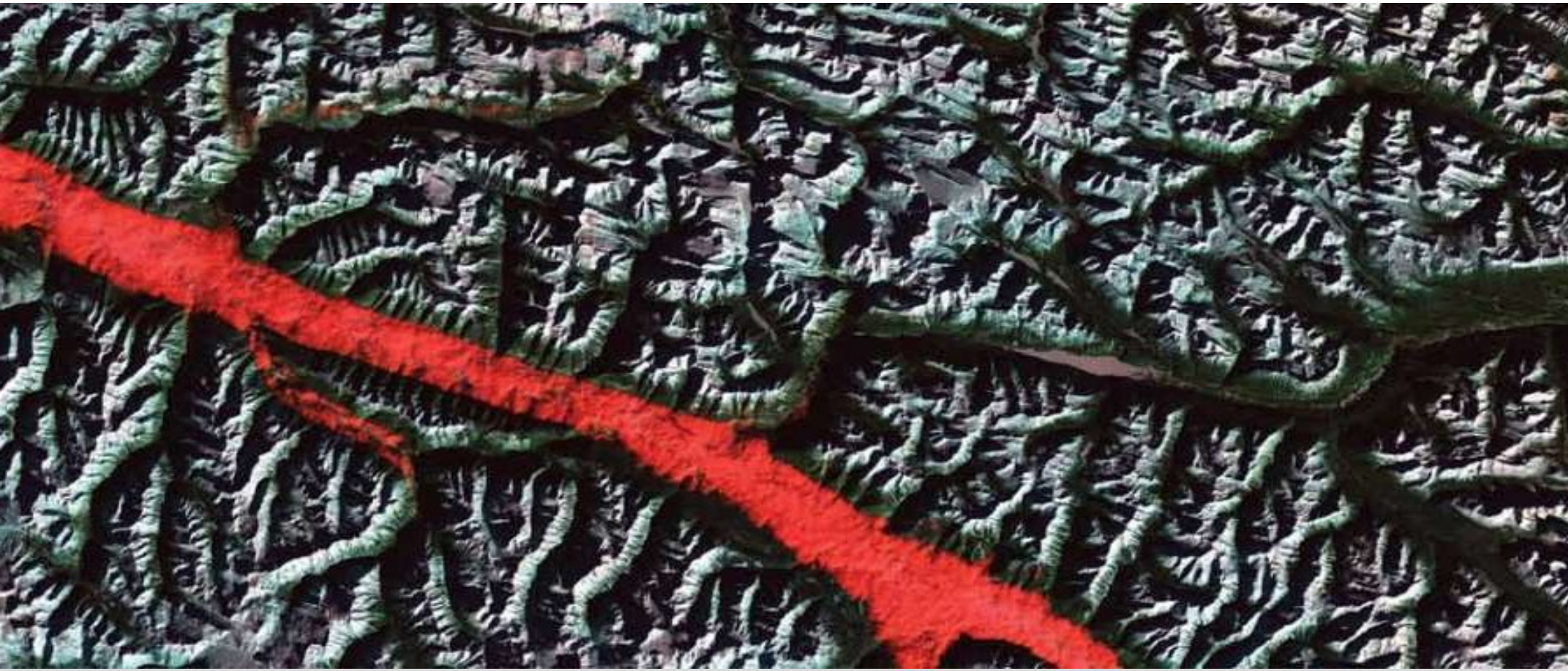
Forensic & Fraud Investigations PLLC



What You Need to Know
In the Fight Against Internal Fraud!

Bill Acuff, CPA, CFE, CIA, CFF, CGMA


OCCUPATIONAL FRAUD 2026:
A REPORT TO THE NATIONS®

Why Do People Commit Fraud?



Fundamental Attribution Error

Underestimate the power of situational factors

- The other guy fudged the numbers at work because he is a criminal. I fudged the numbers because my boss made me.
- The other guy padded his expense account because he's a crook. I padded my expense account because I'm working really hard and my boss underpays me.



PERPETRATOR'S DEPARTMENT

FIG. 44 What are the most common occupational fraud schemes in high-risk departments?

Department	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Operations	278	20%	6%	6%	4%	42%	14%	3%	24%	8%	3%	6%
Accounting	260	30%	14%	12%	27%	35%	13%	9%	11%	13%	2%	17%
Sales	219	15%	8%	9%	7%	51%	13%	7%	28%	8%	3%	8%
Customer service	212	13%	9%	15%	10%	30%	5%	2%	17%	4%	4%	11%
Executive/upper management	198	32%	7%	11%	11%	66%	29%	20%	25%	16%	4%	8%
Administrative support	154	24%	10%	14%	14%	29%	17%	2%	18%	16%	3%	17%
Finance	120	33%	15%	16%	23%	38%	16%	6%	15%	7%	3%	14%
Purchasing	117	30%	5%	3%	7%	83%	11%	3%	23%	1%	2%	1%



Embezzlement is Alive and Well in the U.S.



EMBEZZLEMENT

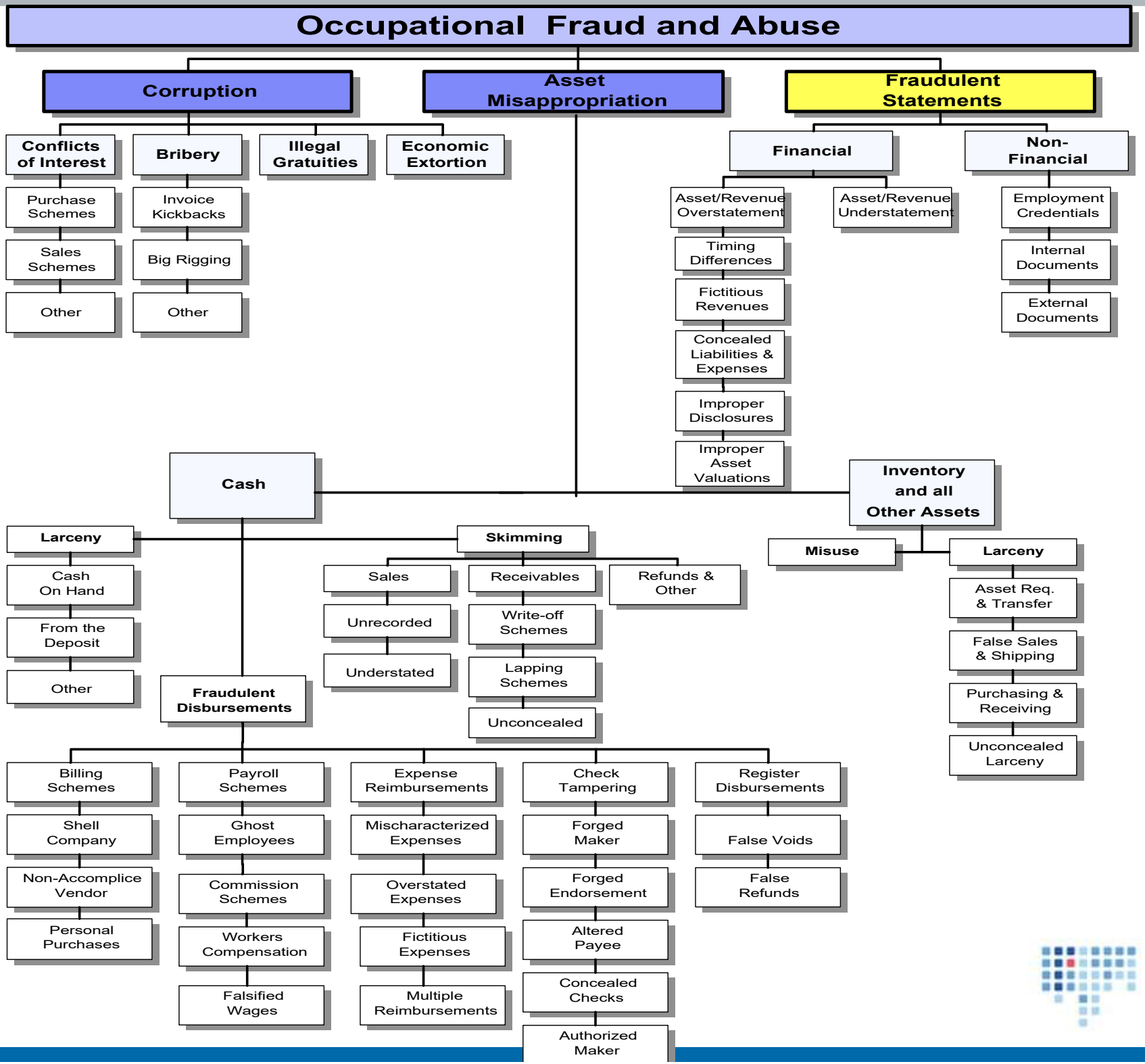
Key Findings

- 5% of revenue lost to fraud each year (5.5 trillion globally)
- 90% of fraud cases are misappropriation schemes
- Small businesses experience the highest median losses of all organizations
- Perpetrators are 40% employees and 40% managers
- Medium losses for perpetrators over 60, is $850,000
- Fraud losses grew by 10% over prior period

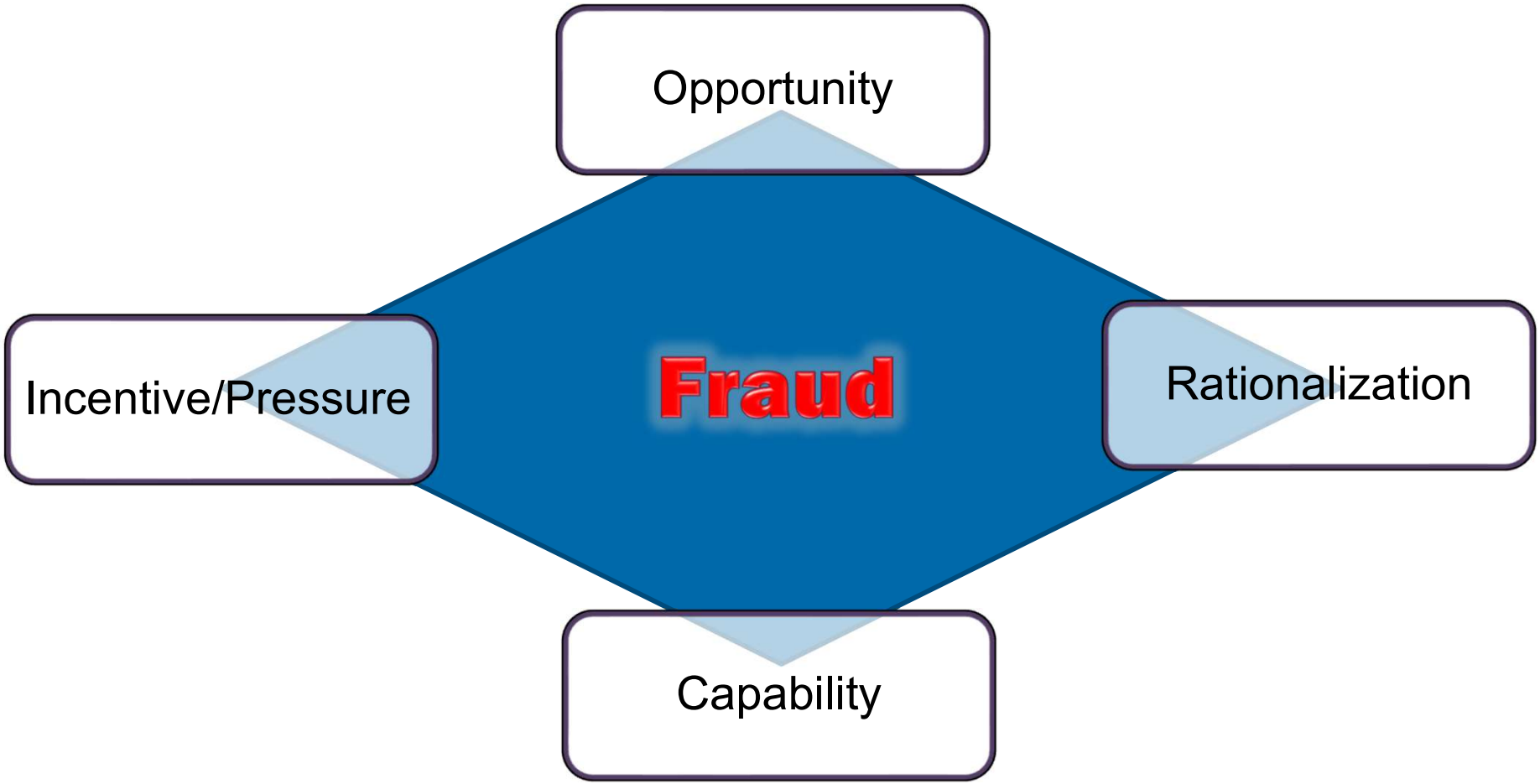


Financial Statement Fraud is Different

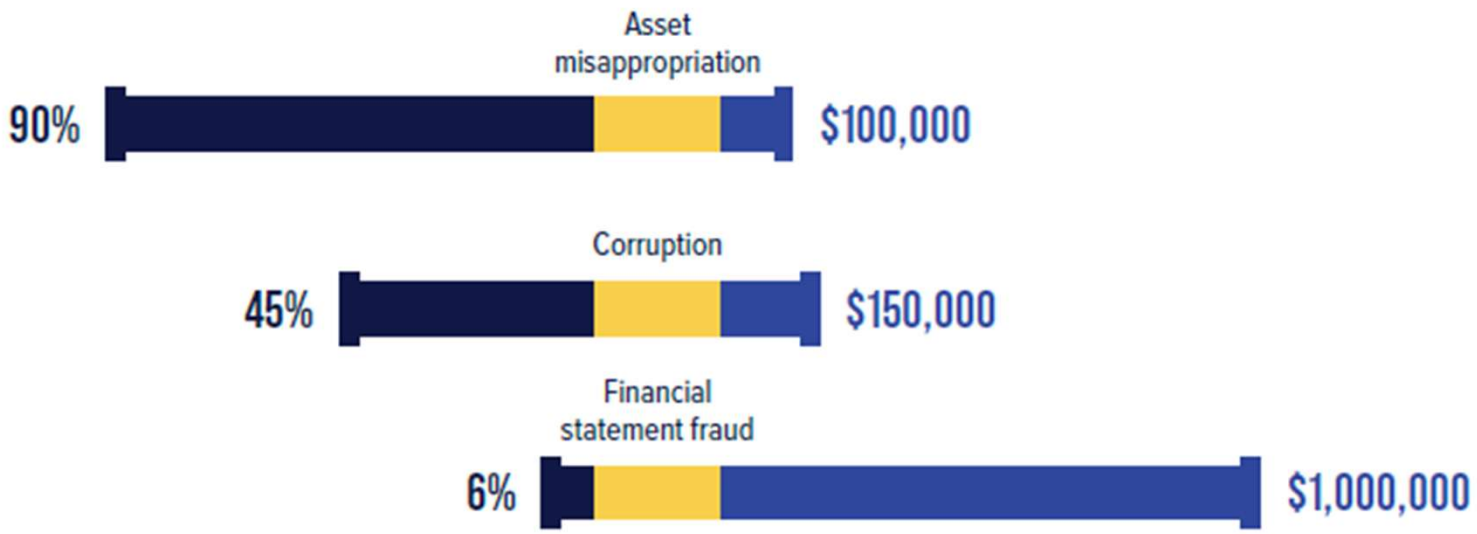



Occupational Fraud and Abuse
Corruption
Asset Misappropriation
Fraudulent Statements
Conflicts of Interest
Purchase Schemes
Sales Schemes
Other
Bribery
Invoice Kickbacks
Big Rigging
Other
Illegal Gratuities
Economic Extortion
Financial
Asset/Revenue Overstatement
Timing Differences
Fictitious Revenues
Concealed Liabilities & Expenses
Improper Disclosures
Improper Asset Valuations
Asset/Revenue Understatement
Non-Financial
Employment Credentials
Internal Documents
External Documents
Cash
Larceny
Cash On Hand
From the Deposit
Other
Skimming
Sales
Unrecorded
Understated
Receivables
Write-off Schemes
Lapping Schemes
Unconcealed
Refunds & Other
Fraudulent Disbursements
Billing Schemes
Shell Company
Non-Accomplice Vendor
Personal Purchases
Payroll Schemes
Ghost Employees
Commission Schemes
Workers Compensation
Falsified Wages
Expense Reimbursements
Mischaracterized Expenses
Overstated Expenses
Fictitious Expenses
Multiple Reimbursements
Check Tampering
Forged Maker
Forged Endorsement
Altered Payee
Concealed Checks
Authorized Maker
Register Disbursements
False Voids
False Refunds
Inventory and all Other Assets
Misuse
Larceny
Asset Req. & Transfer
False Sales & Shipping
Purchasing & Receiving
Unconcealed Larceny

FRAUD DIAMOND



HOW FRAUD IS COMMITTED



FINANCIAL STATEMENT FRAUD TECHNIQUES

- Improper Revenue Recognition
- Overstatement of Assets
- Understatement of Expenses/Liabilities
- Misappropriation of Assets
- Inappropriate Disclosures
- Other Miscellaneous Techniques
- Disguised Through Related Party Trans
- Insider Trading Cited



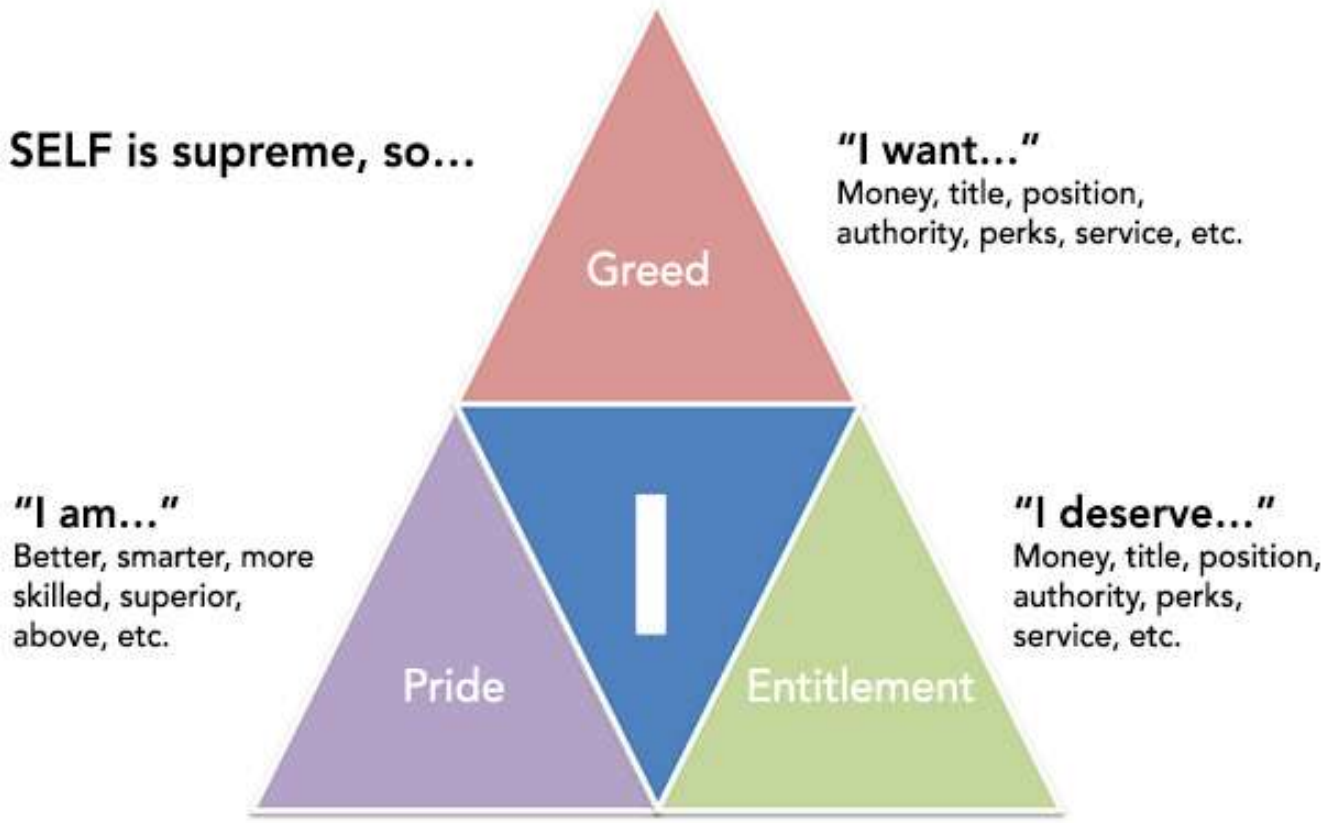
FRAUDULENT FINANCIAL REPORTING

Improper Revenue Recognition

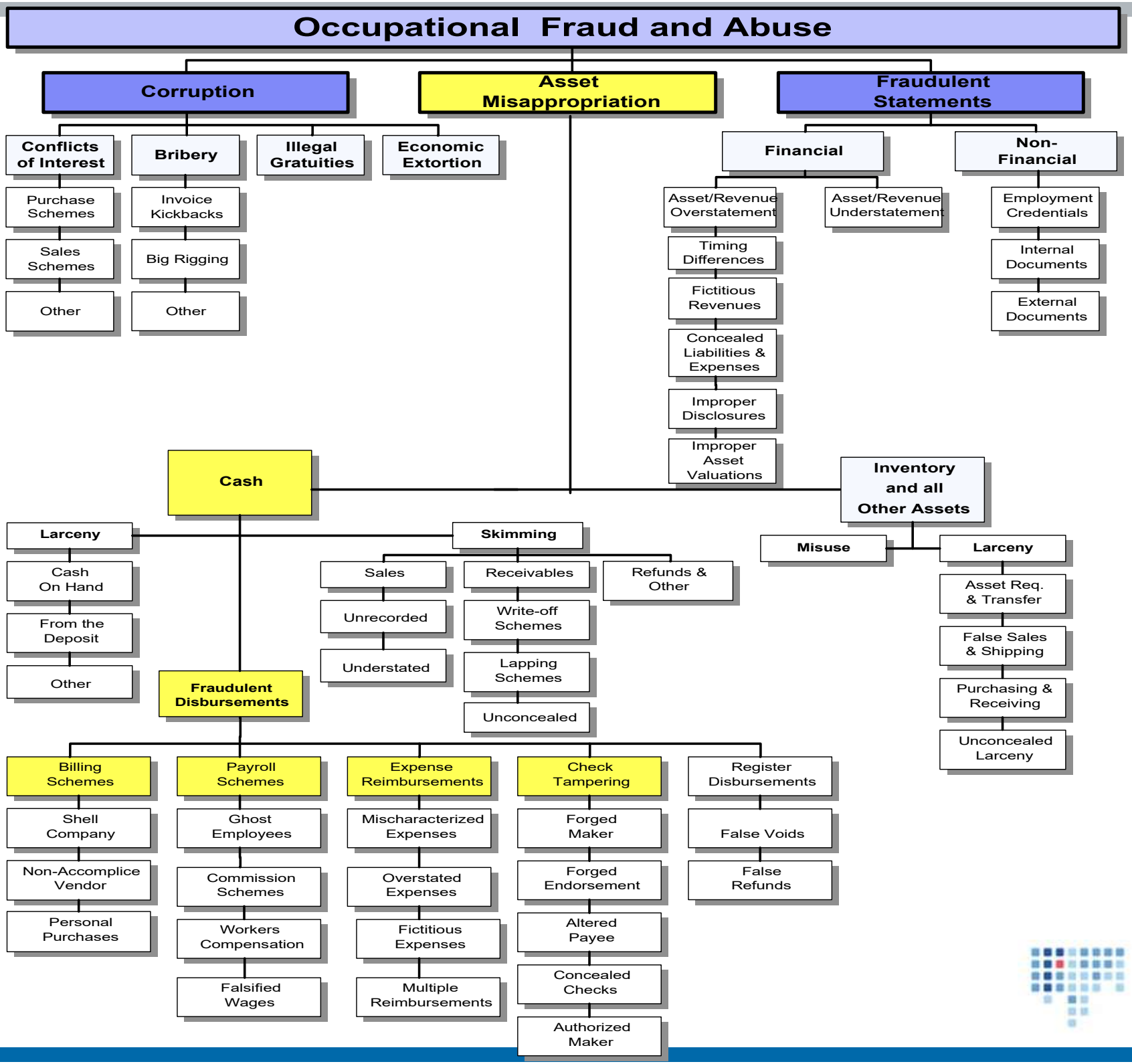
- Sham sales
- Conditional sales
- Round-tripping
- Loans as sales
- Bill and hold
- Revenue before sale completed
- Improper cutoff of sales
- Improper use of percentage of completion
- Unauthorized shipments
- Consignment sales



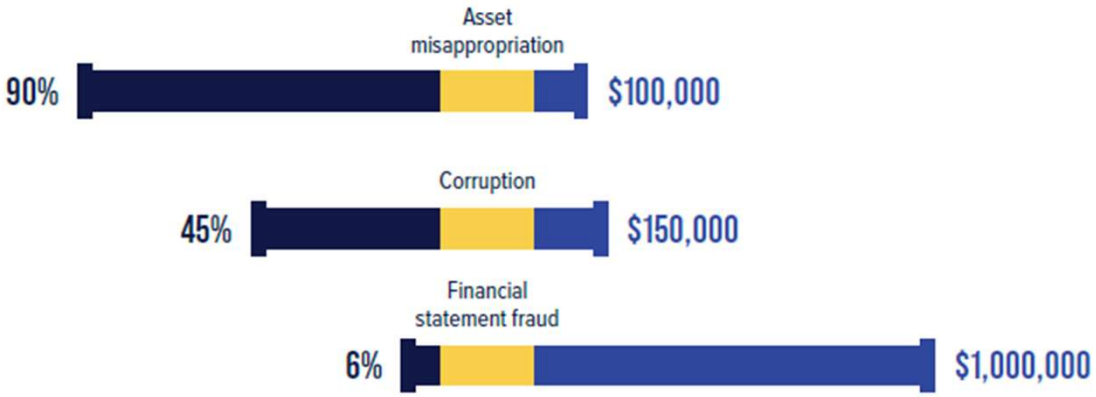
The Executive Fraud Triangle



Fraud Magazine, Laura Downing, CFE

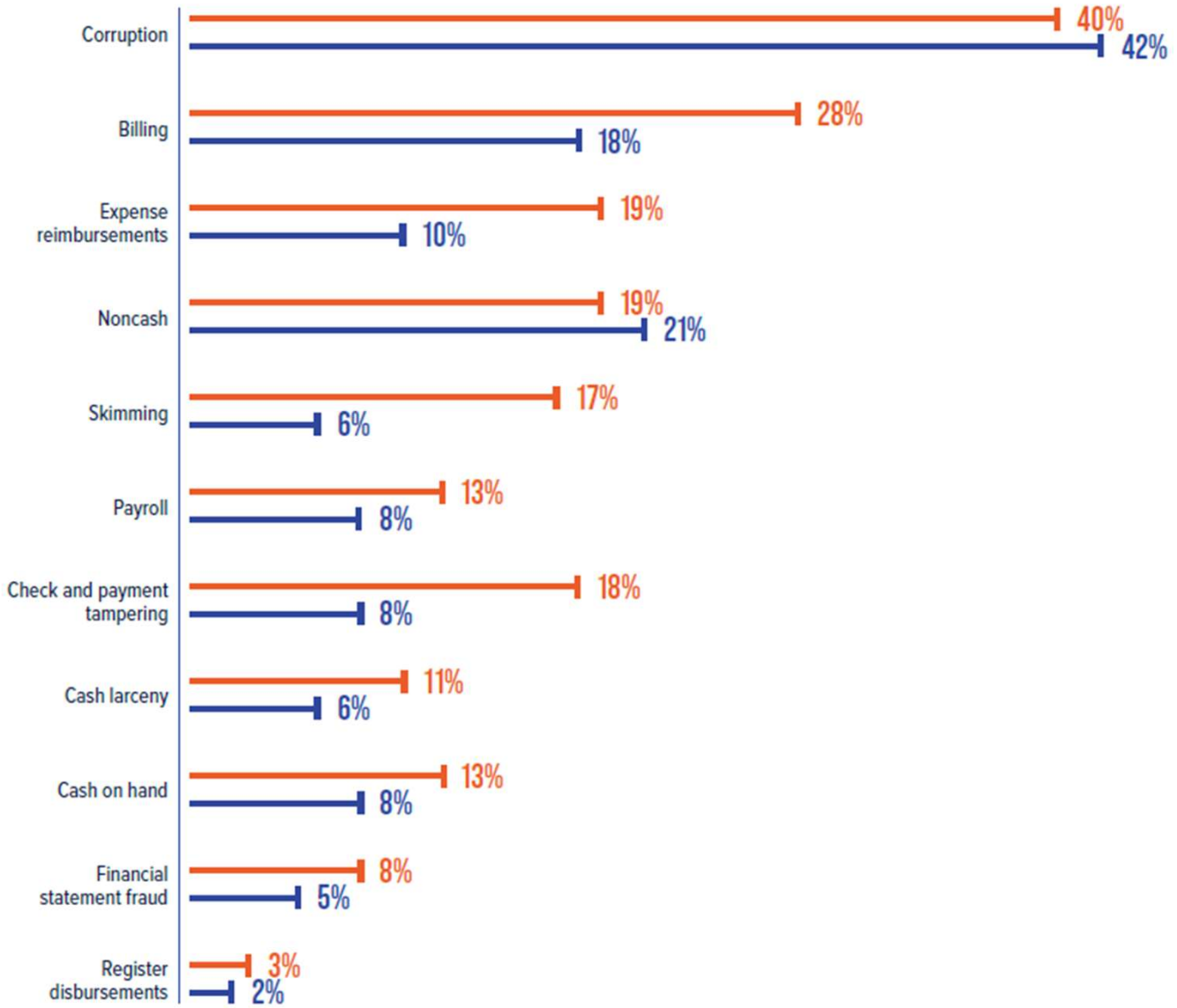

Occupational Fraud and Abuse
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Purchase Schemes
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Bribery
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Asset/Revenue Overstatement
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Non-Financial
Employment Credentials
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Cash
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Unrecorded
Understated
Receivables
Write-off Schemes
Lapping Schemes
Unconcealed
Refunds & Other
Inventory and all Other Assets
Misuse
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Asset Req. & Transfer
False Sales & Shipping
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Expense Reimbursements
Mischaracterized Expenses
Overstated Expenses
Fictitious Expenses
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Check Tampering
Forged Maker
Forged Endorsement
Altered Payee
Concealed Checks
Authorized Maker
Register Disbursements
False Voids
False Refunds

CATEGORY OF FRAUD COMMITTED

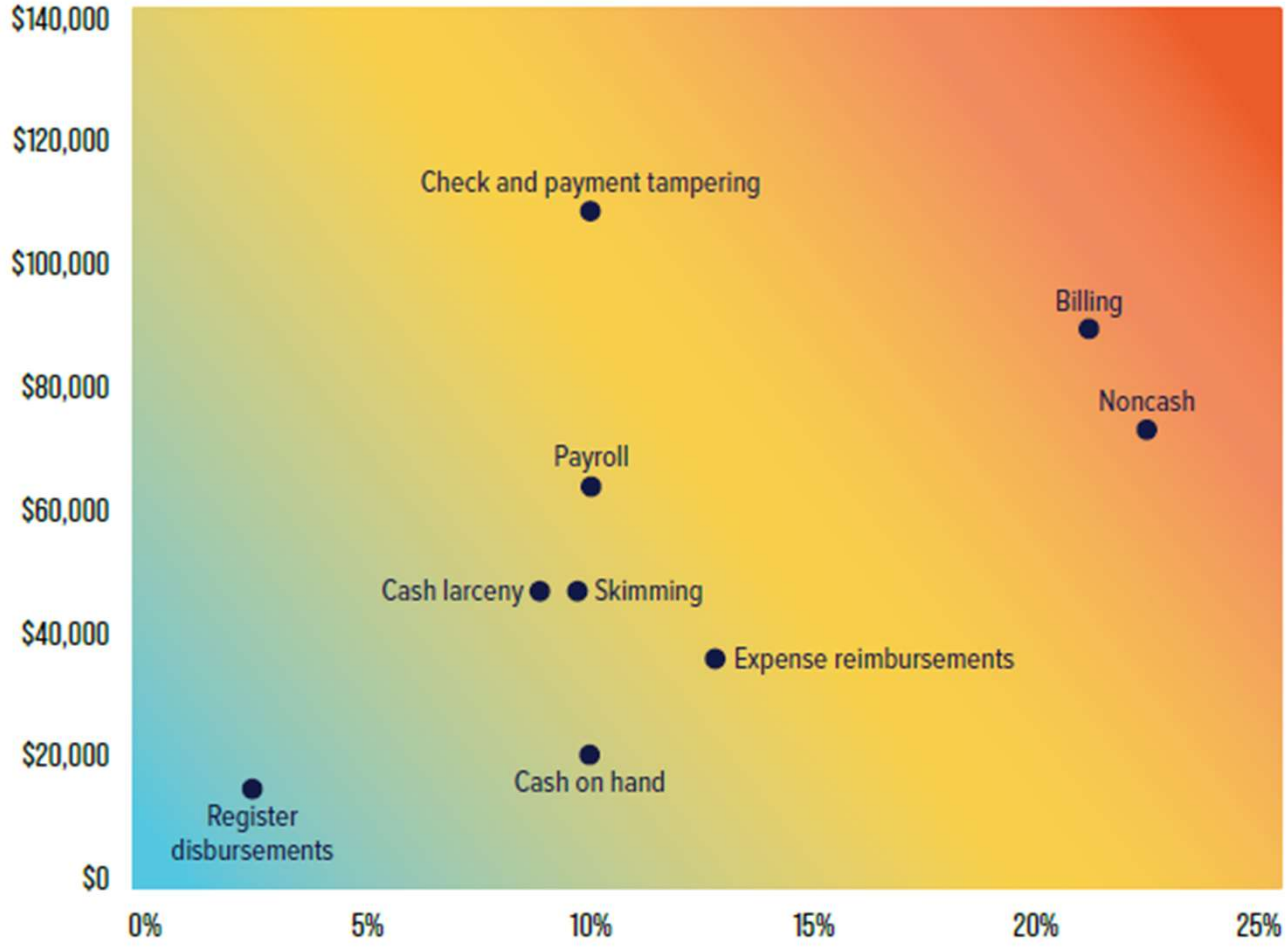


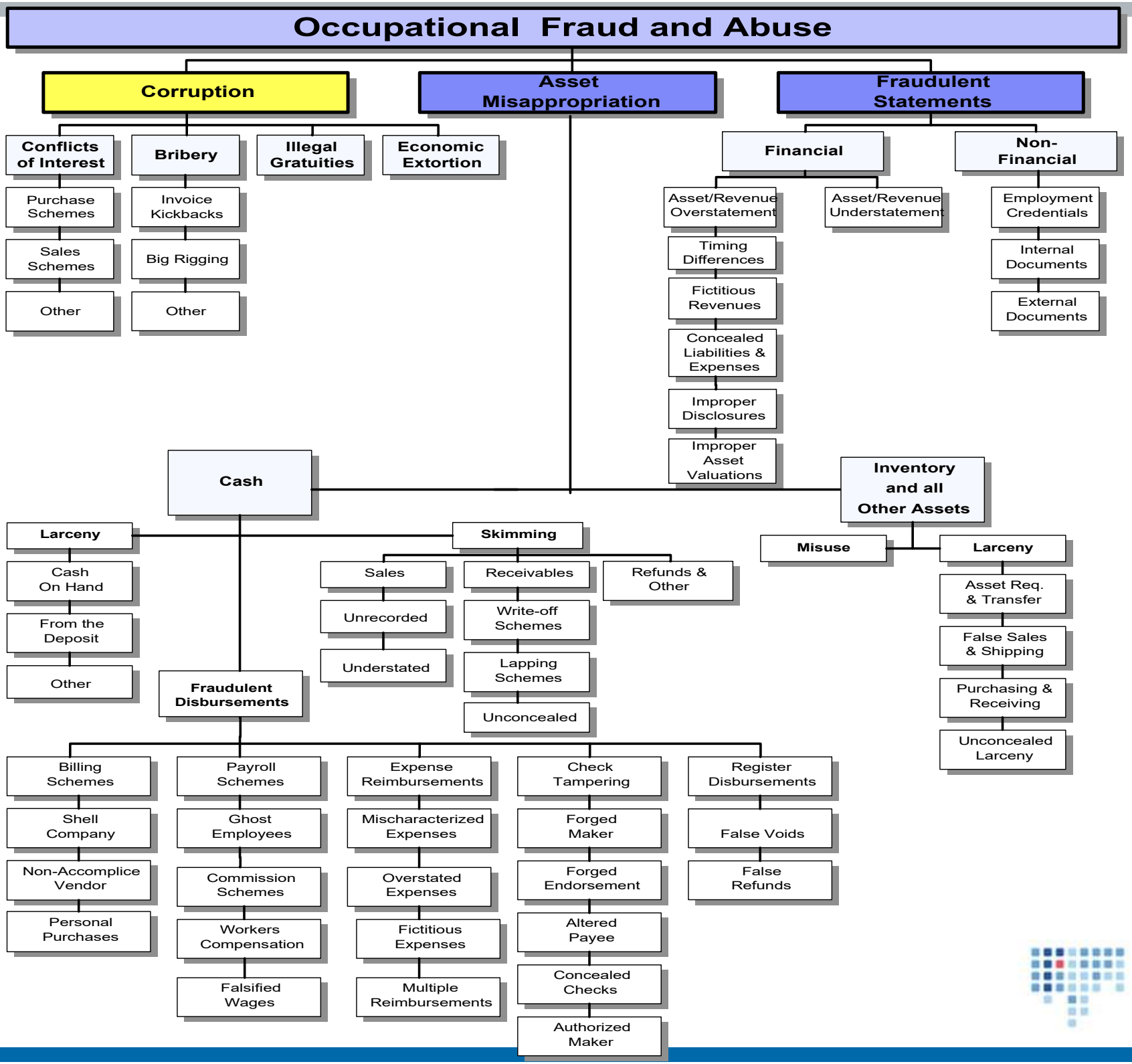
METHODS TO COMMIT FRAUD

FIG. 24 How do fraud schemes vary by organization size?



ASSET MISAPPROPRIATION SCHEMES




Occupational Fraud and Abuse
Corruption
Asset Misappropriation
Fraudulent Statements
Conflicts of Interest
Purchase Schemes
Sales Schemes
Other
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Asset Req. & Transfer
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Unconcealed Larceny

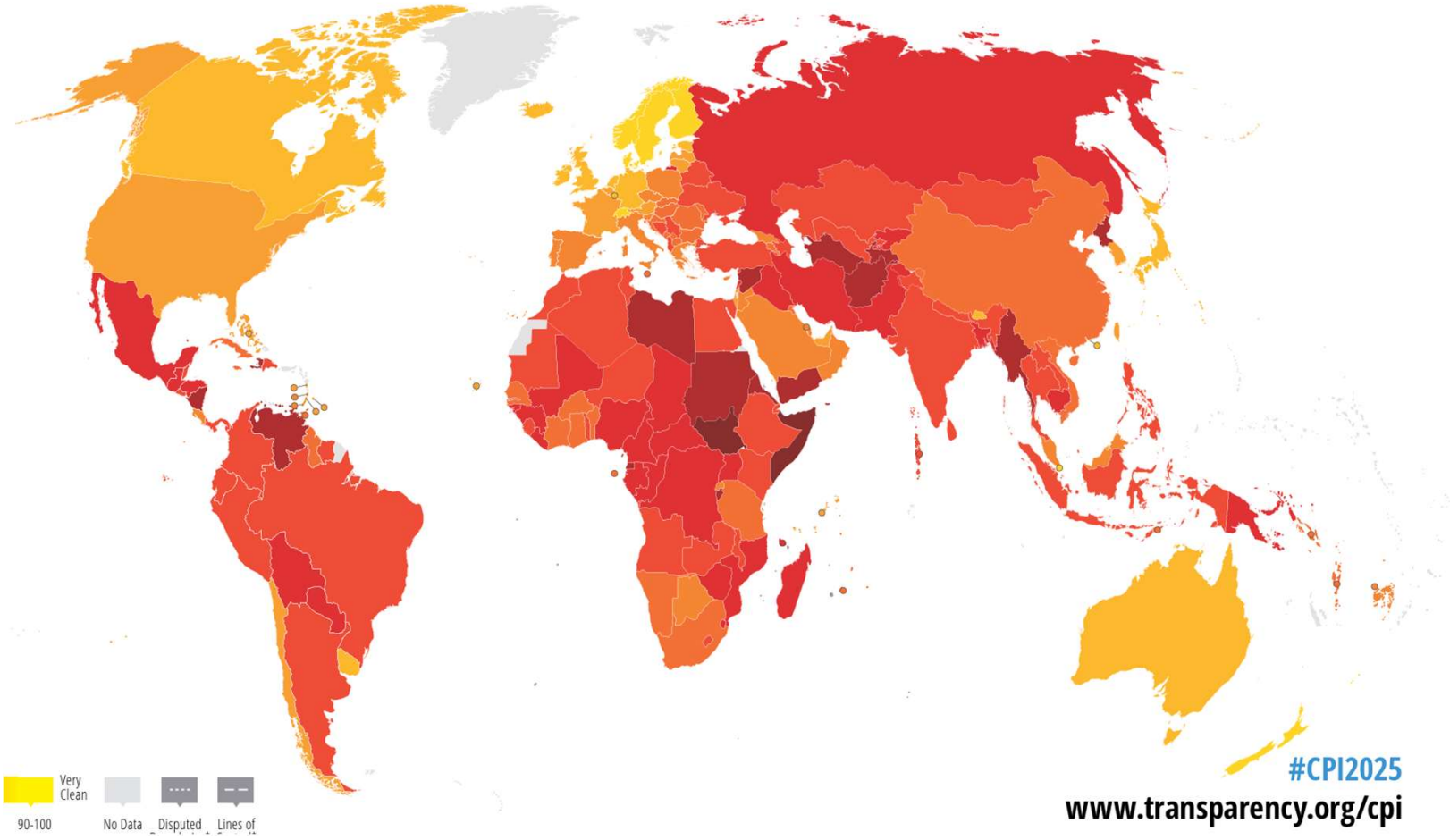
CORRUPTION SCHEMES



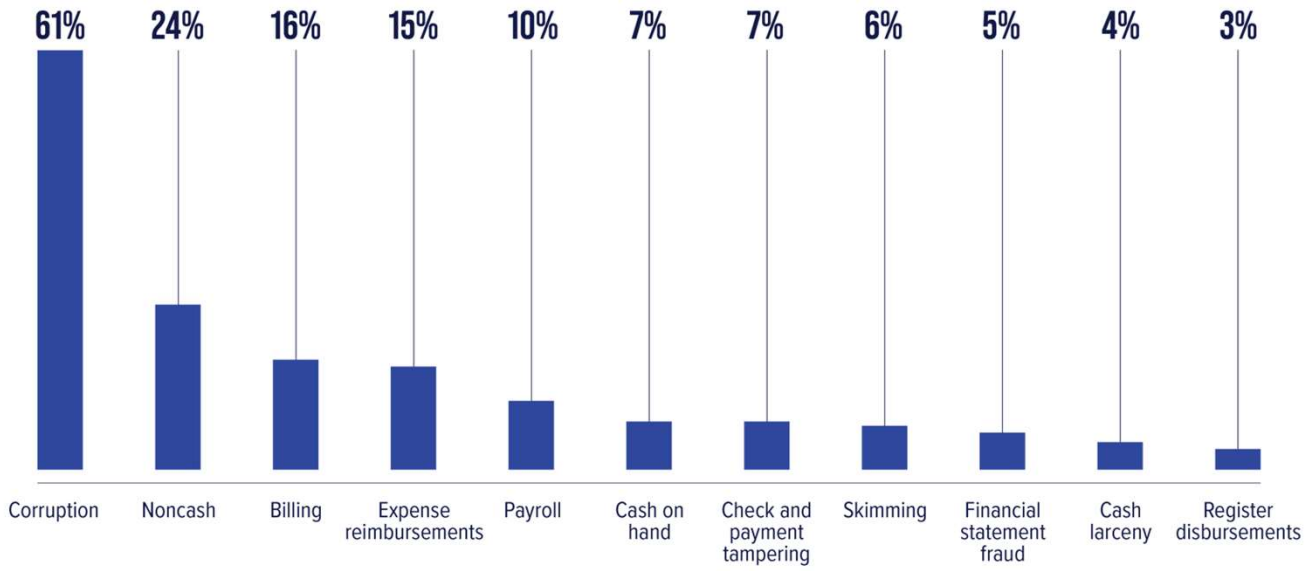
The offering, giving, receiving or soliciting any thing of value to influence an official act or business decision:

- Conflicts of interest
- Kickbacks (Bribery)
- Illegal gratuities
- Economic extortion

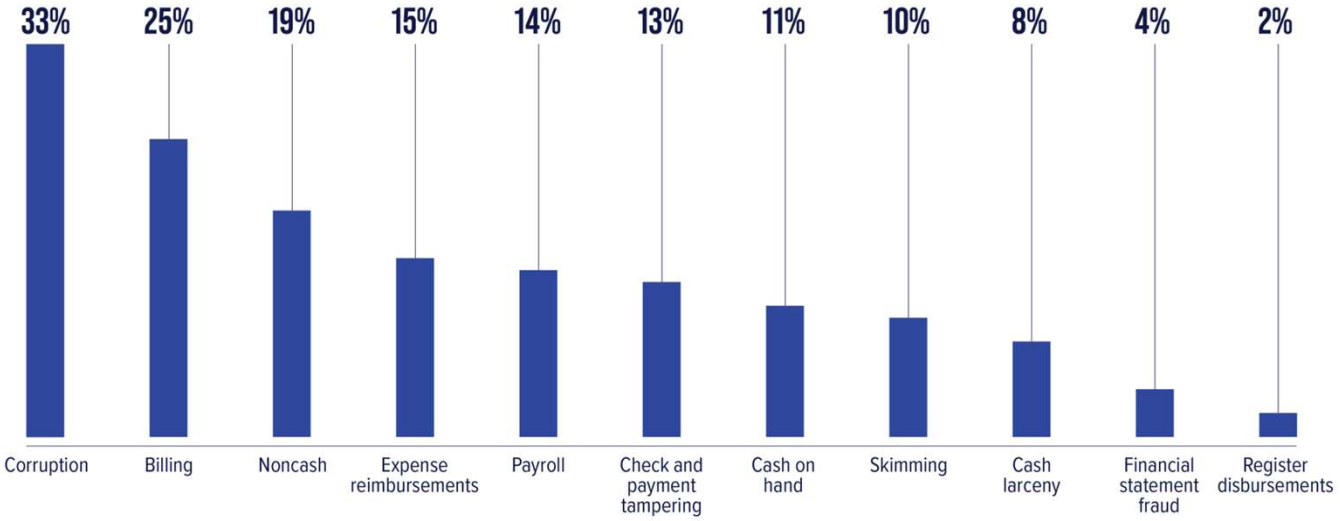
2025 CORRUPTION INDEX



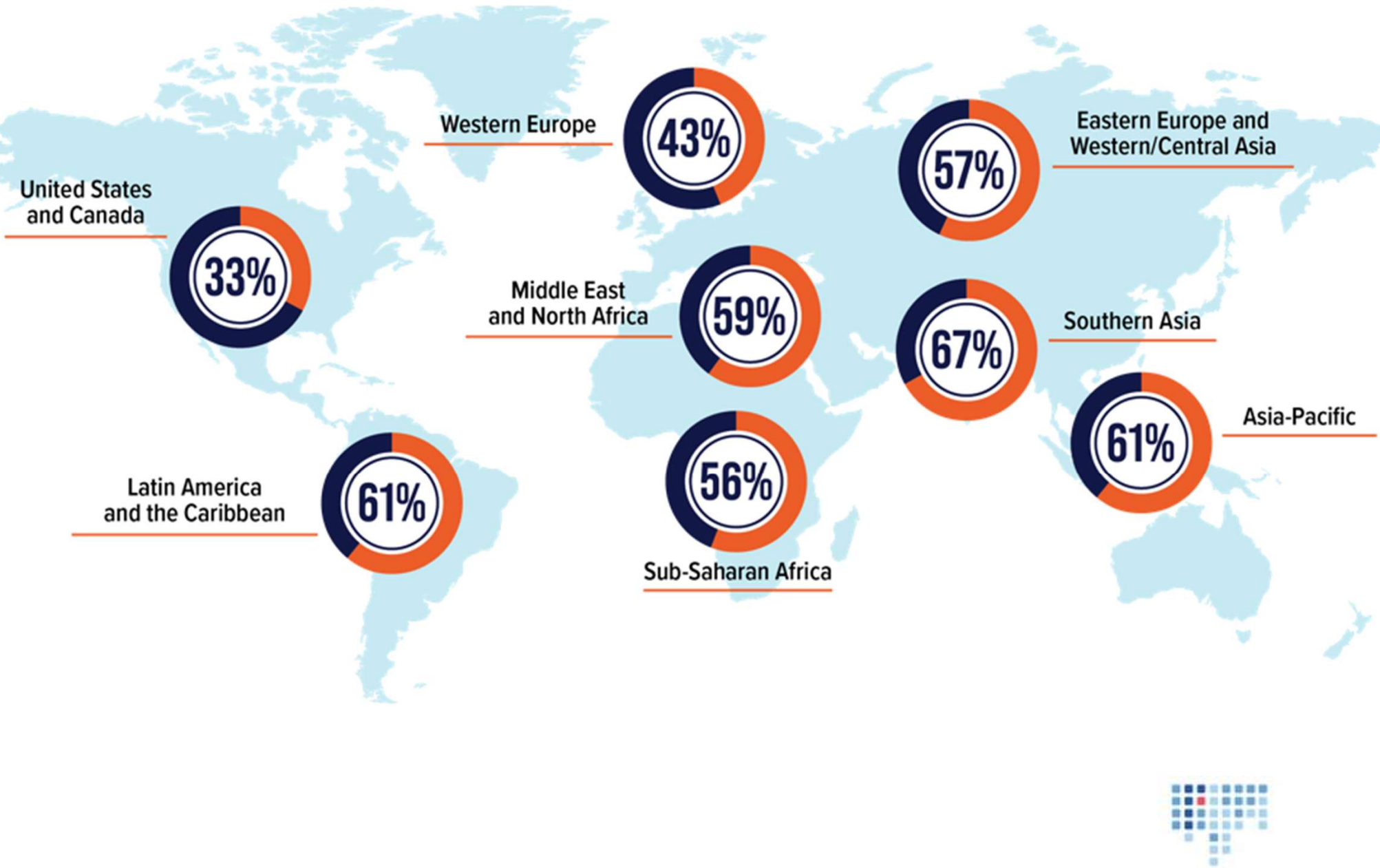
ASIAN CASES



U.S. CASES



CORRUPTION CASES BY REGIONS



Bring Policies and Procedures to Life



KEY ANTIFRAUD POLICIES

Control Environment

CODE OF ETHICS

WHISTLE BLOWER POLICY

FRAUD POLICY

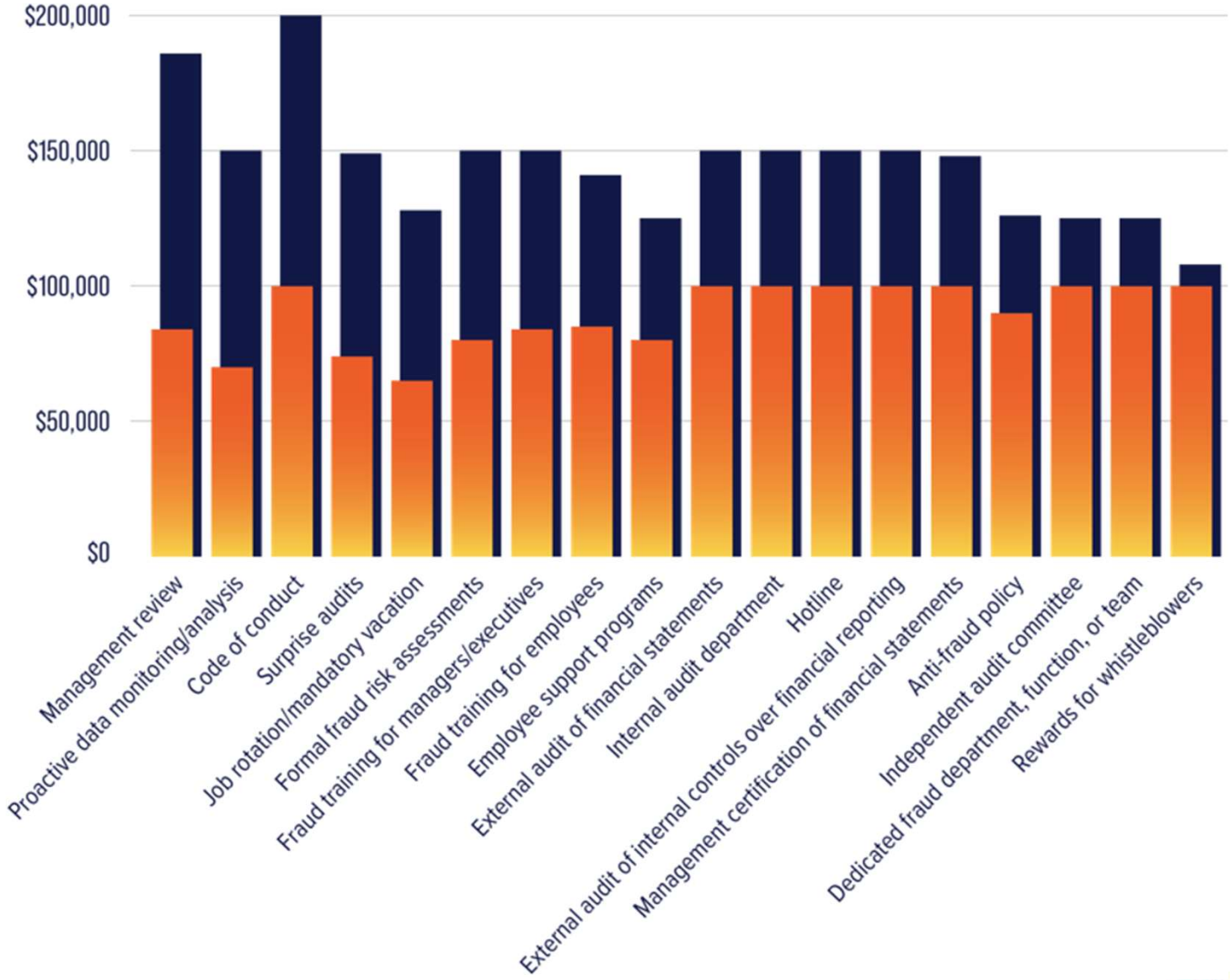
HANDBOOKS, MANUALS, MEMOS



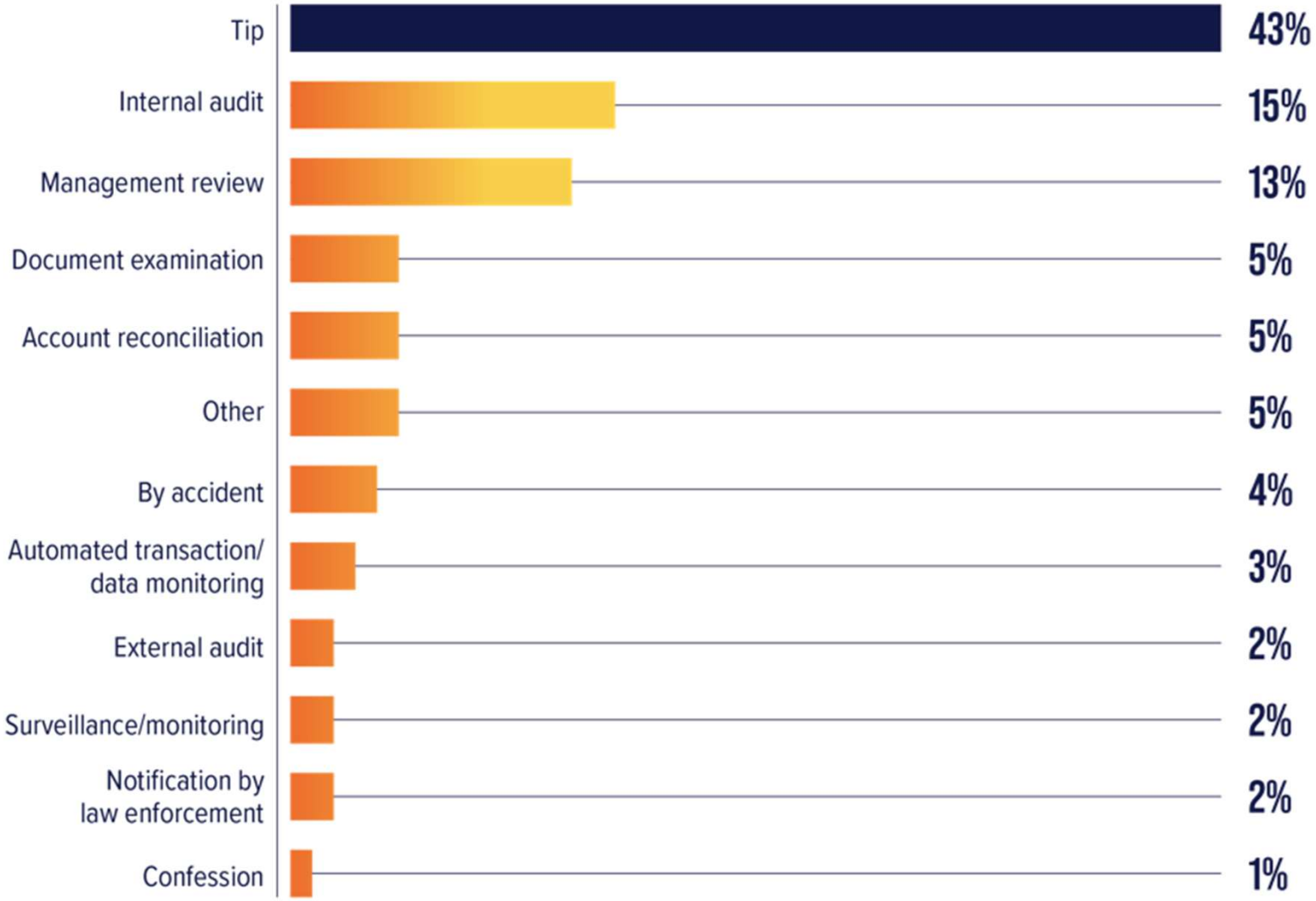

DON'T IGNORE
FRAUD
Speak up


INTERNATIONAL
FRAUD
AWARENESS
WEEK
November 15–21, 2026

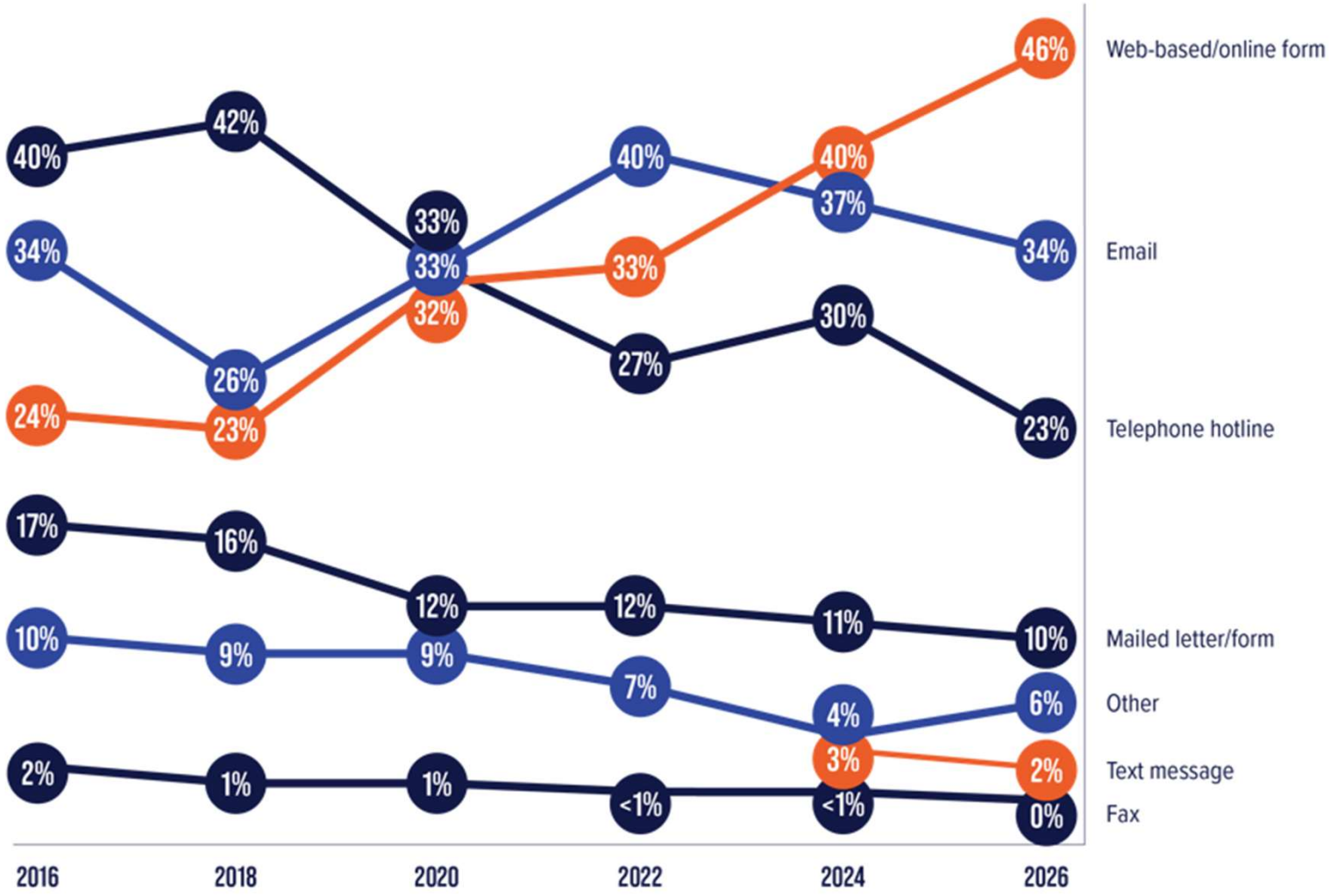
PRESENCE OF ANTIFRAUD CONTROLS



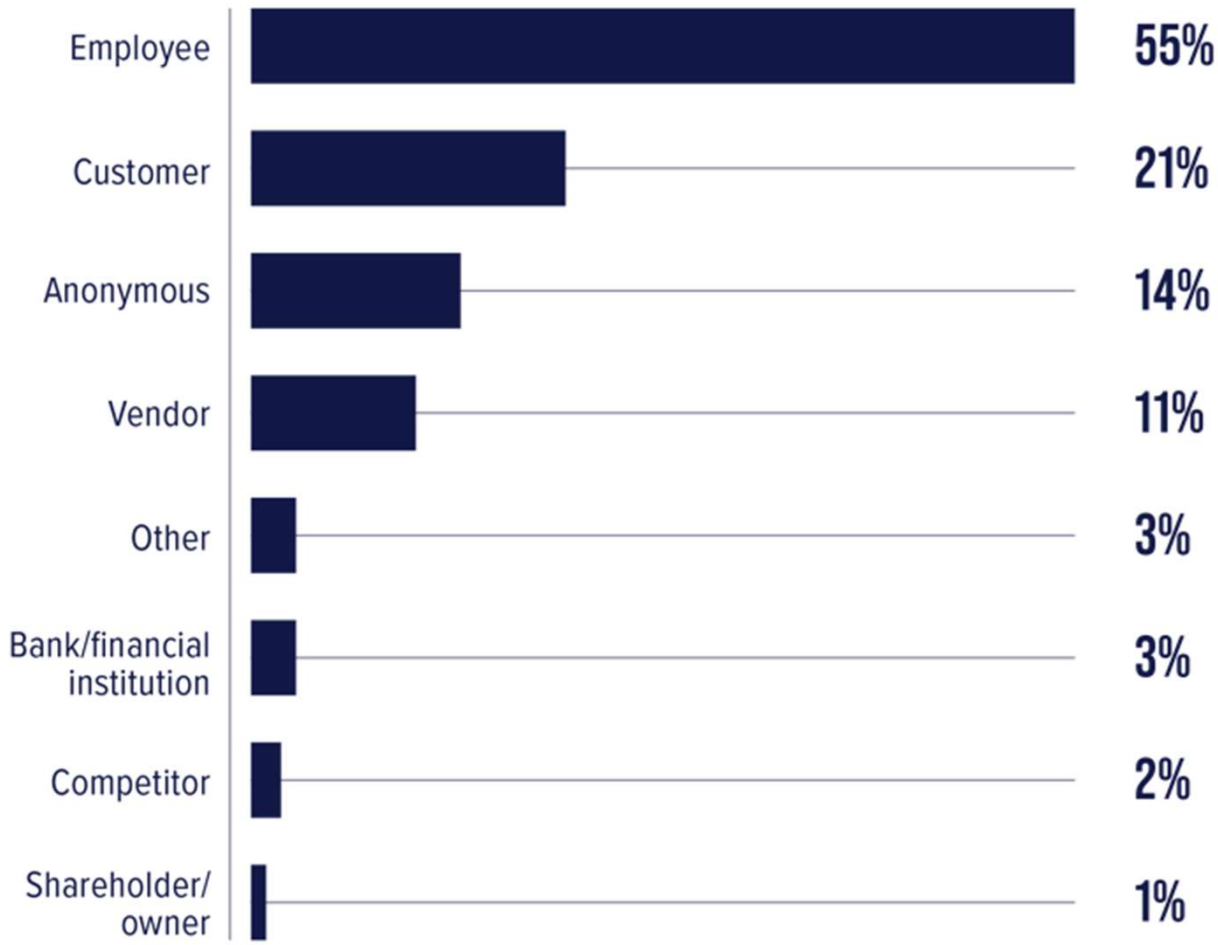
HOW IS FRAUD INITIALLY DETECTED



HOTLINE REPORTING MECHANISM



INITIAL DETECTION OF FRAUD



FRAUD AWARENESS TRAINING

- Tips are the most common method of fraud detection
- Red flags are usually present
- External audits should not be relied upon as a primary detection method
- What actions constitute fraud
- How fraud harms everyone in the organization
- How to report questionable activity



Fraud is a crime in which the victim participates voluntarily



FRAUD IS A HUMAN ACT

- All numbers are created by humans operating from different psychological foundations
- The human act of fraud relies heavily on both an individual's emotions and state of mind
- Personal incentive and perceived pressure drive human behavior
- The need to rationalize wrongdoing is psychologically rooted
- The assessment of the opportunity, including the likelihood of being caught, is behavioral assessment



Conduct Effective Fraud Risk Assessments



KEY STEPS TO MANAGE FRAUD RISKS

1. Governance
2. Risk Assessment
3. Prevention
4. Detection
5. Deterrence and response



KEY STEPS TO MANAGE FRAUD RISKS

1. Governance
2. Risk Assessment
3. Prevention
4. Detection
5. Deterrence and response



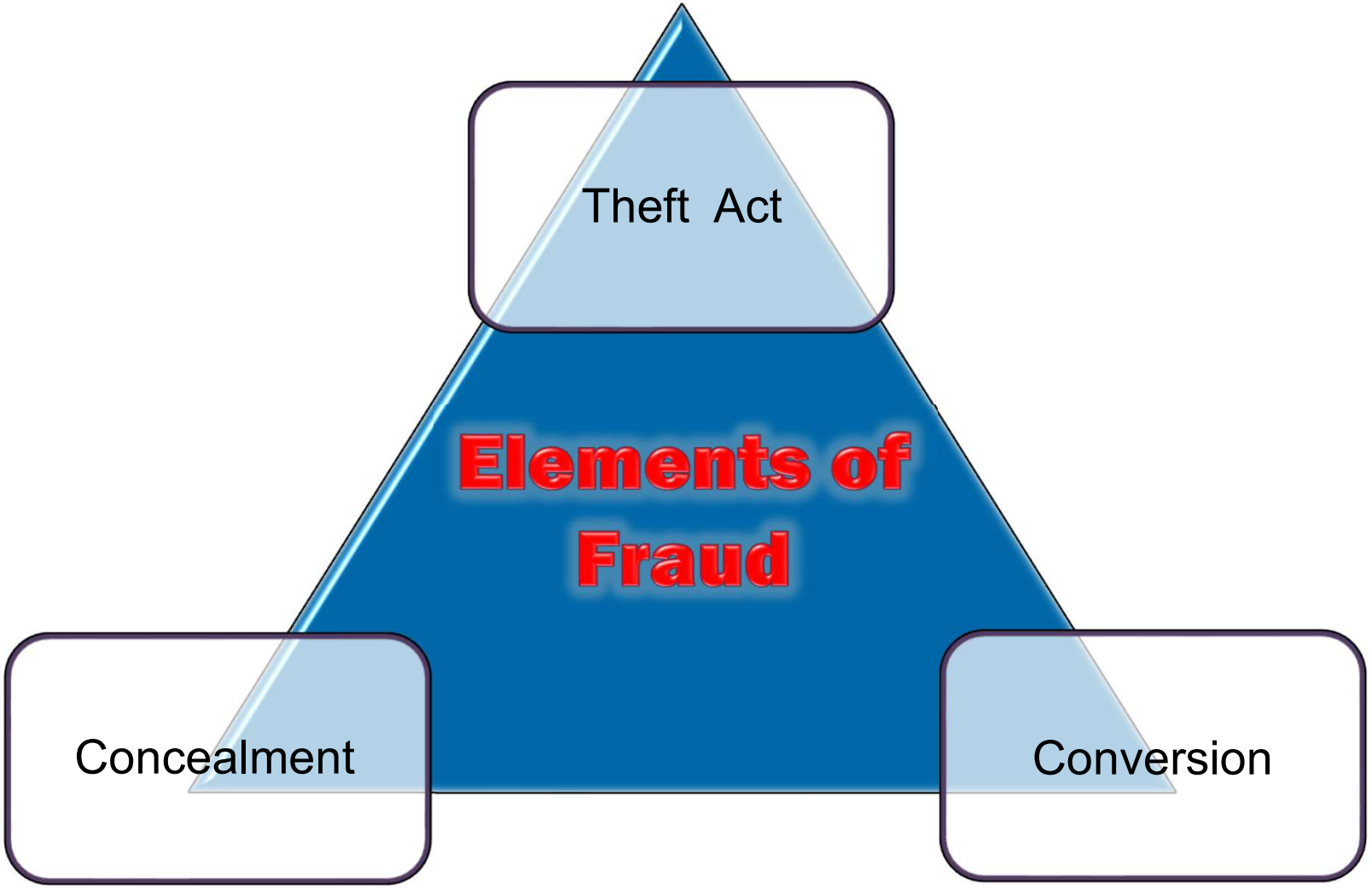
FRAUD SCHEME AND SCENARIO BASED

Inherent fraud schemes are limited within each organization.

Scenarios are based on the business process of the organization or how the fraud scheme would work based on the specific controls and procedures in place.



FRAUD TRIANGLE



RISKS FALLING OUTSIDE FINANCIAL

- Reputation
- Legal
- Strategic
- Operational



CONDUCTING A FRAUD RISK ASSESSMENT



Look!

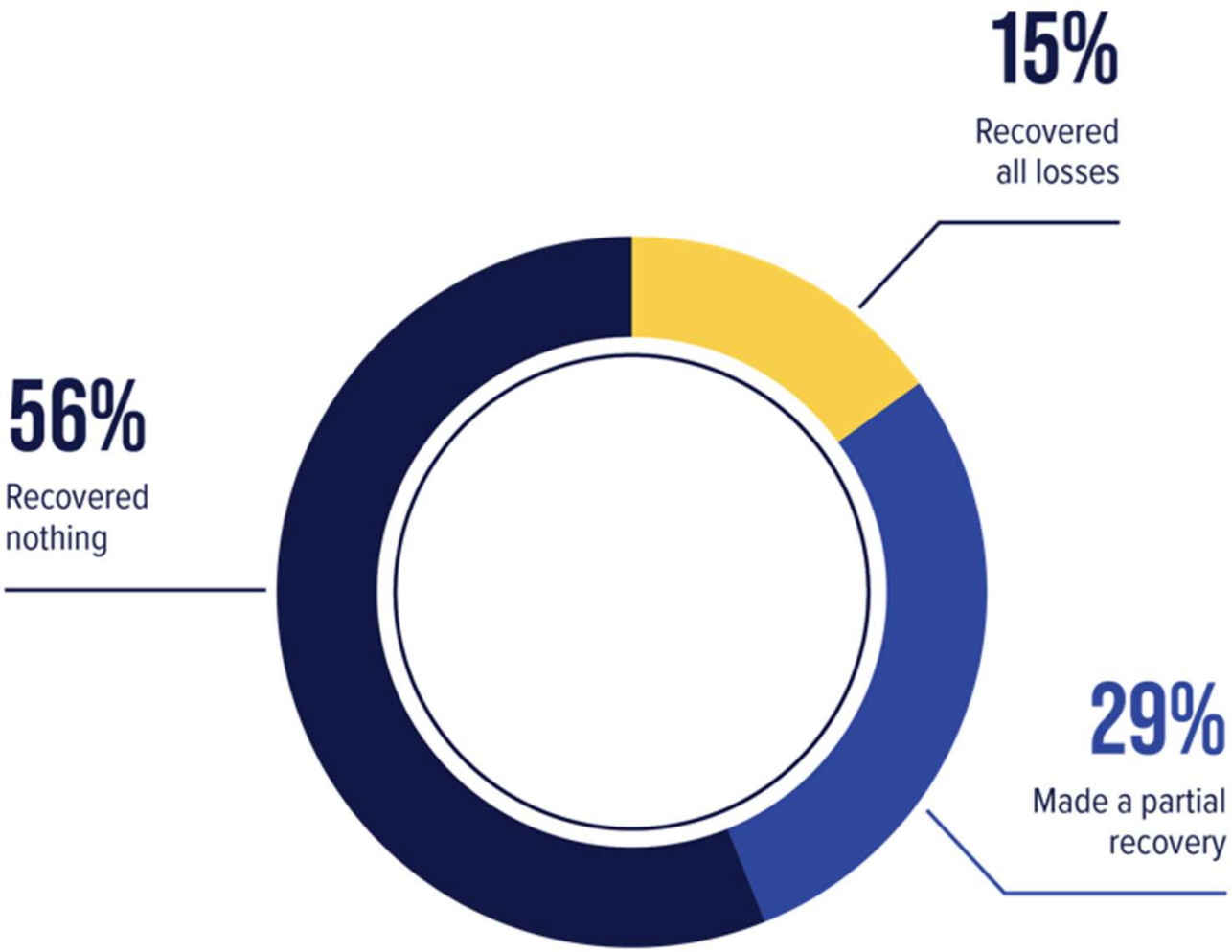


DETECTION OF FRAUD

- Part of an overall fraud prevention program by increasing the perception of detection
- The sooner the fraud is discovered, it can be stopped from escalating into something bigger
- Almost 59% of organization recovery no assets
- Data analytics offers tools and techniques, reaching into huge populations of data identifying anomalies that merit further investigation



RECOVERY OF ASSETS



RED FLAGS

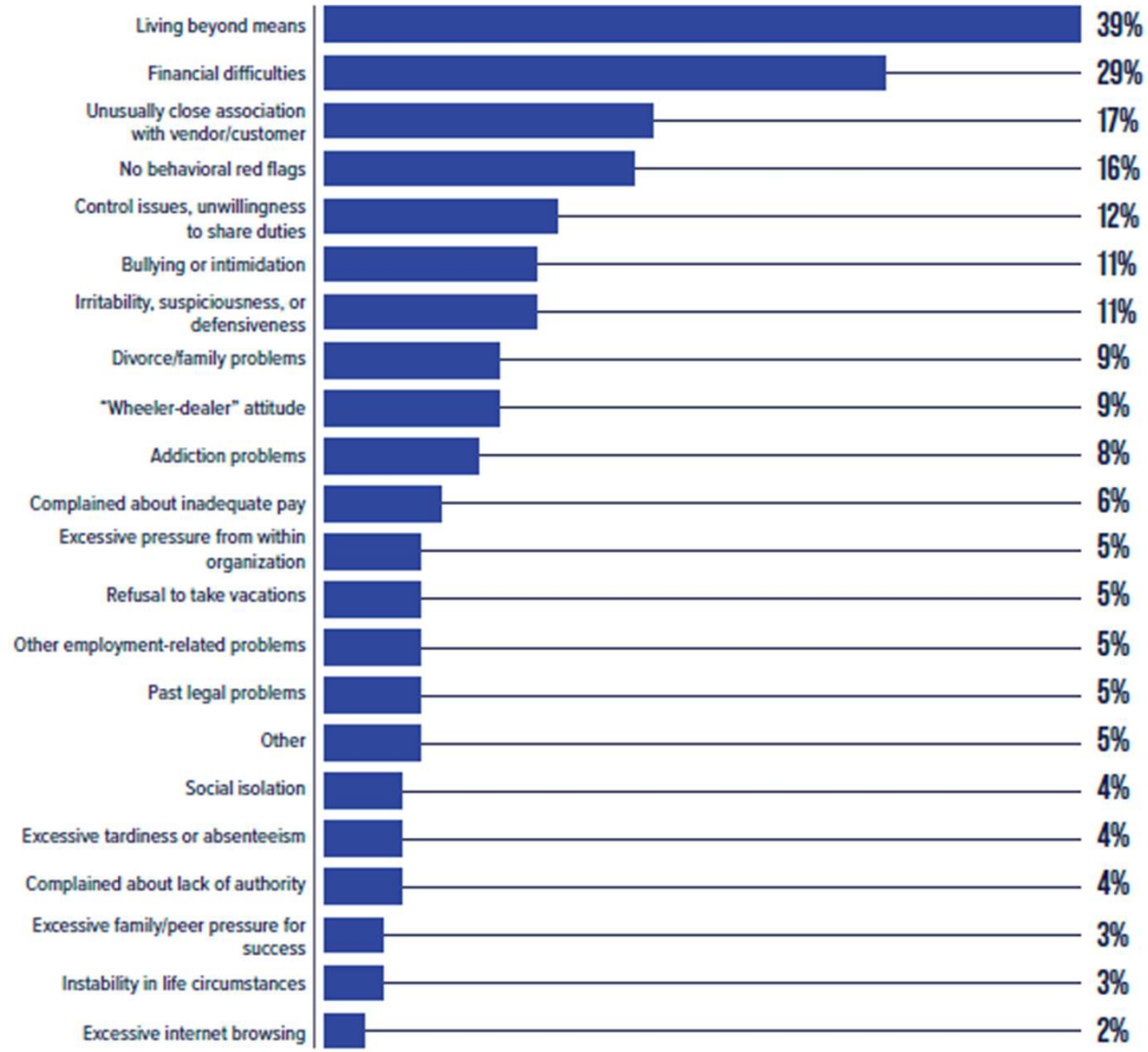
Do not ignore a red flag – Studies of fraud cases consistently show that red flags were present, but were either not recognized or were recognized but not acted upon by anyone.

An error is an error – Red flags can lead to some kind of appropriate action, i.e. an investigation by a measured and responsible person, but sometimes an error exists.



BHEAVIORAL RED FLAGS OF PERPETRATORS

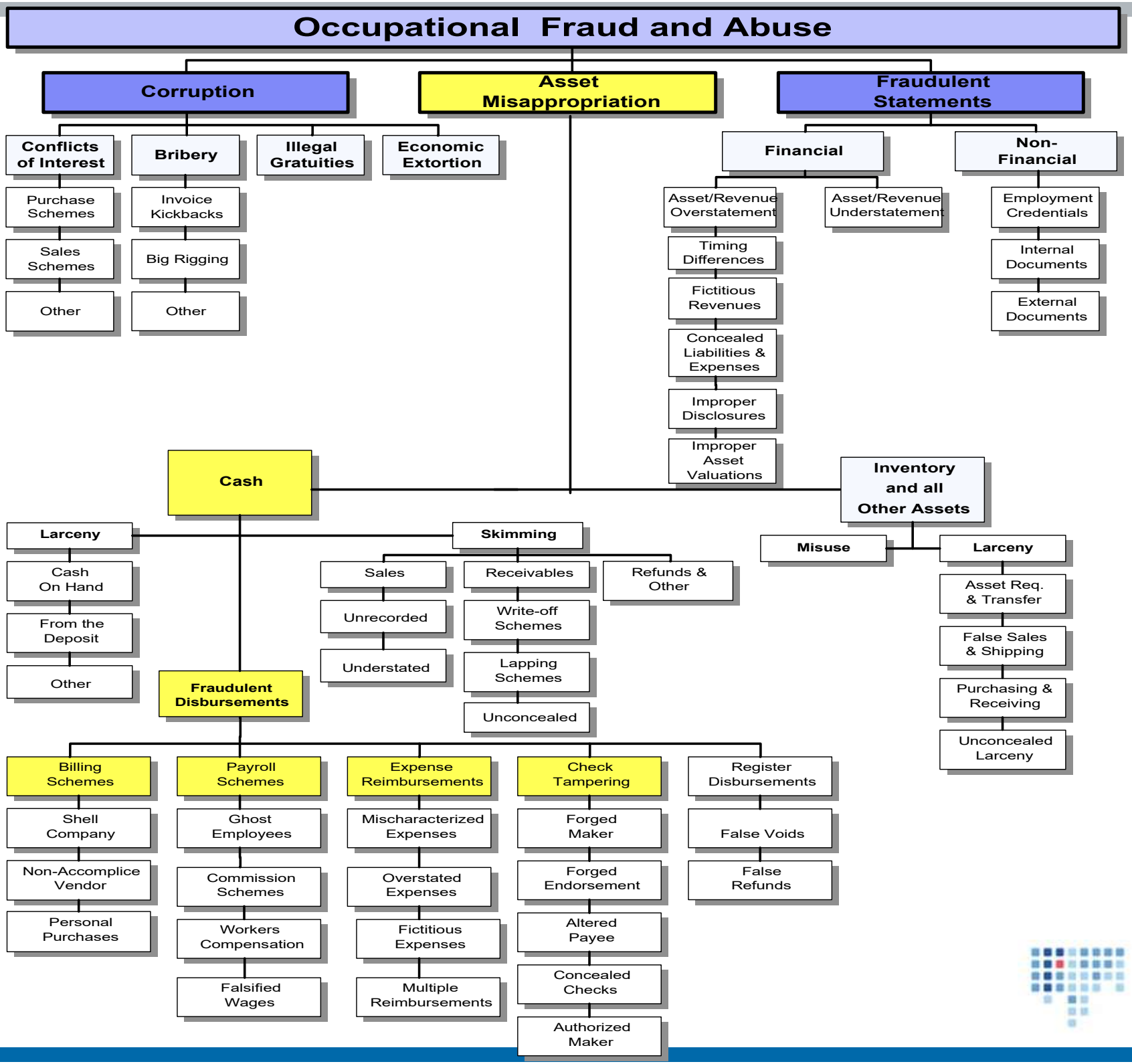
FIG. 55 How often did perpetrators exhibit behavioral red flags?



©2014 Association of Certified Fraud Examiners, Inc.

Fraud Schemes are not Sophisticated!




Occupational Fraud and Abuse
Corruption
Asset Misappropriation
Fraudulent Statements
Conflicts of Interest
Purchase Schemes
Sales Schemes
Other
Bribery
Invoice Kickbacks
Big Rigging
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Illegal Gratuities
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Fictitious Expenses
Multiple Reimbursements
Check Tampering
Forged Maker
Forged Endorsement
Altered Payee
Concealed Checks
Authorized Maker
Register Disbursements
False Voids
False Refunds

FRAUDULENT DISBURSEMENTS SCHEMES

Billing Schemes Shell Company Non-Accomplish Vendor Personal Purchases	A fraudulent disbursement scheme in which a person causes his or her employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases
Payroll Schemes Ghost Employee Falsified Wages Commission Schemes	A fraudulent disbursement scheme in which an employee causes his or her employer to issue a payment by making false claims for compensation
Expense Reimbursement Schemes Mischaracterized Expenses Overstated Expenses Fictitious Expenses Multiple Reimbursements	A fraudulent disbursement scheme in which an employee makes a claim for reimbursement of fictitious or inflated business expenses
Check Tampering Forged Maker Forged Endorsement Altered Payee Authorized Maker	A fraudulent disbursement scheme in which a person steals his or her employer's funds by intercepting, forging or altering a check drawn on one of the organization's bank accounts
Register Disbursements False Voids False Refunds	A fraudulent disbursement scheme in which an employee makes false entries on a cash register to conceal the fraudulent removal of cash



WAYS IN WHICH DATA ANALYTICS SOFTWARE IS USED

- Analyze entire populations of transactional data to look for various forms of anomalies

- Analyze transactions for indicators of known fraud risks



WAYS IN WHICH DATA ANALYTICS IS USED TO DETECT FRAUD

- Identify relationships between employee and vendors
- Identify indicators of fictitious vendors
- Trend analysis for vendor payments, payroll and T&E
- Identify indicators of ghost employees
- Analysis of purchase card and T&E activity for indications of personal use
- Analysis of access and maintenance logs



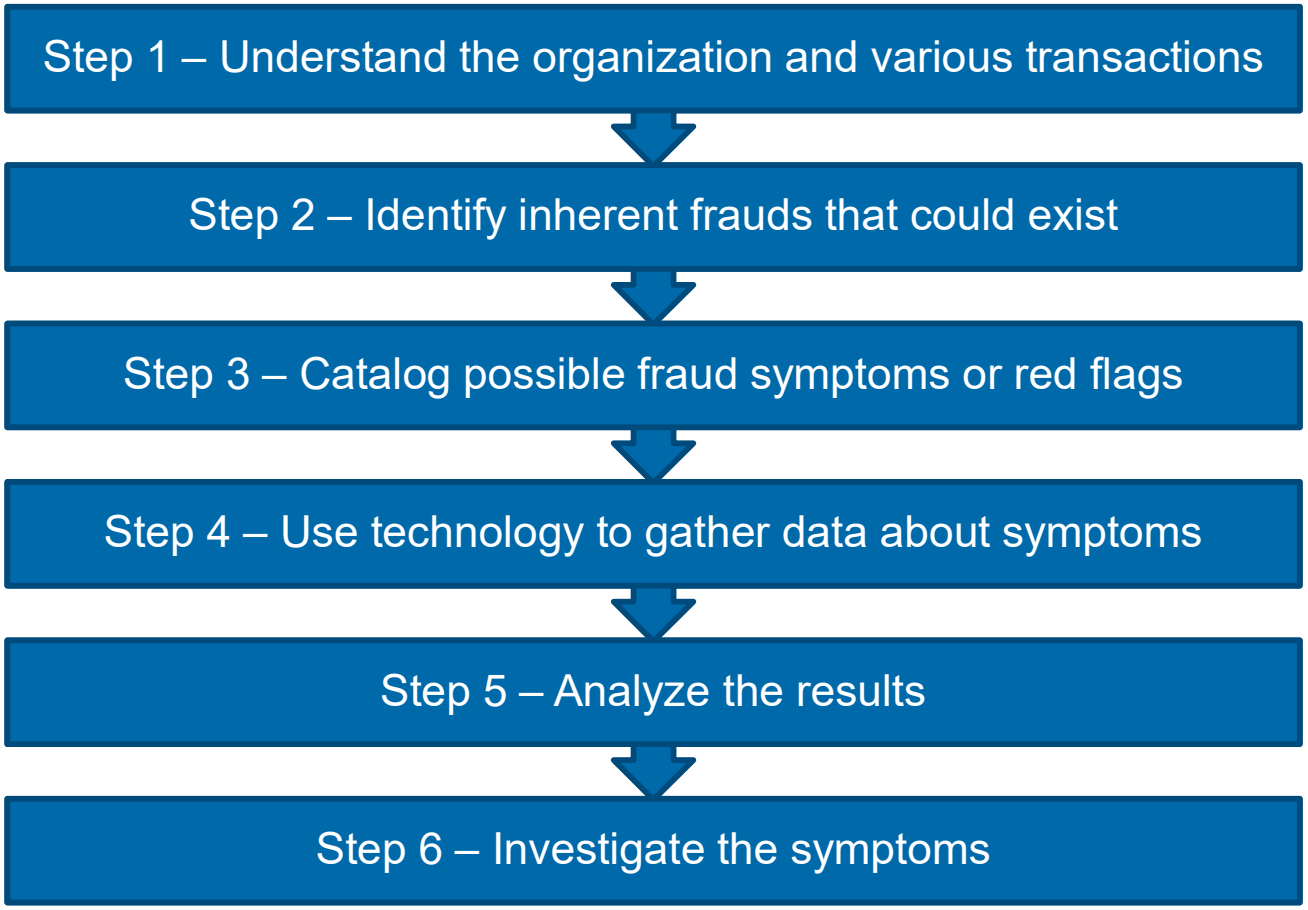
NIGRINI CYCLE

High Level Overview Tests	
Data Profile	provides insight into distribution of numbers
Data Histogram	counts of amounts in various intervals
Periodic Graph	distribution of numbers across time
Benford's Law Based Tests	
First-two Digits	more focused than first digit and second digit tests and identifies abnormal duplications
Second Order Test	based on the digits of the differences between amounts that have been sorted from smallest to largest
Summation Test	looks for excessively large numbers in the data
Number Duplication	identifies which specific numbers causing spikes on the firs-order test
Last-two Digits	powerful for number invention
Advanced Tests	
Largest Subsets	subset of a group of records that have something in common, focusing on subsets that are highly inflated
Same Same Different	Identifies transactions that are linked to two different subsets
Relative Size Factor	identifies subsets where the largest amount is out of line with the other amounts

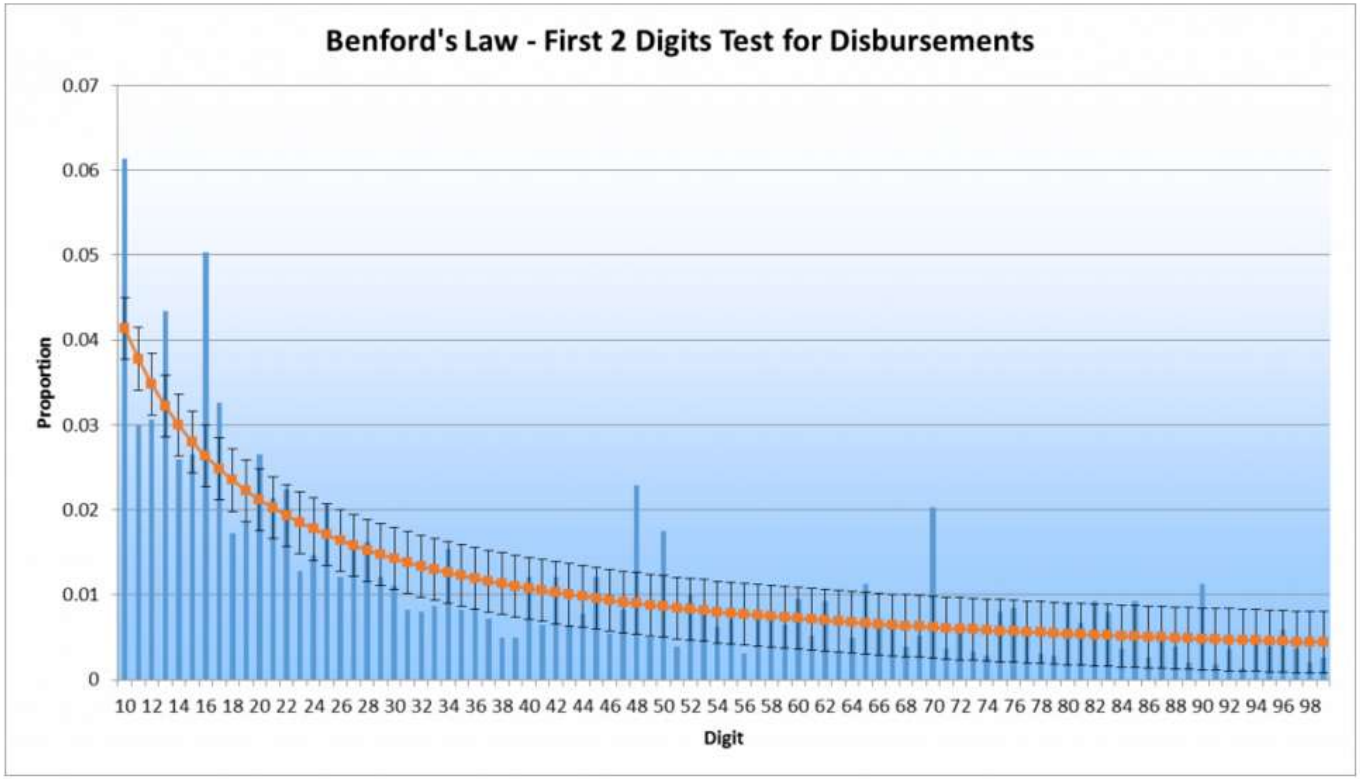
Forensic Analytics: Methods and Techniques for Forensic Accounting Investigations, published 2011 by Mark J. Nigrini, Ph.D.



SIX STEP APPROACH TO DATA ANALYSIS FRAUD DETECTION



Benford's Law – 2 Digits Test





Billing Schemes

- Shell Company
- Non-Accomplice Vendor
- Personal Purchases

SHELL COMPANIES



- Created by perpetrator
- A business with no actual employees
- No physical presence
- Exists only on paper
- Have legitimate uses
- Used for fraud, tax evasion, money laundering
- Legally formed
- Only in name

OTHER BILLING SCHEMES METHODS



- Vendor already in AP but changes information
- Intercepts checks - false endorsement
- Pass through entity
- Personal purchases

CONCEALMENT



- Levels of concealment – direct matches
- On transaction data or master file data
- Types of data, documents, false approvals, false representations, overriding controls
- Consider indirect access to data as well as direct
- Identify red flags associated with the concealment method
- Think like a fraudster

RED FLAGS ASSOCIATED WITH BILLING SCHEMES

- Incomplete vendor information on vendor master such as address, phone number and tax ID
- Recurring payments just under approval level
- Duplicate payments to vendors
- Matches between vendor master and employee data
- Lack of segregation of duties in accounting and purchasing function
- Sharpe rise in the amount of service-related expenses or expenses in general
- Absence of detail on vendor invoices
- New or unknown vendors
- Unexplained or temporary changes to vendor master files
- Phone numbers which do not correspond with physical location
- Only PO Box service address or residential address



SHELL COMPANIES – Red Flag Data Profile

- Mailing address
  - search for known mail box services
  - missing or incomplete information
  - just numbers and search for duplicates in vendor data base and/or with employee master
- Location within a reasonable distance of the organization
- Telephone number -
  - cell phone numbers
  - no phone number
  - duplicate numbers within vendor master
- Create date – search for correlation between create date and first invoice date
- Bank routing number – search for matches between vendor master and employee master
- Invoice number – search for duplicate invoice numbers, inconsistent numbering or sequential numbering
- Invoice amount – unusually below approval amount



VENDOR MASTER BEST PRACTICES

- Clearly define ownership of the vendor data
- Review and engage access controls
- Establish clear vendor setup procedures
- Enforce new vendor approval practices
- Determine when multiple vendor records will be allowed
- Manage one-time vendor accounts separately
- Apply consistent naming conventions
- Enforce Data Validation including the free IRS TIN matching system
- Remove employees from the master vendor file
- Perform maintenance on a regular basis
- Remove old/unused vendors
- Retain the right records
- Establish written, detailed procedures



salesreceiptstore

get store receipts made*... print custom store receipts*





Navigation

- Home
- Receipt Printing
- Receipt Design & Print
- Fake Hotel Receipt
- Novelty Fake ATM Receipts
- Resources to help you make receipts

Custom Receipts

- Terms & Conditions
- Disclaimer/Legal
- Sample Fake Receipt Templates
- Images of Fake Receipts
- Frequently Asked Questions
- Links

Receipt Design

Do you want a phony store receipt printed on thermal paper? 100% authentic looking replica store receipts-printed and delivered to you.



Print Phony Store Receipts

OPTION 2 Create and Design a fake store receipt or hotel bill online - from less than US$1 per fake receipt including printing of your fake receipt on thermal receipt paper, and delivery of a copy of each fake receipt to your door. - **FOR NOVELTY USE ONLY**



Here's how it works:

You download (for free) any of our MS Word Receipt Templates (click here to go to our Fake Receipts Templates Page - opens in new window)

You edit them - replace the name of the store, the logo, the amounts, the items, dates, times etc.

Purchase a Printing Voucher Below (for US$14.99) - and we will print up to 15 receipts for you and deliver them to your door included in the price.

Email us the word documents with your fake receipt details on them, along with your Purchase Reference

Your HARD COPY of a fake receipt is printed on real receipt paper. You receive it within days of ordering by express post.

Forensic & Fraud Investigations PLLC

COMMON TEST TO DETECT P-CARD AND T&E EXPENSE SCHEMES

- Identify transactions on weekends, holidays or while the employee is on vacation
- Identify split transactions in which a large purchase if made with smaller amounts, just under review and approval levels
- Identify purchases of the same item or service within a specific time frame
- Identify where a P-Card was used for a specific purchase and the same purchase was processed as a T&E claim
- Identify unusually high or frequent use of P-Cards compared to others
- Calculate expected mileage for fuel cards and travel dates
- Identify if first class tickets were submitted as an expense but later returned for economy tickets
- Identify where mileage claims were made for the same period as car rental charges or gas was claimed



COMMON TESTS TO DETECT FRAUD IN PAYROLL

- Extract all round dollar amounts
- Compare current year payroll file to terminated employees
- Compare payroll data to human resource data
- Extract employees without employee number or SS number
- Extract employees without deductions or taxes withheld
- Extract employees with payments after termination dates
- Check for sequential or duplicate SS numbers
- Test for invalid SS numbers (as of 6.24.2011)
- Duplicate mailing addresses paid in same period
- Calculate % of overtime to gross pay
- Compare current year to prior year payroll file to detect pay rate changes



Forensic Accountants Can Help



DIFFERENCE BETWEEN AUDITORS AND FORENSIC ACCOUNTANTS

- Auditors usually reason from numbers to people, forensic accountants usually do the reverse
- Auditors typically do not presume fraud exists and are generally more trusting
- Auditors may make materiality judgments
- Forensic accountants may have “self-selected” into the investigative side and are natural sleuths
- Forensic accountants have the benefit of experience with various fraud schemes
- Forensic accountants adopt different approaches beyond the auditor’s tool kit, such as data mining, computer forensics and space-time analysis



Contact the Subject Matter Expert

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Bill has more than 30 years of experience in public accounting providing assurance services, conducting investigations, providing litigation support, performing forensic business analyses and audits, co-outsourcing internal audit services, evaluating internal control systems and conducting fraud risks assessments and training. Besides being a certified public accountant (CPA), Bill has also earned the certified fraud examiner (CFE), certified in financial forensics (CFF), certified internal auditor (CIA) and chartered global management accountant (CGMA) credentials.

The contents and opinions contained in this article are for informational purposes only.
The information is not intended to be a substitute for professional accounting counsel.
Always seek the advice of your accountant or legal advisor with any questions.



IF YOU SUSPECT FRAUD

- ✓ Contact the insurer
- ✓ Contact legal counsel and fraud examiner
- ✓ Deal with the alleged perpetrator
- ✓ Prepare an action plan
- ✓ Act quickly
- ✓ Know employer’s rights and responsibilities
- ✓ Know employee’s rights and responsibilities
- ✓ Secure data
- ✓ Perform background check of suspect
- ✓ Remember the iceberg principal



WHAT'S THE GOAL?



WHAT DO YOU WANT TO ACCOMPLISH?

- Who done it
- Find out the amount of losses
- Obtain justice
- Set an example
- Obtain restitution
- Determine weaknesses in internal control
- Terminate the employee
- File criminal complaint
- File civil lawsuit
- File insurance claim



BENEFITS OF AN EFFECITVE INVESTIGATION

- Figure out what happened
- Deal with employee problems early
- Enforce company policies
- Encourage reporting
- Avoid or counter bad publicity
- Protect your company from lawsuits
- Refine controls and procedures
- Recover assets

