



COLLABORATIVE COST CONTROL

What Were They Thinking?

Controlling Expense Fraud

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leadership beyond finance

National Executive Development
Webinar Series

Presenters



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Agenda

1. How prevalent is expense fraud?
2. How could your organization be impacted?
3. How can you protect your organization?

CONTROLLING EXPENSE FRAUD

How Prevalent is Expense Fraud?

The Daily Telegraph

Friday, May 8, 2009

BRITAIN'S BEST-SELLING QUALITY DAILY

Irish Republic €1.10

No 47,577 90p

The truth about the Cabinet's expenses

The Prime Minister

Brown paid his brother more than £6,000 for 'cleaning services'

The Justice Secretary

Straw had to refund money he claimed in error for council tax

The Chancellor

Darling changed 'second home' designation four times in four years

The Business Secretary

Mandelson claimed thousands after saying he would quit as MP

RECEIPT FOR CLEANING SERVICES, JAN-MAR 2006

US news

British man who ran US company sentenced to four years in prison for fraud

Paul Dunham, president of electronics company Pace, and his wife, director of sales and marketing, must repay \$1m as part of plea deal

Former manager for Quest Diagnostics sentenced in fraud case

Jun 4, 2008, 2:27pm EDT Updated: Jun 4, 2008, 2:28pm EDT

David Smith, former facilities manager for the Tampa laboratory of **Quest Diagnostics Inc.**, was sentenced to five years in prison and agreed to forfeit his Wesley Chapel home, after pleading guilty to charges of fraud and identity theft.

Smith, who will be under three years of supervised release following his prison term, immediately tendered \$402,000 in forfeitures and restitution, according to a release from the U.S. Attorney's office for the Middle District of Florida.

Starting in 2001, Smith submitted fake invoices with expense reports and then forged the signatures of his supervisors to cause payments from Quest to be made to him, the release said. Quest (NYSE: DGX) lost \$1.3 million in the scheme, the release said.

Here's The Real Reason HP CEO Mark Hurd Was Fired (As Best We Can Tell...)

Henry Blodget Aug. 10, 2010, 9:25 AM 35,929 76

FACEBOOK LINKEDIN TWITTER

Now that everyone has gotten over the shock of HP CEO Mark Hurd getting ejected on an August Friday afternoon--with the timing of the announcement obviously chosen to minimize bad PR--people are looking more closely at the details.



And the details leave big questions as to what really happened.

Coughlin: Wal-Mart Board Member Resigns After Internal Probe

Doers and doings in business, entertainment and technology:

No miracle for Thomas M. Coughlin Thomas M. Coughlin , the Wal-Mart Stores board member who resigned on Good Friday. An internal probe seemingly revealed evidence of financial improprieties up \$500,000 dollars. Coughlin, who is also former president and chief executive of Wal-Mart's stores division, stepped down after a disagreement over the results of the probe. The alleged improprieties are disconcertingly nebulous for the moment: the U.S. Securities and Exchange Commission does not state Coughlin's role in the alleged "unauthorized use of corporate-owned gift cards," and an amount between \$100,000 and \$500,000 is to be investigated.

NATIONAL POST

Former Quebec lieutenant-governor led to jail in handcuffs on fraud conviction



When she was Quebec's lieutenant-governor, Lise Thibault expensed roof repairs, ski and golf outings, legal fees for her divorce lawyer, a specially adapted golf cart, and travel, dinner and birthdays with friends and family. She once filed expense claims for fishing rods and earthworms purchased from a hunting shop.

All in all, she claimed \$700,000 in expenses unrelated to her vice-regal duties.

On Wednesday, the ailing 76-year-old was sentenced to 18 months in prison for breach of trust and fraud, and was led away in handcuffs.

Polling Question #1

- **What percentage of employee-submitted expenses are fraudulent?**
- None (I know for certain)
- Less than 1%
- 1% to 5%
- 5% to 10%\
- More than 10%
- I don't know

Responses – Polling Question #1

- **Answers**

Fraud by the Numbers

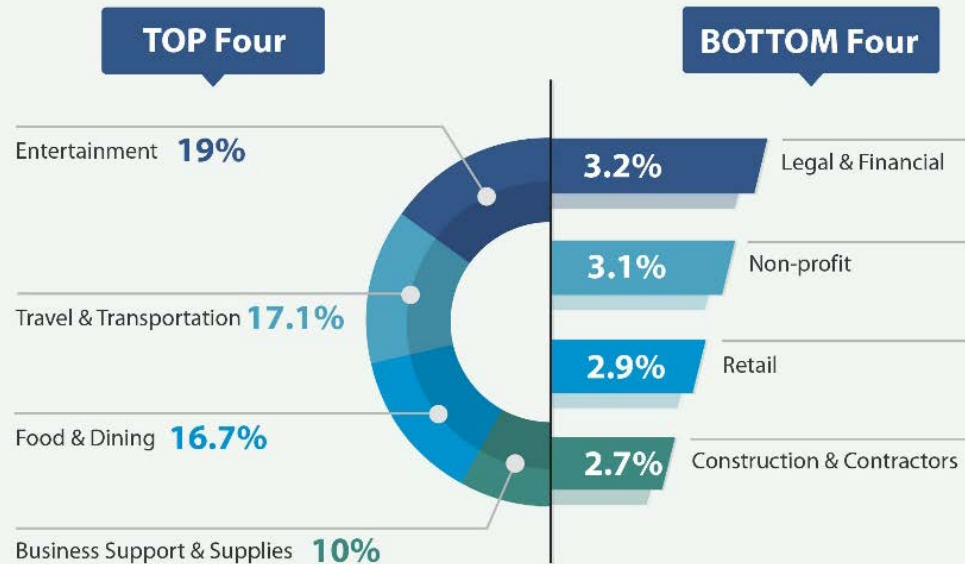
- \$2.8 billion** estimated annual cost of expense fraud in the U.S.
- 1.1 million** number of people estimated to commit expense fraud
- \$2,448** average annual amount defrauded per person
- 73%** amount of those who commit expense fraud who are male
- 14%** role with highest rate of expense fraud (SVP)
- 19%** industry with highest rate of expense fraud (entertainment)
- 17%** amount of perpetrators who get caught
- 46** average age of those who commit expense fraud
- 390** average company size of those who commit expense fraud

Source: Chrome River / SurveyMonkey survey of 1,072 business travelers



Who does it?

Most common industries



Most common job titles



How do they do it?

Most common fraudulent expenses



44.8%

Personal purchases
claimed as business
expenses



34.5%

Additional
mileage



29.3%

Tips recorded higher
than what was actually
given



27.6%

Submitting more
than allowed for
an item

12.

Most common submission types



76%

Gives receipts to an administrator /
secretary

Submits receipts with a
spreadsheet

24%

Uses an expense automation
solution

CONTROLLING EXPENSE FRAUD

How could your organization be impacted?

Fraudulent Expenses

- Submitting expenses for personal items, such as gasoline or food, as business expenses.
- Submitting expenses for unused items, such as canceled airline tickets, or registration fees for conferences that were never attended.
- Submitting receipt-less expenses for non-existent purchases, just below the organization's threshold for needing a receipt.
- Submitting a mileage report for a journey in which you were a passenger.
- Falsifying or manipulating receipts.

Inflating Expenses / Policy Violations

- Booking a higher class of travel (such as a limo or business class flights), when cheaper alternatives are available.
- Claiming for meals and entertainment in excess of policy amounts, or submitting items not allowed under your policy (alcohol, sports tickets).
- Adding tips to expenses (such as meals or taxi rides), either where they are already included in the cost, or where the amount on the expense receipt is more than what was left on the merchant receipt.
- Submitting higher than actual mileage totals for trips taken in personal vehicles.

CONTROLLING EXPENSE FRAUD

How can you prevent fraud?

Policies and compliance

Create a global travel and expense policy.

Implement and automate policy compliance rules.



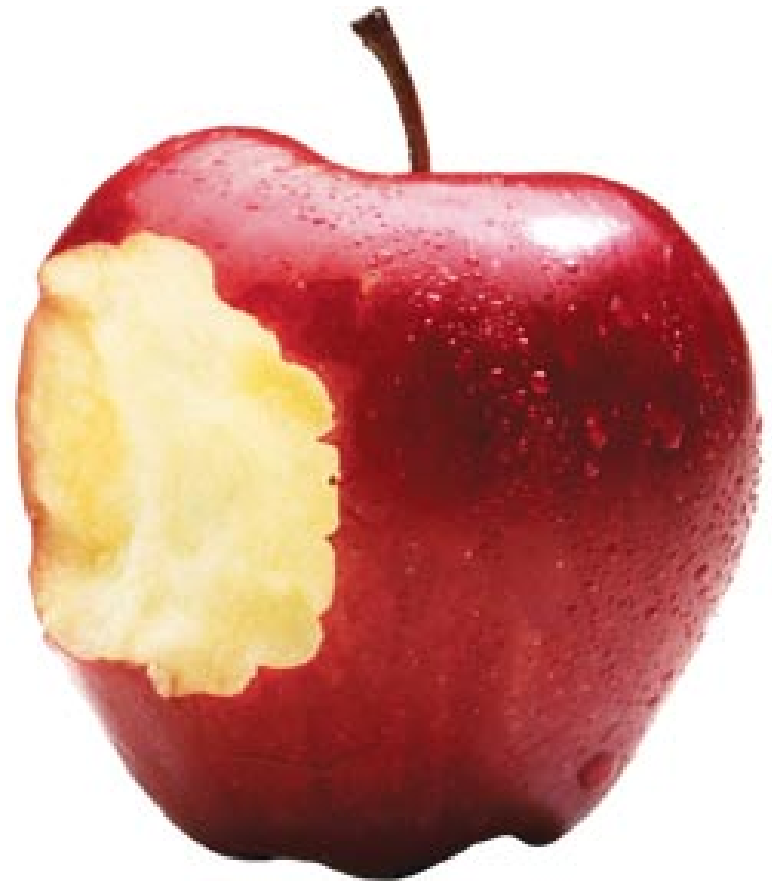
Control and Track Spend

Implement corporate cards and integrated travel booking tools.



Remove Temptation

**Mandate
preapprovals
and introduce
segregation
of duties.**



Polling Question #2

- **What is your process for Expense Audits?**
- **No / infrequent audits**
- **Frequent, random audits**
- **Frequent, targeted audits**
- **100% audits**

Responses – Polling Question #2

- **Answers**

Audit Sample Reports

Use in-line auditing and specify a sampling of expense reports for auditing each month.



Leverage Technology

Prevent fraudulent expense submission and identify potential issues through business rules and analytics.



Education and Awareness

Ensure team members are aware of (and understand) policies. Help them to stay compliant.





For more information



White Paper: 10 Ways to Prevent Business Expense Fraud

info.chromeriver.com/10-ways-to-prevent-business-expense-fraud



info.chromeriver.com/blog



[/chromeriver](https://www.youtube.com/channel/UC.../chromeriver)



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Thank you



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