweeping effects that can be positive or negative for large numbers of people. Good stewardship considers several areas throughout every decision-making process:

- ✓ Are we using tax revenues effectively?
- ✓ Are we reducing financial leakage?
- ✓ Do our FWA capabilities slow or inhibit public service delivery?
- ✓ How are we remaining current with laws, regulations and policy guidelines?
- ✓ Do governing bodies understand our needs and obstacles?

High stakes, tight timelines

Whether building a new highway interchange or face-to-face serving the public, public projects are complex and often have large budgets. Furthermore, projects can be launched at a moment's notice in response to disasters and mandates and have compressed timelines. While governments will often have ambitious goals and agendas, the reality of creaky data systems and practices continues to challenge and potentially upend progress, budgets and public trust.

The major contributing factors include:

- ✓ Data silos hindering full views of invoicing and payments.
- ✓ Complex and sometimes decentralized procurement and other processes leaving room for errors and loopholes.

Creating clarity and control

When faced with such broad-ranging yet fundamental issues, it's essential to turn to data and AI to understand the state of play and then make calibrated decisions. Government organizations that successfully transform their operations with data and AI commit to these four pillars of good stewardship:

- ✓ Maintain a real-time integrated view of all data sources.
- ✓ Automate processes and embed AI for efficiency and resource alignment.
- ✓ Evaluate emerging situations and deploy rapid response.
- ✓ Adopt transparent practices that prioritize ethical and responsible handling of personal data and AI.

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Tackling FWA with data and AI

Now more than ever, AI technology is positioned to bolster the line of defense against FWA, and government confidence in AI is surging. According to the ***Trust and transparency: Combating fraud to maximize public program efficiency report***, government respondents are achieving AI gains.

The report says:

- ✓ 57% find greater workforce efficiency.
- ✓ 39% have increased FWA detection.
- ✓ 38% note better prioritizations of FWA cases and alerts.

Anticipating risk, securing public trust

While governments are relying more on technology, criminal elements are too. And since they aren't constrained by procurement rules or regulatory frameworks, bad actors can move faster than the public sector can respond. It's crucial to anticipate not only your needs but also nefarious practices that can undermine your organization and the public trust.

Fraud is often an opportunistic crime, but as technology spreads, so do more sophisticated and organized elements attempting to deplete program funds. Whether committed by an organized group or a single individual, the responsibility is in the government's hands to safeguard tax funds, sensitive data and public trust. In turn, governments around the world need a user-friendly platform to carry out their complex work and serve the public better and faster.

FWA accountability across government

Through a strategic blend of data, analytics, AI and governance, government agencies can combat FWA while protecting citizen data. At the same time, they gain insights needed to make smarter decisions and deliver more effective services.



This is how AI can help fight fraud

Tax and revenue compliance

- ✓ Administer tax policy fairly.
- ✓ Detect tax compliance and filing issues automatically.
- ✓ Streamline tax audits and evasion discovery cases.
- ✓ Protect taxpayer information.
- ✓ Simplify citizen access and digital journeys.

Procurement integrity

- ✓ Protect against fraudulent or sanctioned suppliers.
- ✓ Detect anti-competitive contract behaviors.
- ✓ Continuously monitor invoices and payments for issues.
- ✓ Identify unit pricing variances across the same item or product category.

National security

- ✓ Expose and investigate transnational criminal organizations.
- ✓ Maintain fair economic competition through fee enforcement for lawful imports.
- ✓ Enhance border intelligence, reducing unlawful entries and crime, as well as improving checkpoint convenience.

Social benefits program integrity

- ✓ Detect fraud, abuse and errors.
- ✓ Automate complex social support processes.
- ✓ Maintain participant data privacy.
- ✓ Evaluate effects of policy changes on recipients.

Law enforcement

- ✓ Employ data-driven insights to uncover financial crimes and syndicates.
- ✓ Govern the entire intelligence life cycle with a single, integrated solution.
- ✓ Conduct more efficient and productive investigations.
- ✓ Improve operational efficiency and outcomes.

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What to look for in a data and AI solution

As quickly as AI is evolving, government agencies face significant headwinds to launch successful data and AI initiatives for FWA management. Primary trends facing governments include analytical skills gaps, limited budgets and technology gaps. To navigate those hurdles with confidence, consider asking these questions as you evaluate data and AI partners for tackling FWA:

- ✓ What is the reputation of the vendor?
- ✓ Do they have proven success working with multiple governments?
- ✓ Is the technology scalable with sufficient expertise to support growth after the initial launch?
- ✓ Does the technology comply with government procurement, security, privacy and legal frameworks?
- ✓ Are robust ethics embedded in the technology and working culture to ensure safe, trustworthy AI?

Managing strategy and culture

Once a partner is identified and you're ready to construct a solution plan, it's a promising milestone but can feel daunting as well. Ensley Tan, SAS Principal Industry Consultant, has two recommendations for this moment. "First, figure out how you're going to manage your data. Not just now, but in the future. Next, figure out how to deal with the decisions and results that come from the data."

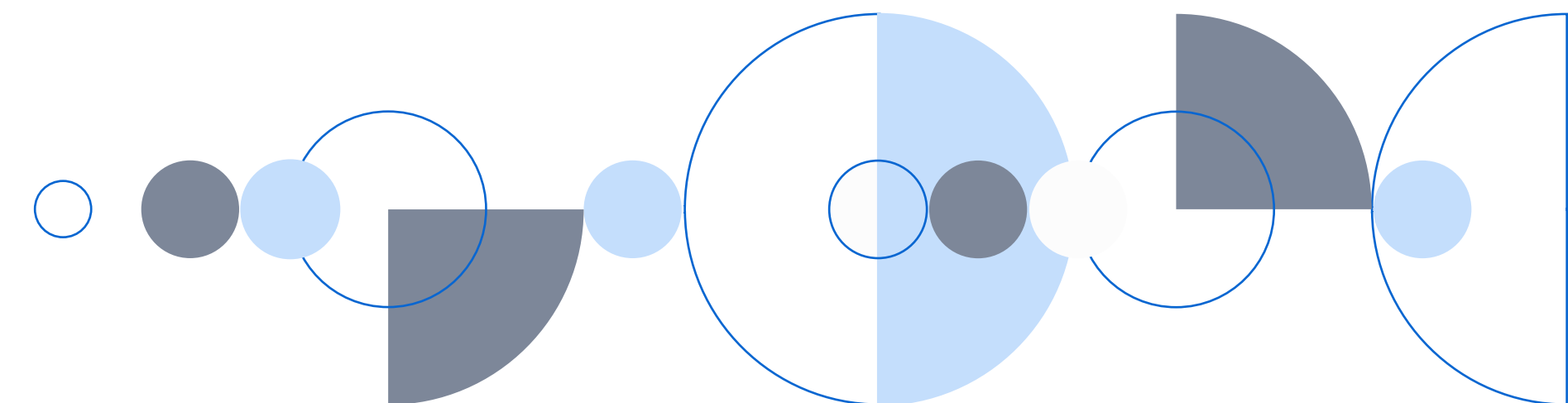
Government agencies will need an adaptive data strategy to accommodate the influx of new information. Often, organizations generate valuable insights but hesitate to act on them, especially when implementation requires new approaches or shifts in workflows. Embracing these changes will require a supportive culture that welcomes fresh ideas, supports growth and gives people the confidence to turn insights into action.

Unified intelligence for smarter detection

Traditional fraud detection in the public sector tends to be reactive, kicking in only after the damage is done. It leans heavily on forensic accountants and investigators, but that kind of human-intensive approach doesn't scale when government agencies are processing millions of transactions a year.

Data analytics and AI offer a more proactive path forward. These technologies can analyze vast data sets, identify patterns and flag anomalies. This allows government agencies to detect not just isolated incidents, but systemic vulnerabilities.

Rather than building separate models in silos, agencies can unlock the greatest value through a unified fraud analysis platform. One that connects finance, procurement and digital services across departments. This kind of shared infrastructure strengthens counter-fraud efforts and gives investigators a clearer, more complete view.





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How governments are tackling FWA

Public sector organizations around the world are innovating with SAS data analytics and AI and achieving transformative results, changing the way government works and enhancing citizen experience and protection.

Malta Tax and Customs Administration

The **Malta Tax and Customs Administration** (MTCA) compliance analyses were manually conducted on a sample set of tax data because of insufficient computing power, lack of advanced analytical tools, high cost of data storage and shortage of skilled staff to manage and interpret the vast amounts of data. They needed a plan for a more “modern and adaptive” technology and data-driven administration.

Yet, for the citizens of Malta, there was a sense that the system wasn’t fair. “We possess deep knowledge of the regulations and how to comply with them correctly,” explains Pierre Vella, MTCA Project Leader within the Reform Team. “Data is the most effective way to quickly find evidence of compliance. To change the public’s perception of the MTCA from an administration trying to ‘catch you’ if you err, to a consultancy you can trust to help you avoid future mistakes, we needed to show that our processes and procedures are grounded in data.”

With SAS data analytics and AI transformation, the MTCA now has:

- ✓ An integrated, real-time view of taxpayers.
- ✓ Cross-referenced data to automatically detect and flag compliance issues.
- ✓ User-friendly interface empowering staff to work collaboratively and efficiently.
- ✓ Easy-to-create reports and automation of repetitive tasks.
- ✓ Increased trust and compliance from taxpayers due to process standardization and data-driven decisioning.



How governments are tackling FWA

North Carolina Department of Insurance

Striving to maintain order within the insurance market and keep costs down, the **North Carolina Department of Insurance (NC DOI)** fraud unit records management system was outdated, complicating investigations and bogging down staff with tedious administrative tasks. “Cases would go into a repository that wasn’t designed for law enforcement and certainly wasn’t designed for investigative records management,” shares Chet Effler, Division Chief for the Criminal Investigation Division (CID). “We were just depositing information and couldn’t really do any analysis on it. It wasn’t even reliable for searches because the data was so unstructured.”

The end of each month brought another set of challenges for the CID. Investigators had to report on performance metrics, such as the number of cases and arrests. With an average case file size of 2,000 pages, it often took investigators three days to fulfill their reporting requirements.

The CID knew a bespoke system was required to meet the needs of everyone in the division, from managers to investigators to prosecutors.

- ✓ Finding hidden connections with visualization to identify how different cases may be linked to each other.
- ✓ Fraud tips submitted through a user-friendly interface that automatically routes to the correct investigator within 24 hours.
- ✓ Streamlined reporting. Now managers can generate their own reports in as little as seven minutes.



How governments are tackling FWA

An Asian federal government

A series of financial fraud cases with cumulative losses nearing \$4.2 million over five years was uncovered by an Asian federal government. In one notable incident, a federal office overseas identified a \$2.4 million fraud scheme, underscoring the pressing need for enhanced accounting and financial management safeguards. Key fraud challenges included:

- ✓ Internal tampering with accounting and financial management systems.
- ✓ Complex syndicates and multi-party involvement, including external entities.

By implementing SAS data analytics and AI, this government advanced its strategies to combat the multiple fraud breaches by rolling out a comprehensive system across all relevant agencies. This collaboration enables continuous, real-time surveillance of financial transactions, with automated detection to flag suspicious activities instantly. LLM capabilities adapt swiftly to evolving fraud tactics, facilitating rapid investigation and response.

By partnering with SAS, this government has achieved significant outcomes, including strengthened cross-agency collaboration, forming a foundation for comprehensive fraud-fighting initiatives. Achievements include:

- ✓ More effective detection and recovery of misappropriated funds, including assets hidden internationally.
- ✓ A national government task force established to coordinate enforcement, mitigate future risks, bolster financial integrity and combat the estimated \$13 billion lost annually in corrupt practices throughout their public sector.



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Why SAS

SAS has spent nearly 50 years at the forefront of data and analytics innovation, with a proven track record delivering AI-powered services to the public sector and beyond. We work with more than 1,600 government departments, ministries and agencies in 134 countries, providing solutions for all areas of government. Our SAS® Viya® platform combines generations of expertise in responsible data management, analytics and governance to drive informed and effective decisioning.

Elevate everyone

By centralizing data from multiple platforms, our solutions support data analysis and AI for advanced insights, while also equipping non-technical users with intuitive no-code tools to automate some tasks and enhance their capabilities in other mission-critical areas.

Get results you can trust

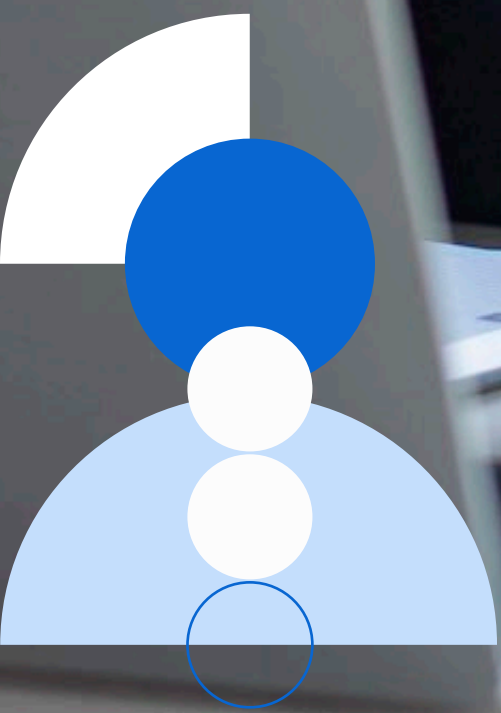
SAS Viya provides a robust and secure governance framework to monitor bias, produce transparent insights, honor citizen data and privacy and help make decisions that can be trusted and verified. Our human-centric approach ensures ethical and responsible AI development throughout the journey.

Drive ongoing improvement

We make it easier for organizations to create, launch and fine-tune AI solutions, helping teams respond faster and steadily improve internal operations as well as citizen services.

Build and scale seamlessly in the cloud

No matter an organization's size, SAS Viya provides the agility to scale from a handful of users to thousands as AI strategies gain momentum. Tailored analytics integrate across cloud-native or cloud-agnostic environments with complete portability.





Ready to learn more? **Take our Fraud-Fighting Maturity Assessment.**



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