

CASE STUDY: INTERNAL FRAUD

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How to Protect From Internal Fraud

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The Challenge

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According to a 2016 study by the Association of Certified Fraud Examiners (ACFE), organizations lost \$3.7 trillion worldwide due to fraud. Effective fraud monitoring is a key management responsibility for future financial security.

Recently, Tate & Tryon's team of Certified Fraud Examiners were called in during typical internal audit engagement to help one of our clients manage fraud risk proactively by ensuring that appropriate controls are in place to help prevent and detect fraud.

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Our Approach

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During a routine internal audit, our data extraction experts came across approximately 27 anomalies in the client's accounts payable data that appeared to be an indicator of fraudulent activity by one of the employees. In collaboration with the client's finance staff, we combed through thousands of records, including reimbursement vouchers and check requests, which revealed that the employee in question had embezzled more than \$150,000 over a six-year period.

We accomplished this discovery by:

Leveraging forensic data analytic techniques to identify anomalies within transactional data that could be indicators of fraudulent activity.

Conducting a forensic investigation to determine the type of misappropriation that occurred which included:

- Examining various accounting records
- Reviewing computer hard-drives and email
- Interviewing employees
- Contacting third party vendors for corroborating evidence

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The Results

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In light of the evidence, the suspected employee pled guilty in federal court, and the client was able to recover their loss through insurance. After the discovery, we made recommendations that enabled our client to strengthen internal controls over cash disbursements to prevent this kind of fraud from happening again.

In addition, we provided fraud awareness training to the client's finance staff and management team to help them recognize the potential fraud warning signs.

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Forensic Services

As illustrated above, we help our clients detect and prevent fraud. We also provide the following fraud and forensic services:

Forensic accounting investigations
Fraud risk assessments
Litigation support
Fraud prevention
Fraud awareness training