SAP Concur

TAKING THE DRIVER'S SEAT

Tips to better manage, detect and prevent enterprise fraud

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01 INTRODUCTION

If you're asking yourself if fraud is truly an issue to be concerned with in your organization – the answer is a resounding YES!

Fraud exists at every organization of every size, of every industry and in every location, and is a true enterprise risk.

It is estimated that the typical organization loses 5% of annual revenues to fraud each year.

Not all fraud is detected or reported, and if you're only banking on detection strategies to catch fraud activity, you've already lost the fight. If the money is gone, you'll most likely not recover it; and if you do get the money back, you'll have spent a lot of time and money trying to do so. Fraud also creates numerous detrimental effects to an organization outside of monetary loss such as loss of reputation and legal ramifications.

Bottom line is that if you have employees, you have fraud risk. And if you are not leveraging the right technology to prevent and monitor fraud, you ARE losing money.

The perpetrator of fraud might surprise you. Your most trusted and tenured employees typically know where all the holes in your system are, although that does not immediately correlate to fraudulent intention. If these employees are not subjected to as many reviews due to the tenured factor, and you don't have effective anti-fraud controls put into place, you might be naively putting your organization at risk. The vast majority of fraud perpetrators are first-time offenders, and according to Oversight's third annual Spend Analysis report, 37% of travelers had at least one incident of waste and misuse, 24% had at least two or more; however, 10% of travelers in any given organization will generate the majority of instances of high-risk fraud.

You might be quick to assume you're only losing a few bucks here and there from travel and expense fraud instances but...

asset misappropriation is by far the most common form of occupational fraud, which T&E falls into, averaging a median loss of $125,000.

If you have multiple instances of fraud within a year, that absolutely adds up to more than a few bucks. Often, uncovering a red flag of fraud in T&E can actually be the thread that unravels an entire fraud scheme impacting an organization.

All this may leave you thinking, "what kinds of red flags should I be looking out for when it comes to T&E fraud?". Here are a few examples:

COMMON T&E FRAUD SCHEMES:

1. Profitable per-diems

A per-diem is when a traveler is paid a set sum per day, or daily allowance, in the hopes to simplify managing receipts and filling out expense forms. The fraudulent activity that can happen, even for the most ethical traveler, is if instead of utilizing the daily allowance, the

WHO IS THE FACE OF FRAUD?

55%

committed by 31-45 yrs old.

51%

of fraudsters have a university degree or higher.

10%

of travelers generate the majority of fraud.

#1

Most fraud is committed by the accounting department.

traveler decides to profit from it by using a small portion of the allowance, and then pocketing the rest.

2. Mileage padding

Without the proper controls put into place, it's really difficult to validate mileage claims, especially if you're still utilizing a manual log instead of GPS tracking capabilities. This leaves the door open for fraud perpetrators to pad by a little or by a lot.

3. Fake expenses

Cash purchases are particularly suseptable to this type of fraud. For example, an employee could submit an expense for breakfast without a receipt for a small amount like $10. But in fact, breakfast was included in their nightly hotel rate. Over the course of a week, this fraudulent travel expense will add up.

4. Unused airline tickets

Fraudulent activity occurs when a ticket has been booked for a business trip and the trip gets canceled or rescheduled; then the employee books and expenses a second ticket instead of paying a small fee to cancel or rebook the first ticket; the employee now has a free airline trip at the expense of your organization.

5. Last minute flight bookings

Frequent travelers are familiar with different grades of fares dependent on when a ticket is purchased. The closer to a travel date that a ticket is purchased, the more it costs, with more expensive tickets being easier to upgrade. The amount of the ticket opens the door for an opportunist to obtain upgrades and rewards through last minute bookings.

6. Double dipping

This occurs when an expense is claimed twice. For example, if two employees are dining together and they each get a receipt for the total bill and both claim the entire meal, not their individual meal.

7. Schemes that work across different financial systems

Because employees will inevitably continue to find new ways to defraud a singular system; predictive learnings across multiple systems will help you catch fraudulent activity and patterns. Whether it's a T&E scheme or a corporate card scheme, by pulling in data from your CRM, accountings systems, and more.

Fraud perpetrators are endlessly imaginative in finding opportunities to scheme with travel and expenses, and without an integrated spend management system in place, you miss out on a huge opportunity for reporting capabilities to help analyze and uncover spend patterns, and prevent fraud that is hard to detect.

The good news is that fraud loss is a preventable, or at the very least, controllable risk for most organizations. However, proactive prevention strategies are key. In this ebook, we will provide you with helpful information, tips and best practices to help you mitigate, detect and prevent fraud risk in your organization.

02 TIPS TO HELP STOP EXPENSE FRAUD BEFORE IT STARTS

The more global your business becomes, the more difficult it is to keep an eye on every dollar and every person who has access to the corporate coffers. And with seemingly daily changes to the regulations that govern your business, in addition to the changes to your business itself, keeping an eye on your spending and keeping up with policies and procedures can seem virtually impossible.

How do you know what to audit? Or how often? Or which departments or budgets or teams or individuals? How do you discern between mistakes in the numbers versus manipulation of the numbers?

How do you keep track of T&E when your travelers and suppliers are thousands of miles away and constantly on the move?

This article will help you answer those questions, giving you the upper hand in the ongoing balance between auditing and uncovering fraud.

WOULD YOU RATHER FIGHT FRAUD OR PREVENT IT ALTOGETHER?

As you consider audits as a tool to prevent fraud, it's important to recognize the difference between real fraud and the appearance of fraud – simple mistakes. These are things people do accidentally, not intentionally, but which still impact financial health. By following these tips, you can learn how to identify those instances, as well as discover a few fraud trends.

MISTAKES HAPPEN

The majority of people who work for you don't intend to commit fraud. But sometimes, they accidentally enter a dinner receipt twice on their expense report. In fact, according to a 2017 Oversight Systems study:

10% of travelers *have at least one duplicate expense, and that error averages* **more than $50**.

Add another 20% of employees with at least one, non-compliant purchase per report, and you can see how costly mistakes can become.

Catching these mistakes and, more importantly, making it easier to avoid these mistakes, enables you to highlight the actual incidences of fraud within your organization. So instead of tracking down an employee who haphazardly charged twice for cab fare, you can focus on the real issues.

SO HOW DO YOU ELIMINATE THE ERRORS?

The initial and simplest answer lies with using the corporate card. When travelers charge expenses directly to the company, they're not accidentally entering incorrect numbers into their expense reports and leading auditors astray. There's little room for error, and you get far more detailed and accurate figures. So once again, you can focus on fraudulent behavior.

Consider mandating a corporate card program and requiring receipts for all cash expenses under $25 and for all card expenses over $75.

Shaping your T&E policy around corporate card usage simplifies matters greatly for you and makes things easier for your travelers, as well. It also makes it possible to prevent and/or flag expenses that fall out of policy, so you can stop bad spending before the money goes out the door.

With these types of policies in place, and a workforce that understands them, you're saving money, increasing traveler satisfaction and separating well-intentioned employees who make mistakes from a few who look to outsmart the system.

82% of fraud is caused by 5% of employees, *and it takes* **18 months to uncover.** *Give your people tools that make it easier to comply with T&E policy, and you'll make identifying fraud easier and faster.*

FOCUS ON COMMUNICATION

Once you've separated simple mistakes from bad behavior, it's time to enact a strong communication plan. Leave no question that fraud won't be tolerated. Let employees know you're watching, you're tracking and that audits are a matter of "when," not "if."

Adopting a zero-tolerance policy and shining a light on fraudulent behavior are the best things you can do to deter further fraud. And utilizing third-party auditing lets you be the big brother without having to be the bad guy.

Publish it in the newsletter. Proclaim it on the intranet. Let your people know that all expense reimbursement claims are open to audit and even surprise audits.

PUT THE PLAN IN ACTION

Fraud is inevitable yet with proper planning and prevention, companies can detect and manage it properly. "Red flags" can be found by companies who have a good understanding and controls in place to manage employee spend across an enterprise. In addition, savvy companies who pull together various departments of an organization who plan, manage and oversee employee spend can often find the weakest links that enable fraud in the first place. Setting up proper audit rules, coding ways to spend money properly, using effective spend reports that identify trends and outliers and revisiting policies and procedures are a few ways professionals can help manage this enterprise risk.

To learn more about preventing expense fraud, vist the SAP Concur blog.

03 PROACTIVELY PREVENT FCPA RISK IN A GLOBAL BUSINESS LANDSCAPE

The term "bribery" often conjures up thoughts of large sums of money being used to sway powerful officials one way or another. But, when it comes to the rules and regulations set forth by the Foreign Corrupt Practice Act (FCPA), the terms "bribery" and "government officials" apply to a wide spectrum of actions and personnel. So, how can organizations ensure they are not unintentionally breaking any rules and putting their business at risk of an FCPA-related audit?

> *"2016 witnessed the largest number of corporate enforcement actions and the largest aggregate corporate settlement amounts in the FCPA's nearly 40 year history. There were* **27 corporate enforcement actions** *resulting in approximately* **$2.3 billion in settlement amounts.**" *- Mike Koehler, FCPA Professor*

In today's fast-paced business world, having a global presence is essential to stay competitive, but that leaves you exposed to more regulatory risks and fraud opportunities. Below, we'll review the processes, procedures and tools you should have in place to help mitigate these risks and ensure you are compliant with FCPA guidelines.

UNDERSTANDING THE AMBIGUITY

Anti-bribery provisions state that an organization cannot give "anything of value" to a foreign official to obtain or retain business in their market. While this seems straightforward, enforcement actions are often based on allegations around leisure activities such as travel, meals, gifts and entertainment, all of which are typically legal and socially acceptable. However, what might appear to be innocent exchanges are viewed as bribery to the FCPA.

And if that is not vague enough, the definition of a "government official" goes beyond someone who works directly for the government, and includes employees of government departments or agencies, State Owned Enterprises (SOES), healthcare providers and even third-party consultants helping with the planning of a hospitality event.

So how can your organization navigate this ambiguity, especially as you grow and expand globally and domestically, and also implement the right checks and balances to mitigate risk related to the FCPA?

5 STEPS FOR FCPA COMPLIANCE

1. Understand your business network

The first step in protecting against the inadvertent bribery of a government official is ensuring the employees engaging in cross-border business dealings have a firm understanding of all points of contact they will be directly or indirectly working with. In turn, leaders need to take a step back and consider how the organization works with various points of contact during the business process so they can more easily identify situations that may put them at risk of an FCPA violation.

2. Implement the appropriate controls

The knowledge and expertise of your organization's finance and compliance teams is imperative to successfully mitigating FCPA risk. Configuring expense systems with the appropriate workflows, attendee and expense types, conditional and custom fields, and requiring manager approval before "anything of value" is purchased are key to catching potential FCPA violations before they occur. Having these types of checks and balances in place also creates an audit trail with documentation that proves your organization is doing your due diligence to prevent instances of bribery.

3. Maintain clear and correct records

The FCPA also has provisions around financial books, record keeping and internal controls that puts even more pressure on your financial teams.

When it comes to your financial books and records, you must maintain reasonable detail that accurately and fairly reflects transactions surrounding foreign officials. Anything that is falsely represented or misleading can lead to an enforcement action. In addition, internal controls must be in place, meaning you must be able to provide reasonable assurance that the transactions are properly authorized, recorded and accounted for.

4. Implement a comprehensive audit process

While these provisions are broad, creating an internal system that includes effective oversight and reporting capabilities will help maintain FCPA compliance. Build an audit process that has rules to account for regulatory violations. Consider these approaches:

- Audit receipt types and itemizations
- Audit cash expenses
- Conduct random checks
- Identify location and type of expense and where
- Verify employment and look for behavior patterns
- Use a third-party auditor to maintain credibility

5. Education around clear policies

While preventative measures and audits are essential, don't underestimate the importance of proactive education. Ensure your finance team is properly trained and has a firm understanding of what constitutes both bribery and foreign officials. In addition, build clear, easy-to-understand organization-wide policies around what is and is not permitted when it comes to working with foreign officials to ensure everyone is on the same page and maintains compliance.

KNOWLEDGE IS KEY

Maintaining FCPA compliance boils down to having the proper knowledge surrounding what the FCPA considers bribery to a foreign official, and building the appropriate policies to combat that. Ensuring you have the right knowledge, systems and tools in place gives your finance team, and organization, what they need to be successful in reducing FCPA risk.

To learn more about FCPA compliance, please watch the webinar: Strategies for Minimizing FCPA Risks Associated with Corporate Hospitality.

04 KEY CONSIDERATIONS FOR BUILDING A SCALABLE AUDIT PROCESS

These days, many finance leaders focus on optimizing systems and processes to drive down the cost of their spend management programs. This challenge becomes more complex by pressures to increase profitability through acquisitions, new domestic locations or global expansions.

While analyzing spend data and defining the right policies are important first steps to building a program that can scale as you grow, finance leaders also have a fiduciary responsibility to ensure the organization is complying with global regulations, and that employees are following policies that have been set internally. Having the right controls and appropriate level of oversight in place is imperative, but what once made sense for your organization may change as you grow and expand.

When building a scalable audit process that will accommodate the growth initiatives of your organization, it's important to consider when, what and why you are auditing. Below, we'll explore each of these considerations in more depth.

WHEN

Depending on the nature of your business, what types of purchases are being expensed, where in the world you are operating and the maturity of your program, you will need to decide when you should be auditing: either before manager approval, after manager approval or after payment.

There are benefits and drawbacks to each approach, but to determine which is best for your organization, it will be important to have a grasp on current compliance levels. If you are unsure, or your program is new in a particular location, you may make your decision based on the need to uncover where compliance levels are currently at. Another consideration is the bandwidth of your audit resources – what is the best timing for your team based on their other processes and responsibilities?

WHAT

Next, you need to determine what you will be auditing. With an increased volume of expenses flowing through the system, it can be difficult to decide where to focus your efforts.

If you've expanded globally to multiple locations, you may audit a different mix of submissions based on what types of teams are working in each area, or the region-specific regulations you are subject to in that geography. Whether you're defining audit policy domestically, for new global locations or an acquisition, start by assessing your situation:

- What appears to be working or not working in your policy?
- What are the biggest areas of risk in each location?
- Who is doing the most travel or has the highest expenditures?
- What teams are based in each location?

The answers to these questions will provide you with some guidance as to what you should be auditing in your expense reports.

WHY

During the process of defining your global audit policies, it's important to keep in mind why you're auditing. As your organization grows, so does the challenge of managing the compliance of your workforce. Your policies are in place for a reason, and with well-publicized auditing procedures, you can make sure they're being followed. When you do identify trends of bad behavior, you can pinpoint the issue and implement corrective actions. With more employees spending company money, it becomes more important than ever to audit so you can control costs, capitalize on Value Added Tax (VAT) reclamation opportunities and prevent over spending.

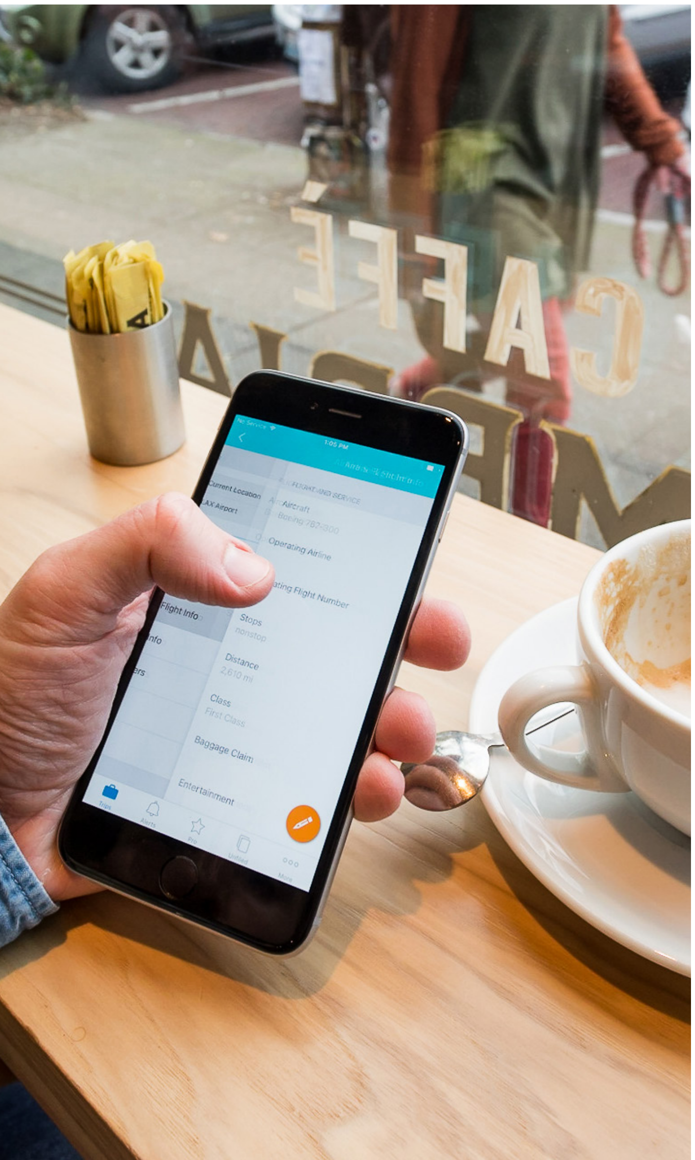
With more expense and cost control complexity comes more regulatory risk. You need to have the right controls in place to catch instances of potential fraud or regulatory violations, such as the Foreign Corrupt Practices Act in the US and the UK Bribery Act.

HOW

Determining and implementing the right audit process can be daunting, especially if you're building one that can scale with growth. That's why it's vital to tap into peer resources and look to other experts for guidance on the best approach.

To learn more download our whitepaper: Closing the Gaps in Compliance, and get audit tips and best practices from SAP Concur clients.

05 HOW SAP CONCUR CAN HELP



By now, you've read that fighting fraud for organizations both large and small can be difficult. As such, it's important that you pinpoint problem areas early and establish an efficient end-to-end process to keep you in control and your company protected. Do you have the right experts in your arsenal to overcome these challenges? If you don't, a recent Overisght Systems study found the costs of inaction can add up quickly.

Companies without robust monitoring of T&E in place saw overall spend rise to **14% or higher,** *while those that did have robust programs* **held T&E increases to 5% on average.**

With over two decades of experience, SAP Concur has helped organizations like yours build the right foundation for their T&E processes and quickly address policy concerns, regulation changes and internal fraud. Read on for how SAP Concur provides support for where you are now, and where you want to be.

CONFIGURATIONS FOR THE RIGHT DECISIONS

Concur helps you establish T&E best practices from the beginning. With Concur, employees can submit expenses for pre-approval to help catch bad spend before it happens. The SAP Concur system also guides travel decisions with color-coded cues, allows built in daily/weekly spending limits and flags duplicate expenses by checking booked vs. expensed rates for travel charges. And it all maps back to your policies and your business.

DATA THAT DOES THE WORK FOR YOU

With employees initiating spend through multiple channels everyday, it's important that you have access to the valuable data on the way your business spends. SAP Concur helps you visualize your expense report data so you can spot issues, identify trends and prioritize auditing resources.

Whether leveraging custom reports and dashboards or pre-built insights such as the Top Exception Violators and Duplicate Expenses reports, SAP Concur ensures you're spending time addressing business concerns, not sifting through piles of data.

MONITOR AND ENFORCE YOUR POLICIES

Tap into third-party experts for efficiency, effectiveness and objectivity. SAP Concur's Audit service fills the gap and completes the feedback loop, so you can see the percentage of claims against policy, educate users or modify your processes.

Not only are you controlling costs and identifying bad behaviors, effective audits also drive costs out of T&E, reducing administrative time and increasing savings. And with the insight you'll get from SAP Concur, you can see how to shift your culture in ways that lead to lasting improvements in T&E.

To learn more about how SAP Concur can help your business fight fraud, visit us online.

About SAP Concur

For more than two decades, SAP Concur has taken companies of all sizes and stages beyond automation to a completely connected spend management solution encompassing travel, expense, invoice, compliance and risk. Our global expertise and industry-leading innovation keep our customers a step ahead with time-saving tools, leading-edge technology and connected data, in a dynamic ecosystem of diverse partners and applications. User-friendly and business-ready, SAP Concur unlocks powerful insights that help businesses reduce complexity and see spending clearly, so they can manage it proactively.
Learn more by visiting us on the web or the SAP Concur blog.

EB Fighting Fraud enUS (18/01)

Run Simple