

The New Age of Fraud

Preventing and Detecting Fraud
Risks Across the Employee
Spend Areas of Today

THE BEST RUN





If you have employees, then you have occupational fraud.

In fact, according to the Association of Certified Fraud Examiners (ACFE), the typical organization **loses 5% of annual revenue to fraud each year**. Today, there is a realization that fraud is an enterprise risk that falls in the same realm as economic, supply chain, disaster and regulatory risks.

But how can companies prevent, detect and mitigate this risk? **"Fraudsters use multiple means to steal and pull off their schemes, and many fraudsters attack the company from multiple angles,"** says Andi McNeal, CFE, CPA, Director of Research for the ACFE. Yet, uncovering these fraud schemes can be difficult, especially when you have limited visibility into the way your employees are spending. This ebook examines how today's savvy companies put a microscope on employee spend – expense, credit card, travel, cash on hand, invoice spend – to better prevent and detect fraud across their business.

1 Bring it all together

Bring together all employee spending into one system for reliable and consistent spend data. Robust employee spend data is a gold mine for many teams in your organization, allowing more opportunities to spot the problem spend you may have missed before.

There's a real shift in how your employees are spending today: **they are spending more money across more spend categories, and using more payment methods than ever before** – including, credit cards, ghost cards, checks, cash and purchasing cards (p-cards). Additionally, all of these payment methods are likely managed by multiple systems that don't connect or share data across the organization to give you full visibility into spend data. As a result, employees now have more control than ever before.

Unfortunately, greater control combined with disparate systems results in an increase in errors and opportunities for fraudsters to take advantage of your organization. Now more than ever, it's important to meet your employees where they are by bringing together all of their spending – including from nontraditional channels like Uber and Airbnb – so you not only can you see it, but know how to manage it.

When you pull together this spend, the respective teams should also be connected. This will ensure your teams have the proper data to conduct investigations and resources are shared. Promote collaboration between cross-functional stakeholders like HR, finance, legal and security, and especially your internal audit and compliance teams.



Employee spend isn't captured in one budget line item, it's spread across your ledger.

of fraud investigative teams report to the Head of Internal Audit.

2 Optimize your card program

Take a look at your corporate card programs to ensure they are optimized to mitigate fraud risks. An effective corporate p-card program provides accurate and reliable data that can be easily validated.

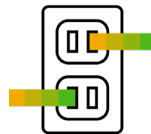
When it comes to fraud, put a spotlight on your travel and spend programs and find an area that can be improved.

For William Veariel, supervisor of compliance from CenterPoint Energy, the program that offers the greatest defense against fraud when optimized is your card program. He suggests that companies who want better insight on employee initiated spend, **should consider having a robust program for corporate p-cards or travel and expense cards that integrates into a spend platform.** By capturing this spend in one place, high-value data can be viewed to look for trends and keywords, plus it helps validate vendor, purchase date, and specific purchase information. Fraud examiners, auditors and managers rely on this data to validate purchases, credits and aid in investigations. Encouraging employees to use corporate cards decreases the chances of theft or fraud and can also cash in on missed rebate – a win win!

CenterPoint Energy's card program helped to uncover some surprising fraud schemes:



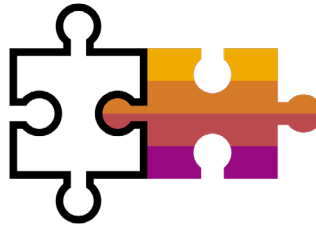
A \$3.95 LATE FEE CHARGE FOR A DVD RENTAL led to an employee investigation for over a decade's worth of fraudulent time reporting for the both the employee and her department staff, plus gift card purchases for personal use.



A PURCHASE FROM A HOME STORE led to an employee investigation uncovering thousands of dollars for a new home when their p-card showed details that conflicted with the employee uploaded receipt. Additional meal expenses that fell under the threshold amount for receipts were also found fraudulent.

3 Spotlight their expense reports

Fraud schemes in other parts of the business can often be red flags for expense reporting fraud as well. Reports pulled on both individual and department expenses can be the final puzzle piece missing to uncover the complete picture.



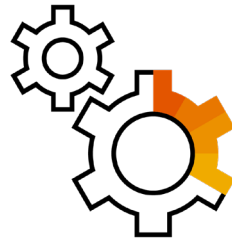
Certified Fraud Examiner, Kellie Lintner, CIA, CPA, from Ford Motor Company recommends organizations always do an expense report review for every individual fraud investigation. **If someone is doing one fraudulent act in one area of the business, he or she is most likely cheating on expense reports as well.** Having reliable, accessible data on hand to pull in further evidence is critical for investigators.

After analyzing two years of expense report data of a suspected fraudster stealing from another area of the business, Lintner found over \$2,000 in fraudulent car service fees, unauthorized and hidden first class plane ticket upgrades, non-direct flights to bump up air miles and points, and suspicious purchases from non-traditional vendors. Finding this evidence helped to further the investigation.

Using **expense reporting data for departmental investigations is also of value,** according to Glenn Phillips CFE, CIA, IG from Ford Motor Company. An anonymous tip came into Phillips regarding suspicious activity from an unnamed individual from a department. To uncover the fraudster, reports that pulled in data by individual spend in that department were analyzed by various spend categories such as parking, lunch, airfare, etc. Having an easy to view report enabled the CFE to find that one individual constituted 26 percent of the department spend. This information helped identify the individual fraudster.

4 Support detection with prevention

The easiest way to mitigate fraud is to prevent it from happening altogether. Adopting preventative measures up front will help to reduce the number of fraud schemes that impact your organization down the road. Key steps include:



- **Get committee buy-in.** You need cross-functional support from those that view fraud as an enterprise risk and thus will collaborate to mitigate it. Cross-functional stakeholders should include HR, finance, legal and security, and especially your internal audit and compliance teams.
- **Integrate your processes.** Integrate your corporate card program and travel booking process. This will help to better eliminate weakness in T&E processes and controls.
- **Identify their gaps.** Identify the gaps in your processes. For example, it helps to investigate what expenses in your business are most at risk for process errors and fraudulent schemes. Collect data related to those risks – average transaction amount; expense range; expenses by region, country and city; expense by department; average department amount by expense type; and merchant codes used.
- **Monitor and enforce your policies.** Get a look into all of your company's T&E so you can monitor and audit spend and detect potential abuses earlier. Make sure these policies are visible to employees and fine tune them as needed – they can act as deterrents.

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- **Invest in flexible reporting tools.** One-size-fits-all reporting risks missing bottlenecks or opportunities to improve. Flexible reporting tools provide the much needed insights you may be missing. ([Consultative Intelligence](#) and [Intelligence](#) from SAP Concur, for example, provide customized reports and dashboards that adapt to your unique business, not the other way around.)
- **Require employees to seek approval or ask questions before they submit** their reports to managers for approval and payment. Managers can help to flag inappropriate expenses and establish greater compliance.
- **Consider using external audit services and artificial intelligence and machine learning**, when appropriate. Using third-party experts improve efficiency, effectiveness and objectivity, plus help to maintain credibility.

52%

lower losses were realized with data monitoring and analysis.

Report to the Nations, ACFE 2018

Fraudsters shouldn't run your business.



Accommodating for today's changes in employee spending may seem challenging, but the cost of managing fraud without a complete, integrated solution across all of your spend areas will be much greater in terms of the monetary loss, pattern detection, and overall prevention.

Savvy companies who put a microscope on employee spend areas increase their chances of detecting or mitigating their overall fraud risks across the enterprise.

Learn more about mitigating fraud risks at concur.com or [listen to the complete webinar](#) with ACFE.

EBOOK GEOS ACFE Fraud Prevention enUS (08/18)

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