

# FRAUD

## as it Relates to the Government



PRESENTED BY: JULIA MAST, DIRECTOR | BKD FORENSICS & VALUATION SERVICES - CPA/ABV/CFF, CFE

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*Credit: Phil Hobden, LinkedIn*



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## AGENDA

- Recent Trends in Fraud – 2022 Report to the Nations
- COVID’s Impact on Fraud
- Fraud “War Stories”
- Ways to Mitigate the Risk

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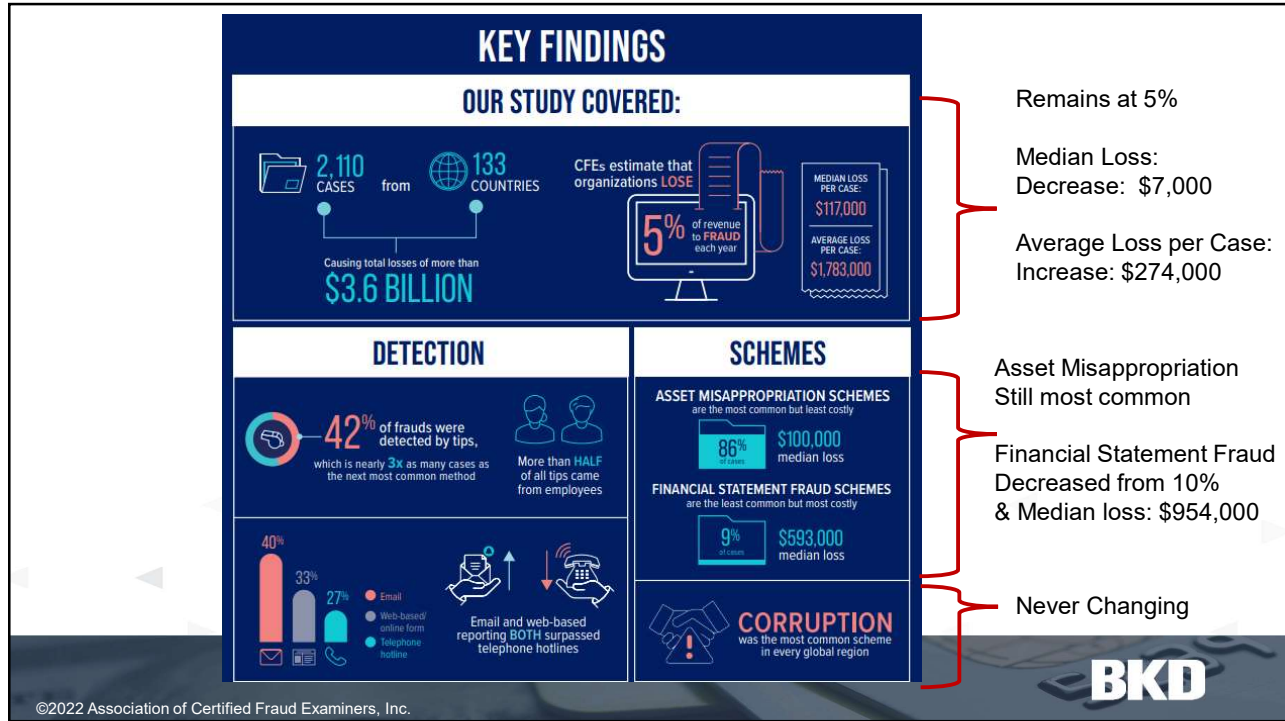
Occupational Fraud 2022:  
**A REPORT TO THE NATIONS®**

 **ACFE**  
Association of Certified Fraud Examiners

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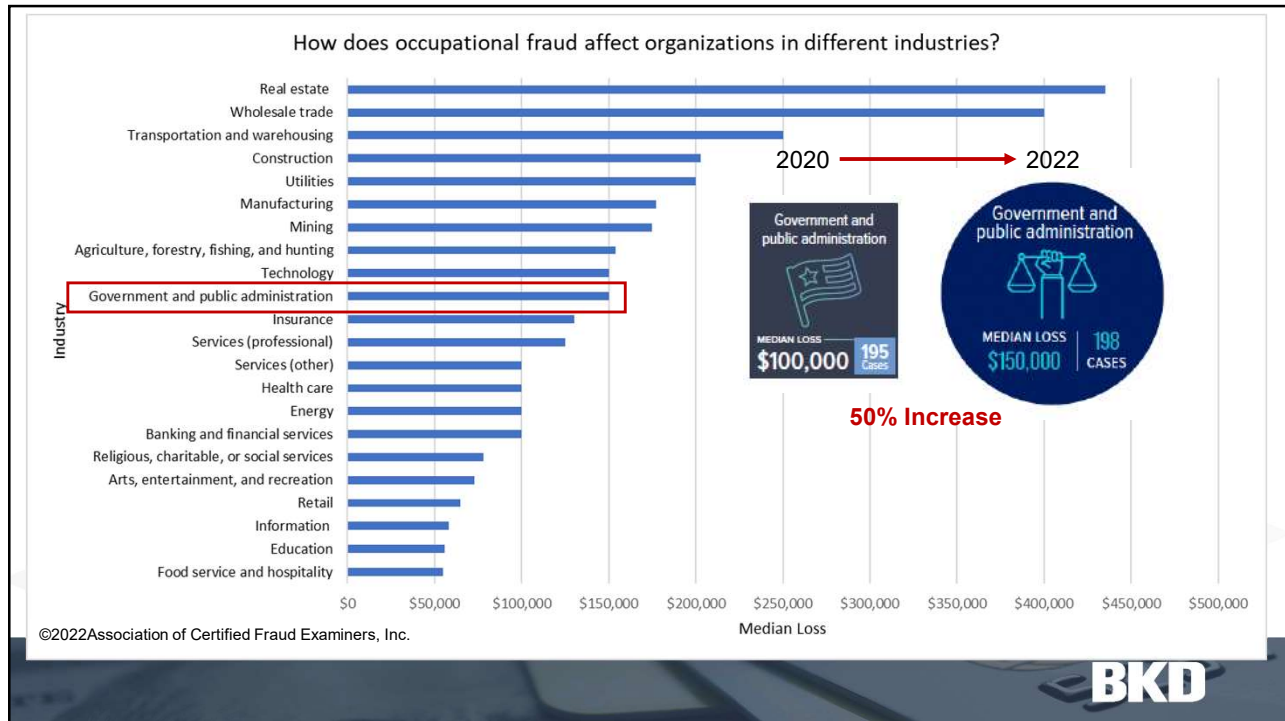
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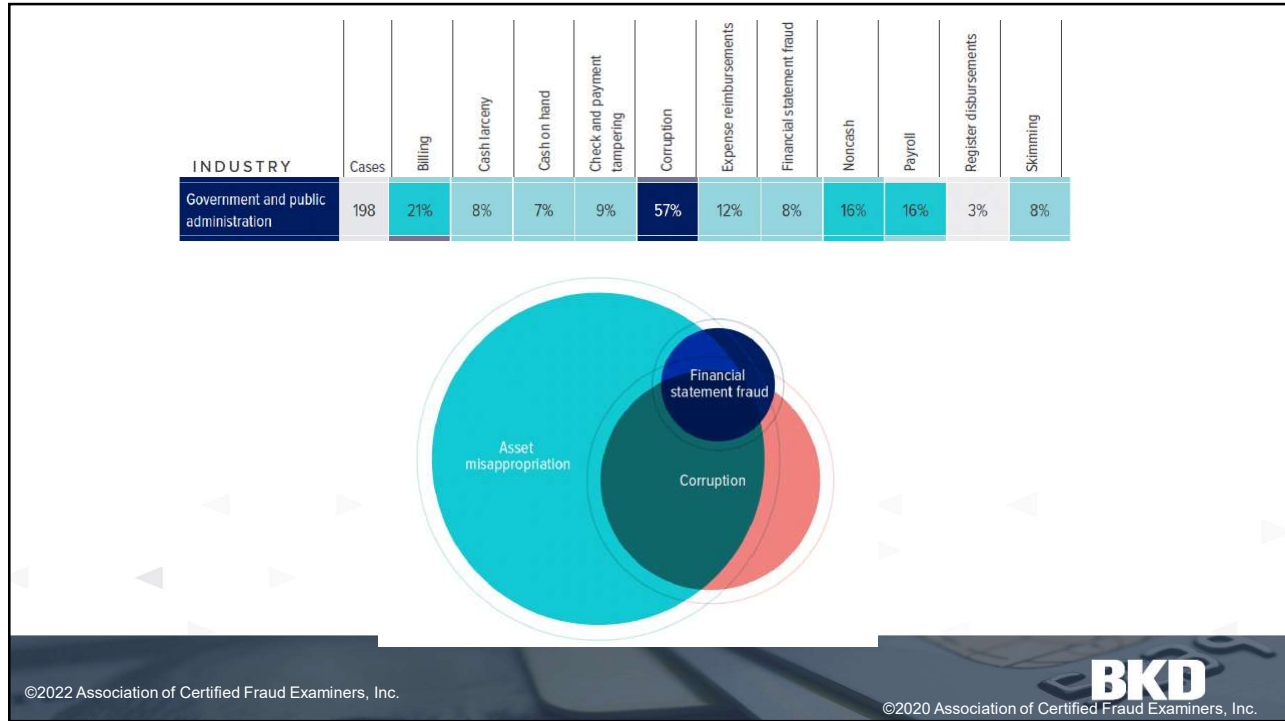
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#1- Corruption  
 #2- Billing  
 #3- (tie) Noncash & Payroll

INDUSTRY	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Banking and financial services	351	10%	11%	14%	14%	46%	8%	11%	11%	4%	2%	10%
Government and public administration	198	21%	8%	7%	9%	57%	12%	8%	16%	16%	3%	8%
Manufacturing	194	26%	5%	9%	7%	59%	10%	12%	23%	10%	4%	8%
Health care	130	20%	6%	8%	8%	50%	11%	9%	18%	12%	2%	9%
Energy	97	24%	9%	6%	8%	64%	16%	8%	13%	6%	3%	2%
Retail	91	19%	10%	9%	9%	43%	7%	4%	24%	5%	7%	14%
Insurance	88	15%	9%	8%	10%	40%	9%	5%	8%	10%	2%	11%
Technology	84	21%	6%	10%	6%	54%	14%	8%	30%	5%	1%	1%
Transportation and warehousing	82	20%	9%	15%	4%	59%	11%	7%	22%	9%	4%	11%
Construction	78	24%	8%	10%	14%	56%	17%	18%	24%	24%	3%	9%
Education	69	26%	9%	12%	12%	49%	12%	12%	19%	14%	4%	12%
Information	60	15%	5%	5%	8%	58%	12%	12%	33%	7%	2%	7%
Food service and hospitality	52	19%	10%	21%	17%	54%	13%	13%	29%	19%	10%	17%

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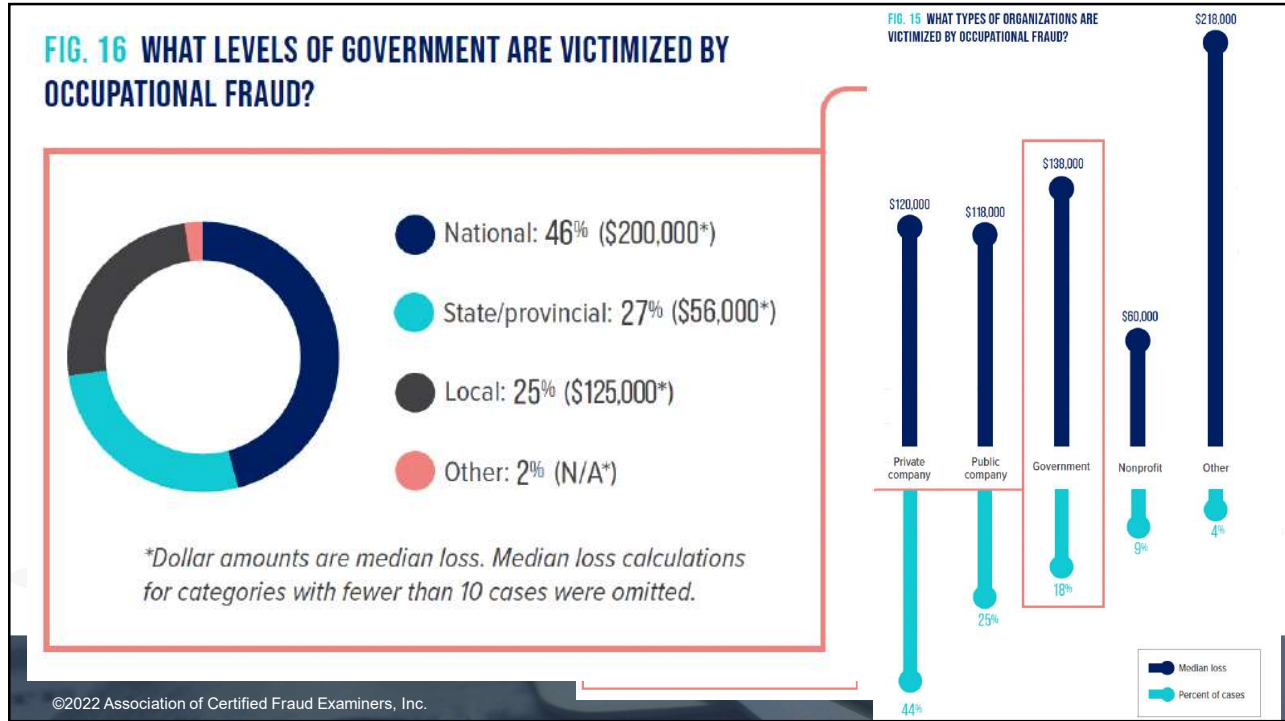
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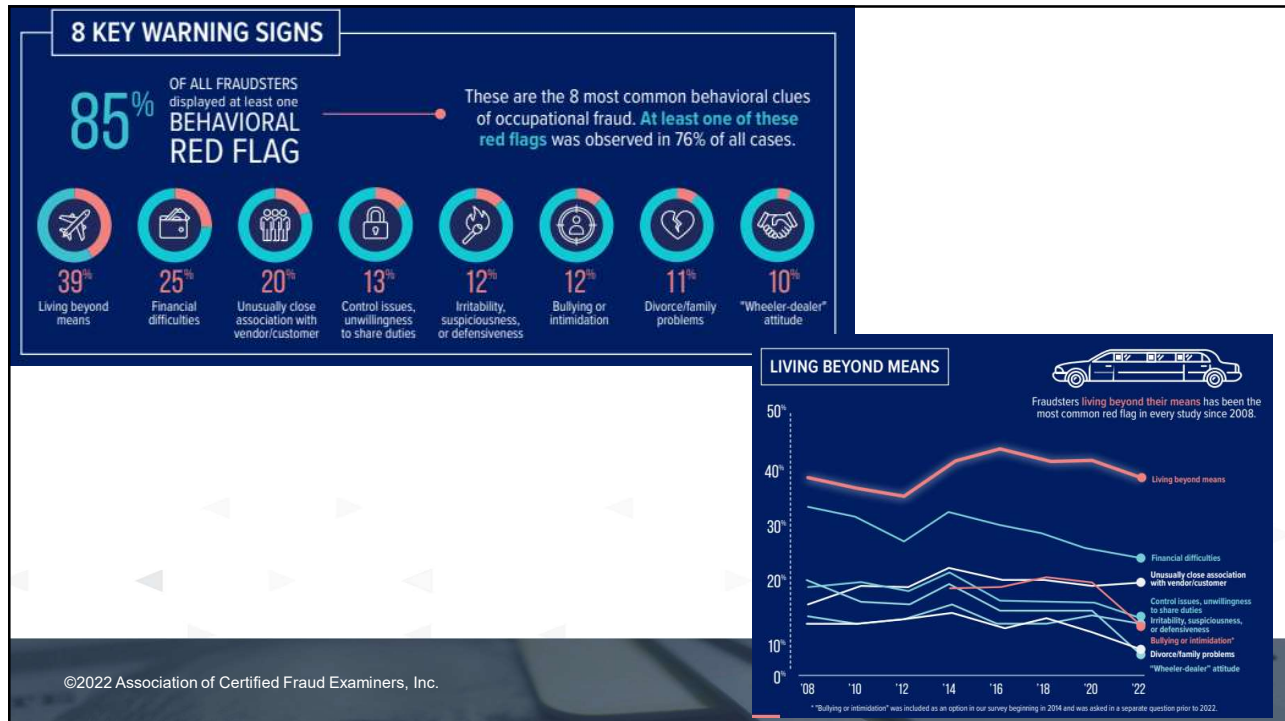
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# WHAT HAS THE PANDEMIC DONE TO FRAUD?

(AND WHERE DO WE GO FROM HERE?)

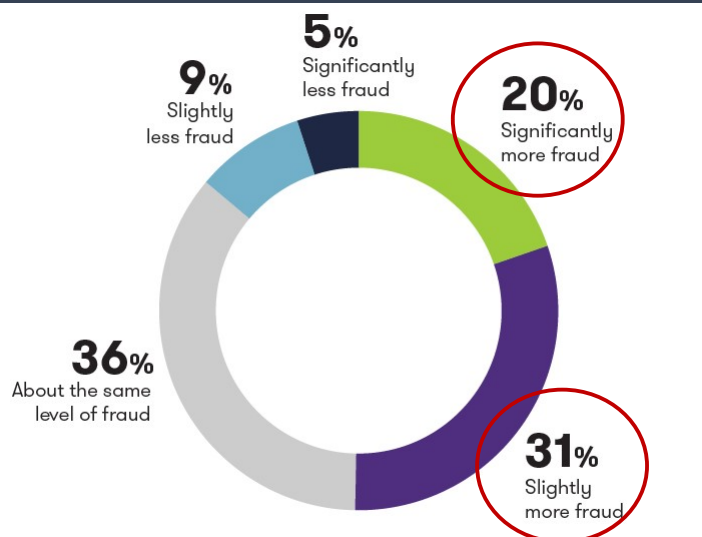


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## CHANGE IN THE AMOUNT OF FRAUD UNCOVERED?

(yes!)



Over 50%

Source: *The Next Normal: Preparing for a Post Pandemic Fraud Landscape*, ACFE, Grant Thornton

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## More Statistics on COVID

**51%** of organizations have **uncovered more fraud** since the onset of the pandemic

**71%** expect the **level of fraud** impacting their organizations to **increase** over the next year



Shifts in **business operations** and **changing consumer behaviors** are the **top two risk factors** expected to impact the fraud risk landscape in the coming year



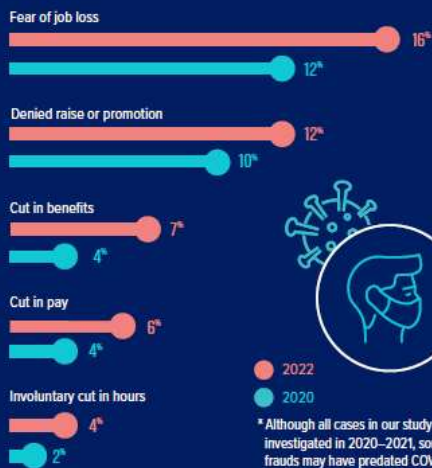
The Next Normal: Preparing for a Post Pandemic Fraud Landscape, ACFE, Grant Thornton

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## JOB UNCERTAINTY DURING COVID

### DID JOB UNCERTAINTY DURING COVID CONTRIBUTE TO FRAUD?

These five HR-related issues all involve a fraudster's job or compensation security. **All five increased in 2022.**

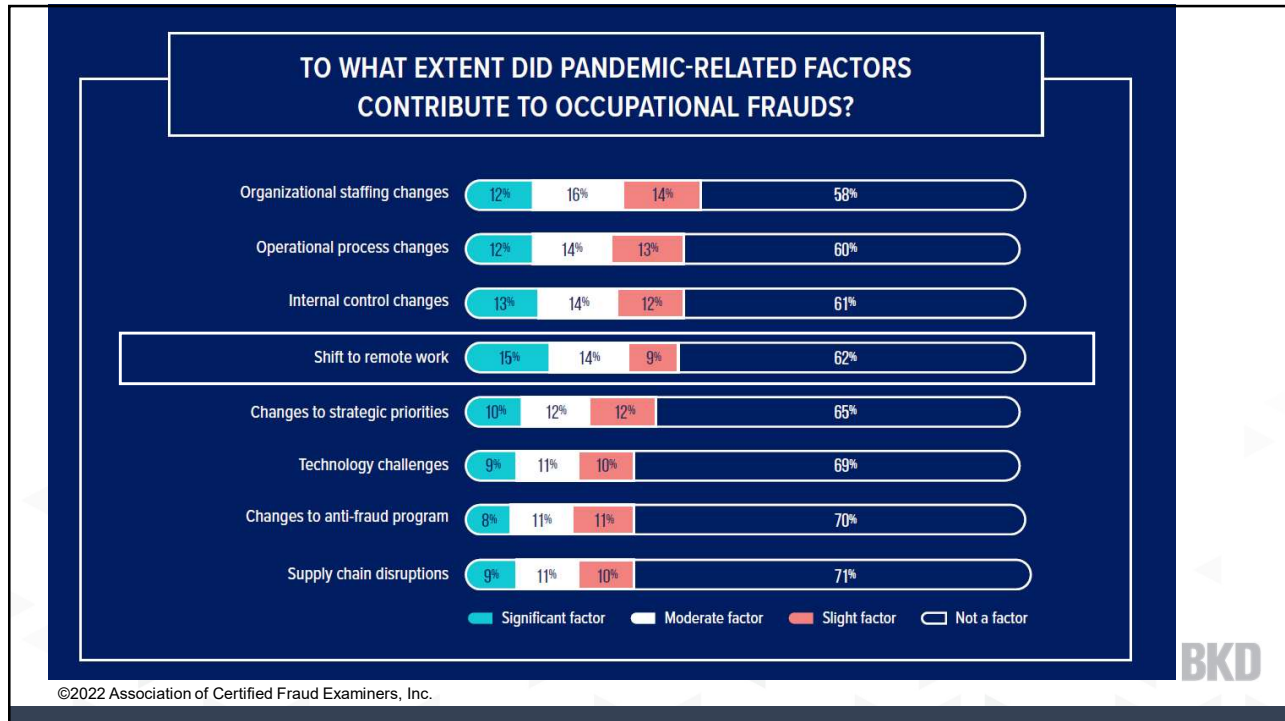


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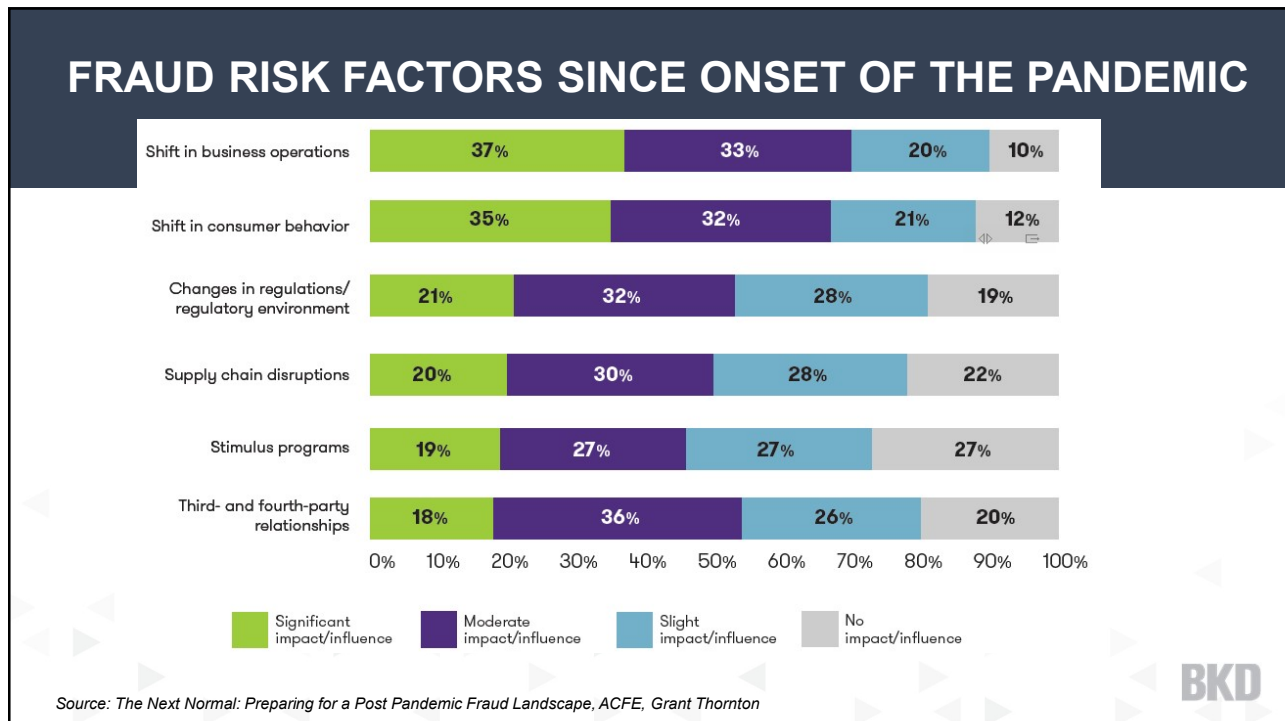


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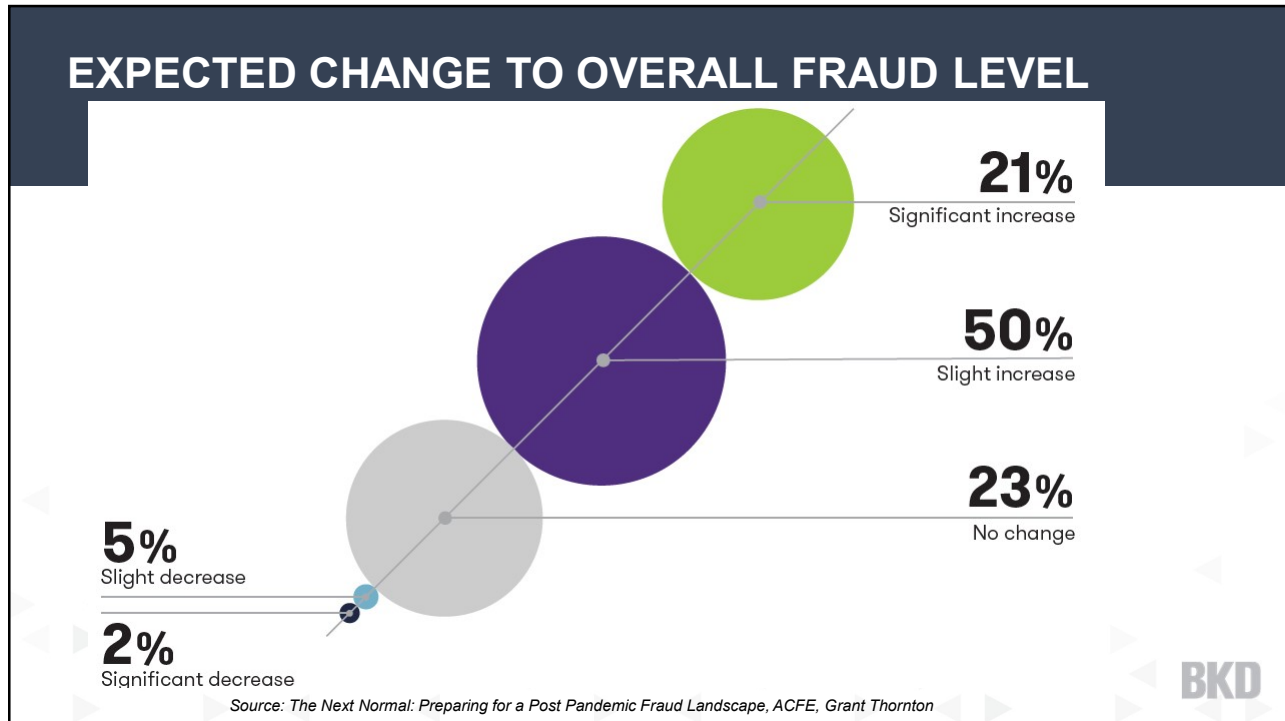




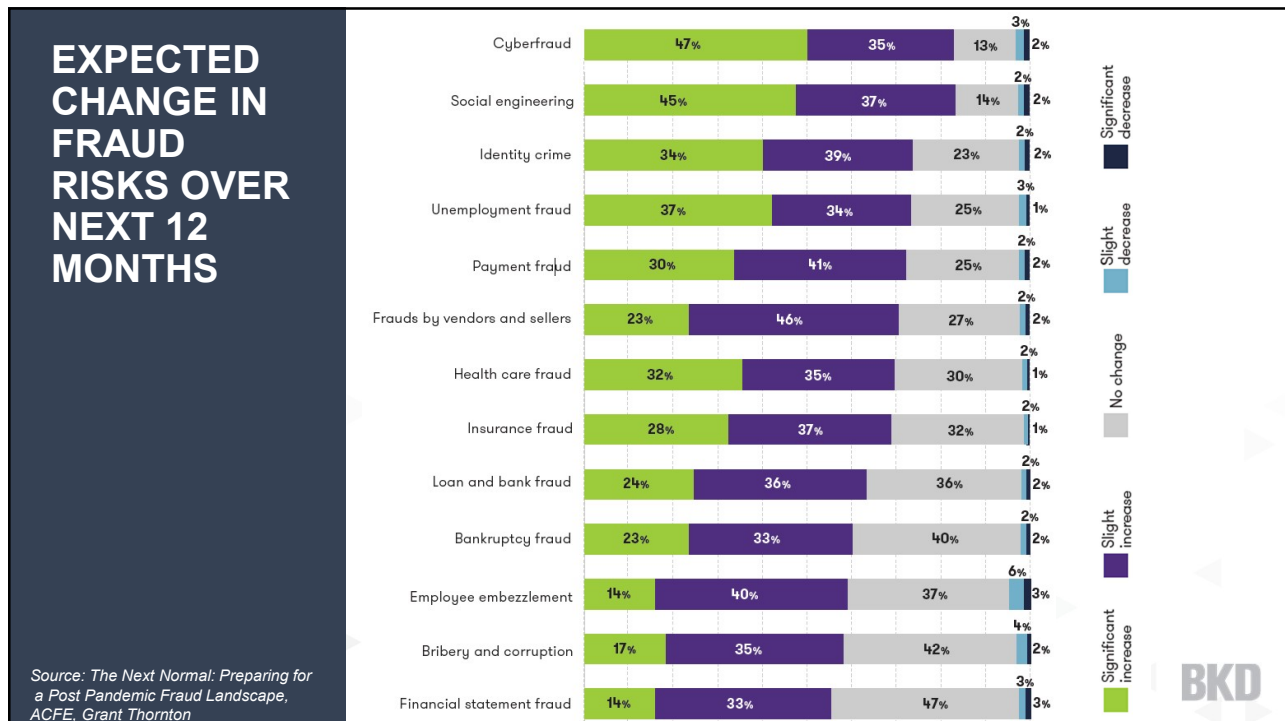
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## HOW BUSINESSES ARE REACTING

**38%** of organizations increased their budget for **anti-fraud technology** for fiscal year 2021, making this the most common area for **increased investment** within anti-fraud programs



**More than 80%** of organizations have already implemented **one or more changes** to their **anti-fraud programs** in response to the pandemic



**Technological challenges** are expected to affect an increasing number of organizations' anti-fraud programs

The most common **pandemic-related challenges** facing anti-fraud programs are changes to **investigative processes** and changes in the **control/operating environment**



The Next Normal: Preparing for a Post Pandemic Fraud Landscape, ACFE, Grant Thornton

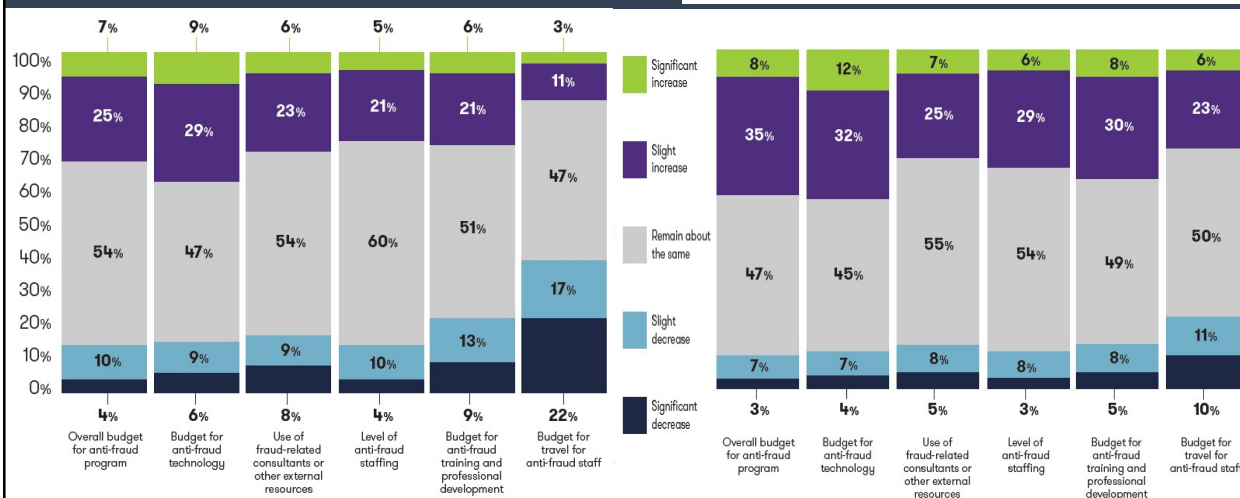


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## BUSINESSES ARE INVESTING MORE IN ANTI-FRAUD

Budgets for fiscal year 2021 compared to pre-pandemic years

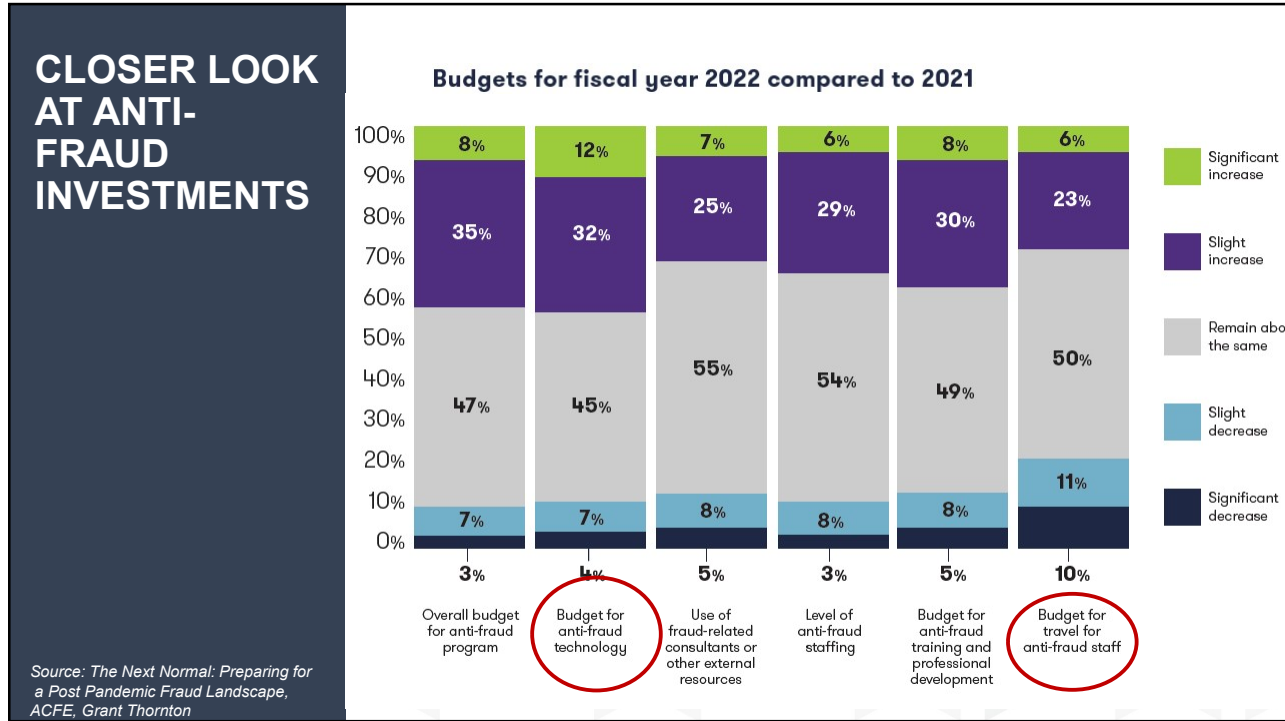
Budgets for fiscal year 2022 compared to 2021



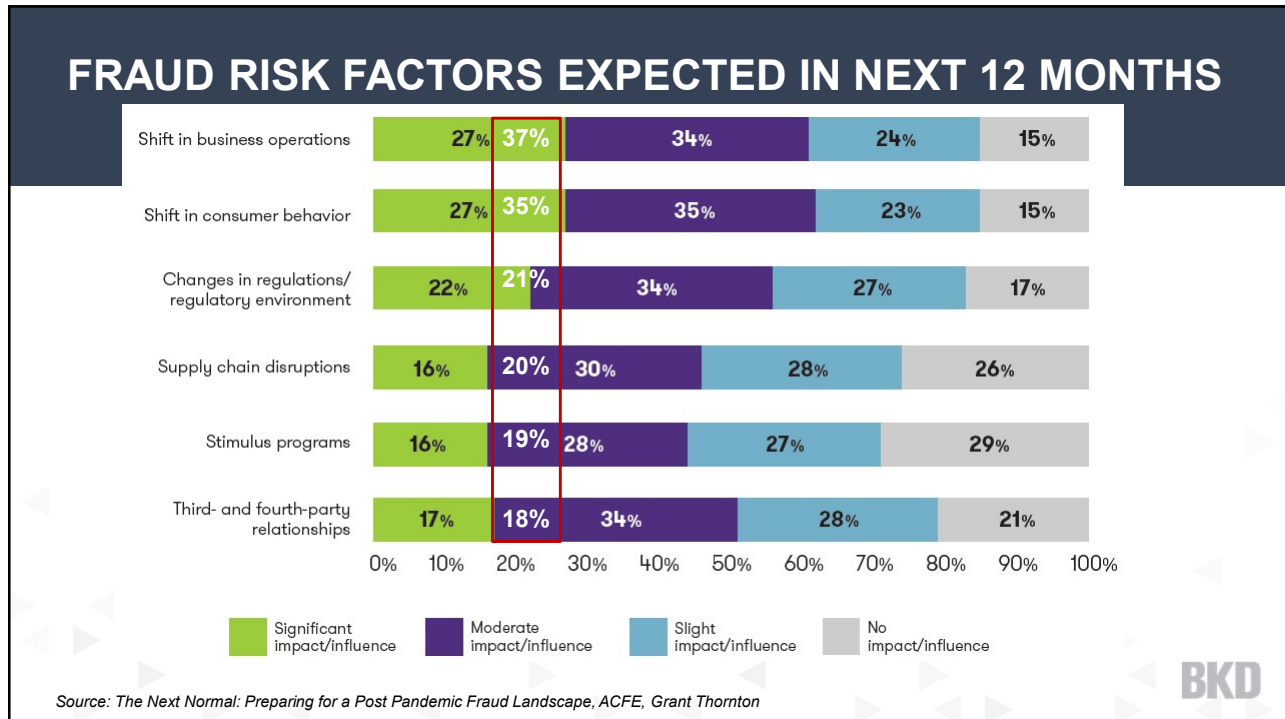
Source: The Next Normal: Preparing for a Post Pandemic Fraud Landscape, ACFE, Grant Thornton



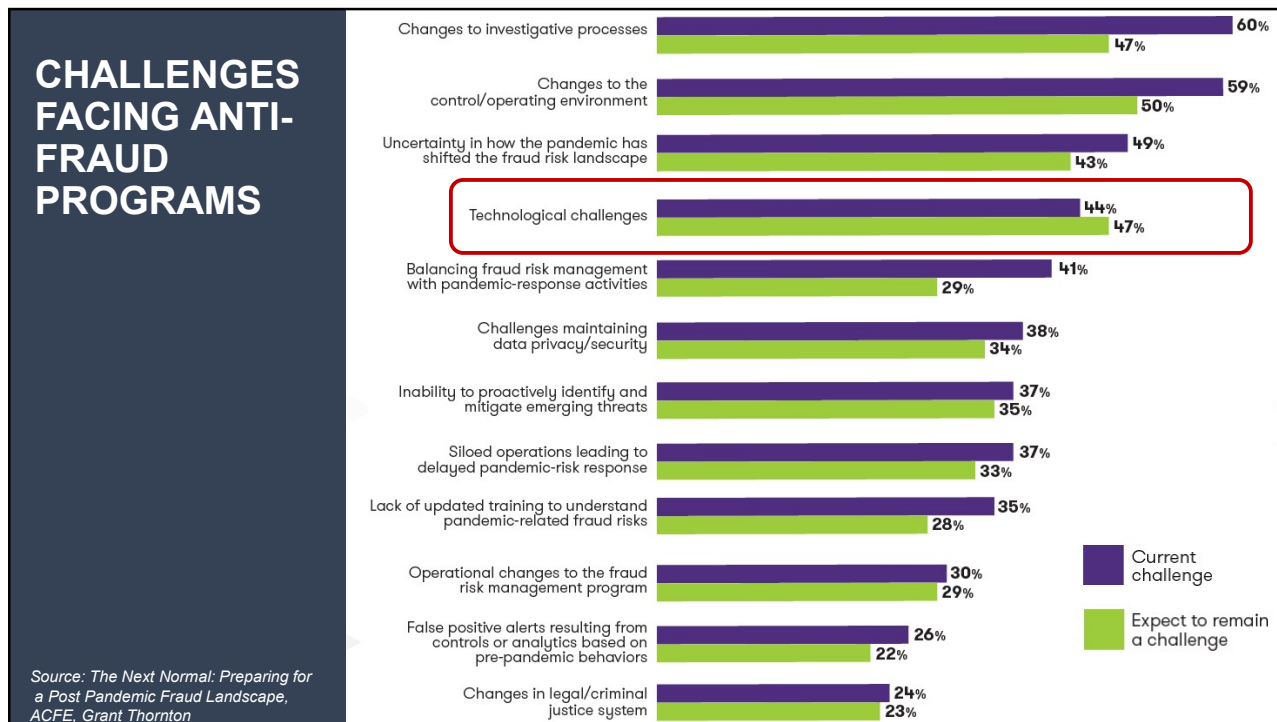
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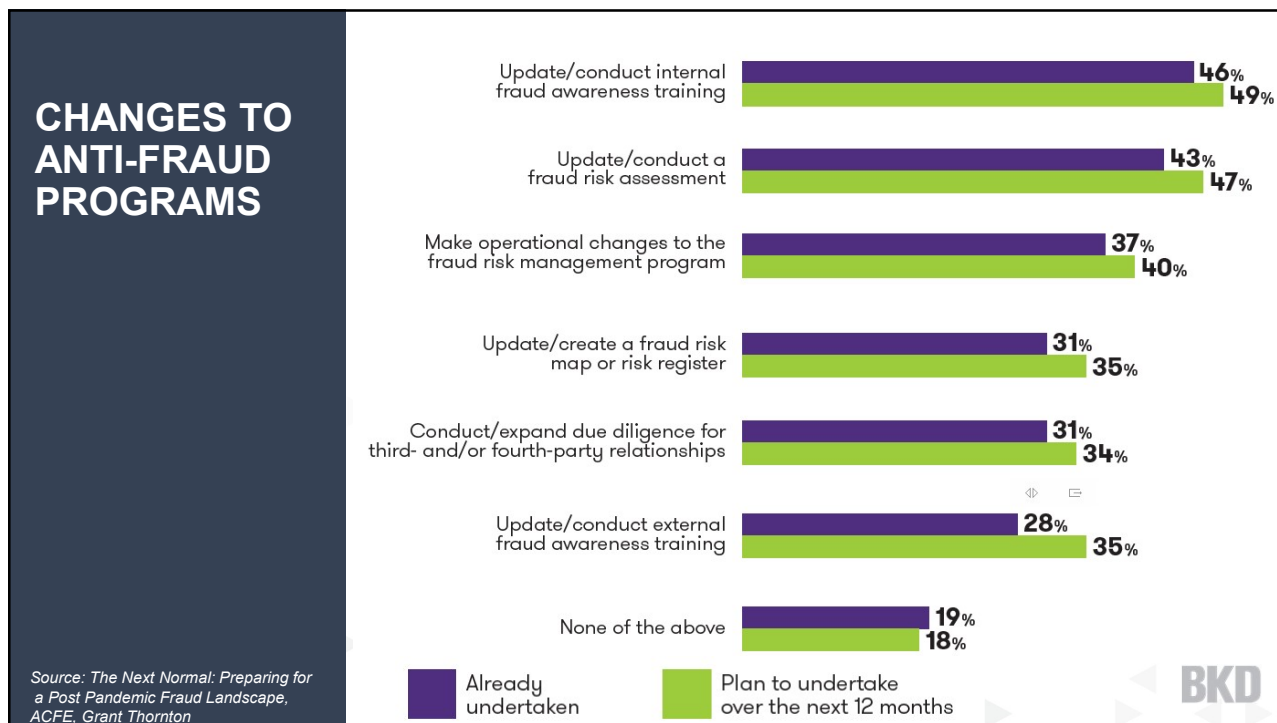
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## Profile of Fraud Perpetrator

- No prior criminal history (5%)
- Well liked by co-workers
- Likes to give gifts/compulsive shopper
- Gambling problems not unusual
- Long-term employee
- Rationalizes, starts small or “borrows”
- Lifestyle clues

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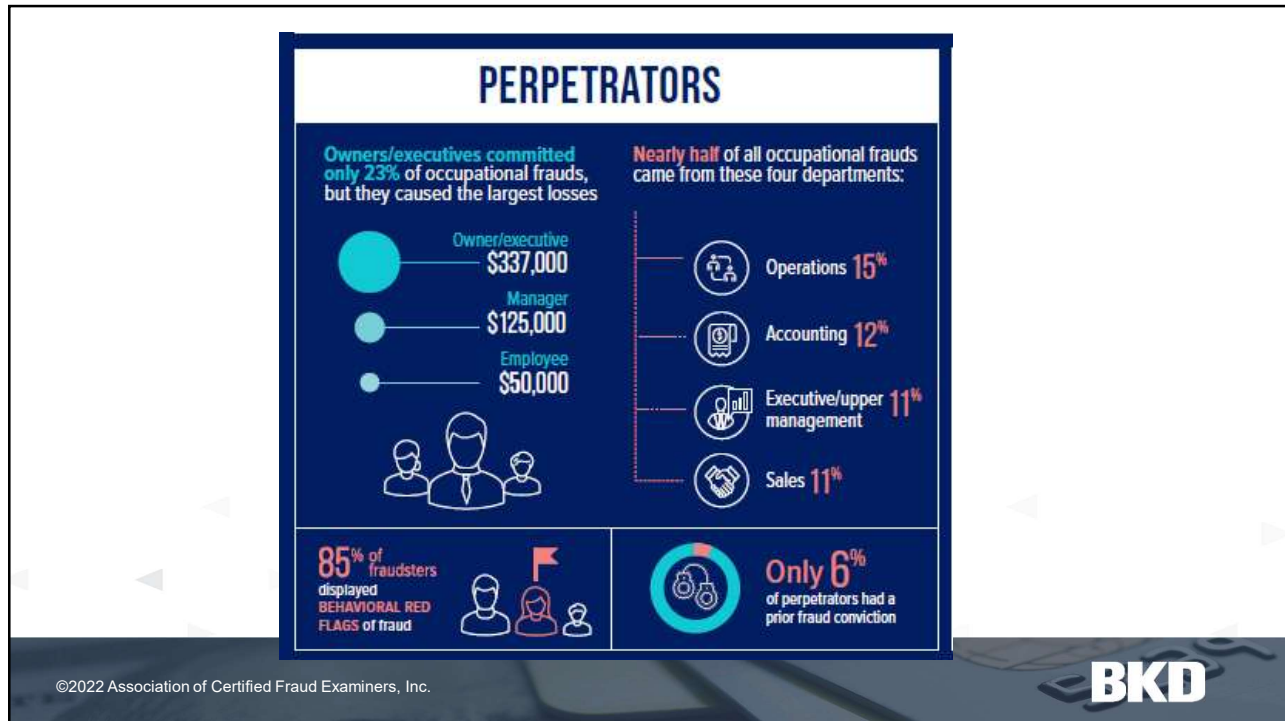
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DEPARTMENT	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Operations	273	16%	7%	8%	11%	48%	9%	6%	16%	8%	1%	6%
Accounting	230	24%	15%	13%	29%	33%	10%	10%	7%	16%	3%	19%
Executive/upper management	206	31%	9%	10%	12%	65%	18%	22%	21%	13%	2%	12%
Sales	203	11%	6%	7%	2%	51%	8%	6%	18%	4%	2%	11%
Customer service	140	8%	10%	16%	11%	44%	6%	7%	17%	6%	3%	10%
Administrative support	131	23%	8%	15%	15%	37%	16%	5%	12%	12%	5%	10%
Purchasing	131	27%	1%	4%	2%	82%	5%	2%	14%	3%	0%	2%
Finance	95	26%	7%	11%	12%	48%	20%	14%	12%	7%	3%	12%

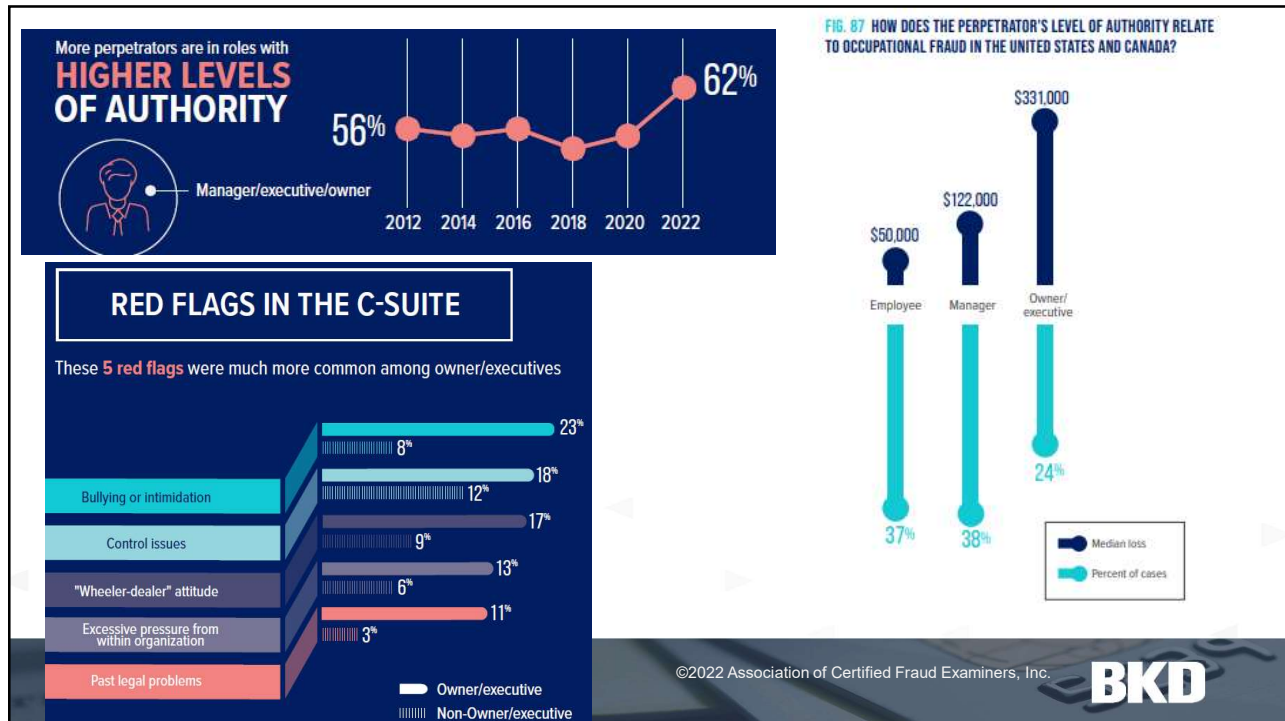


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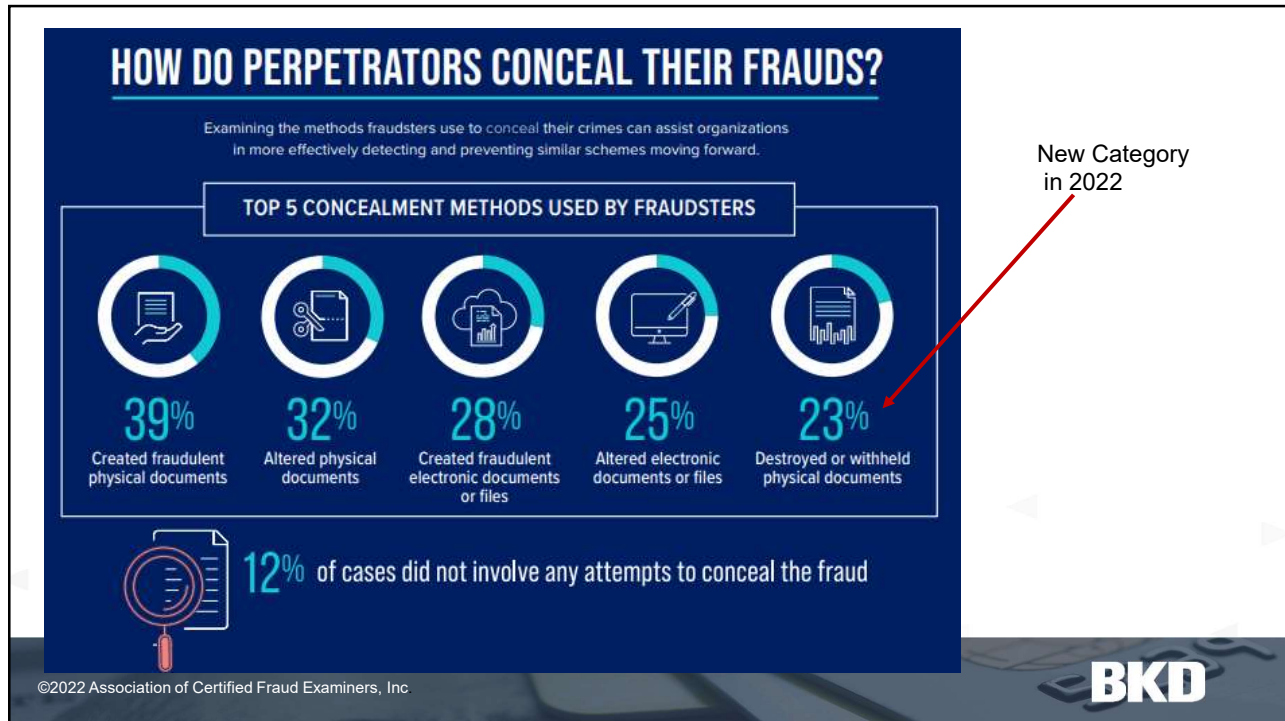




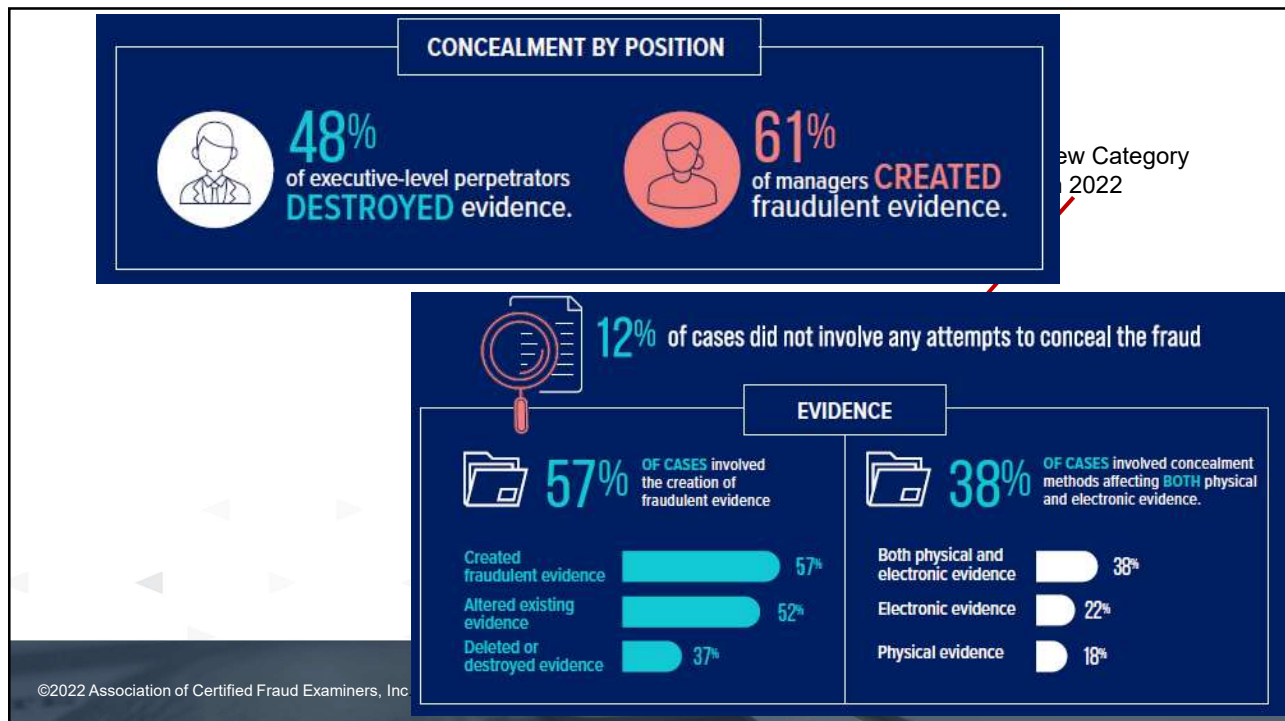
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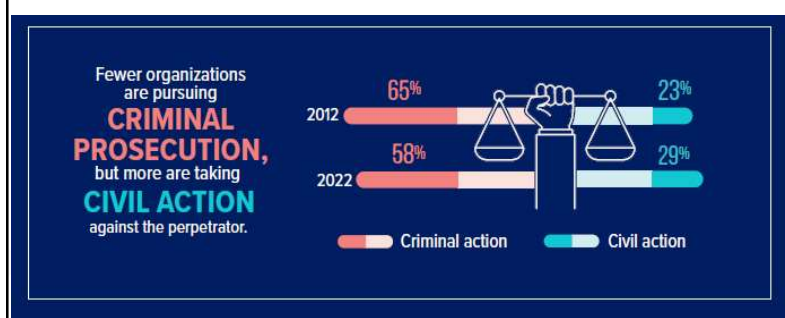
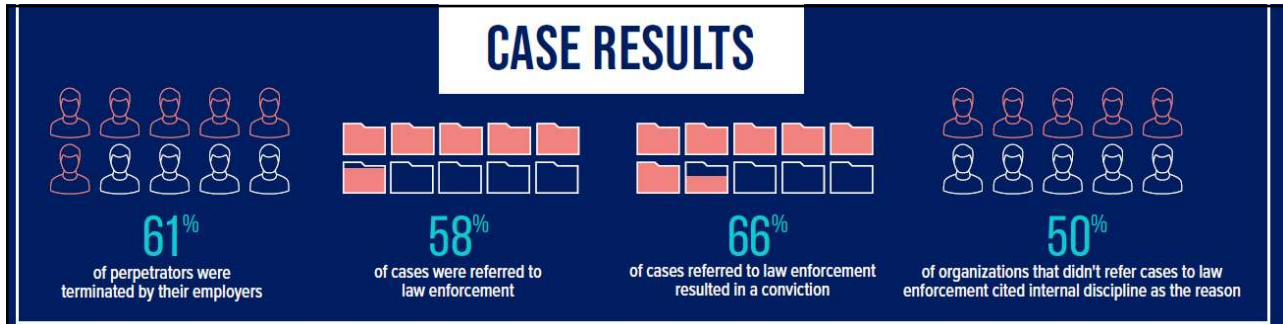
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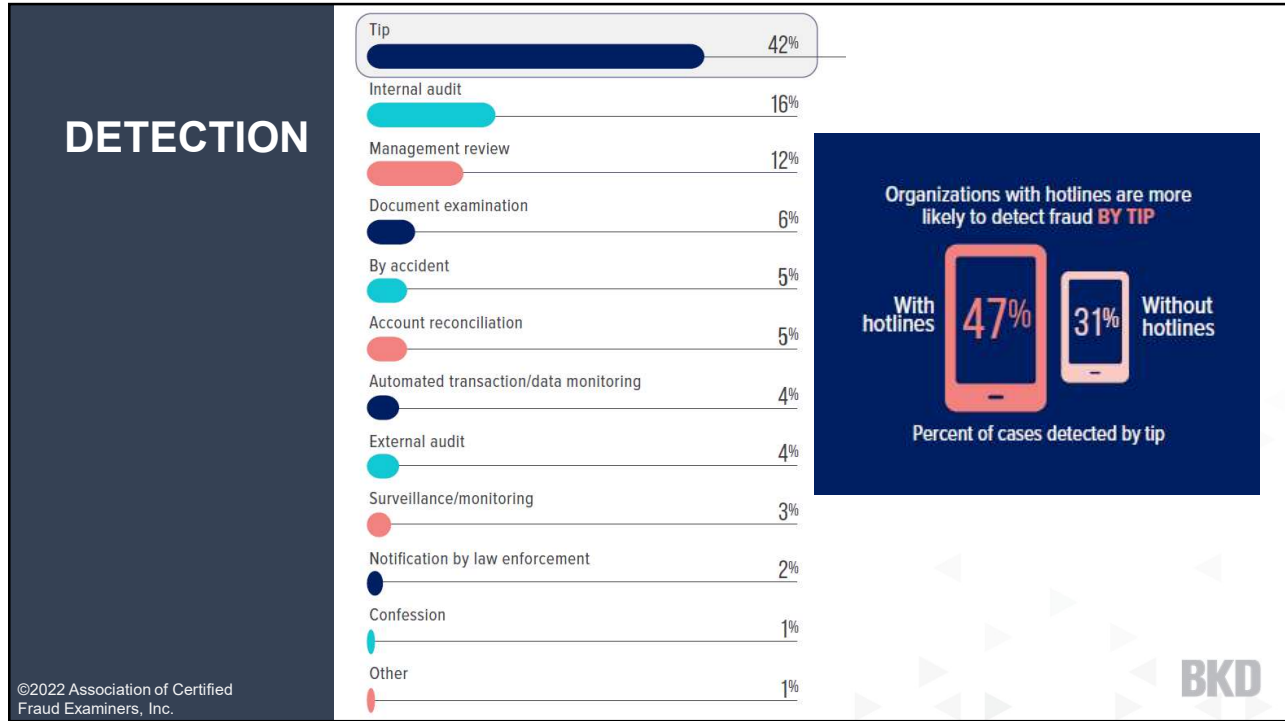


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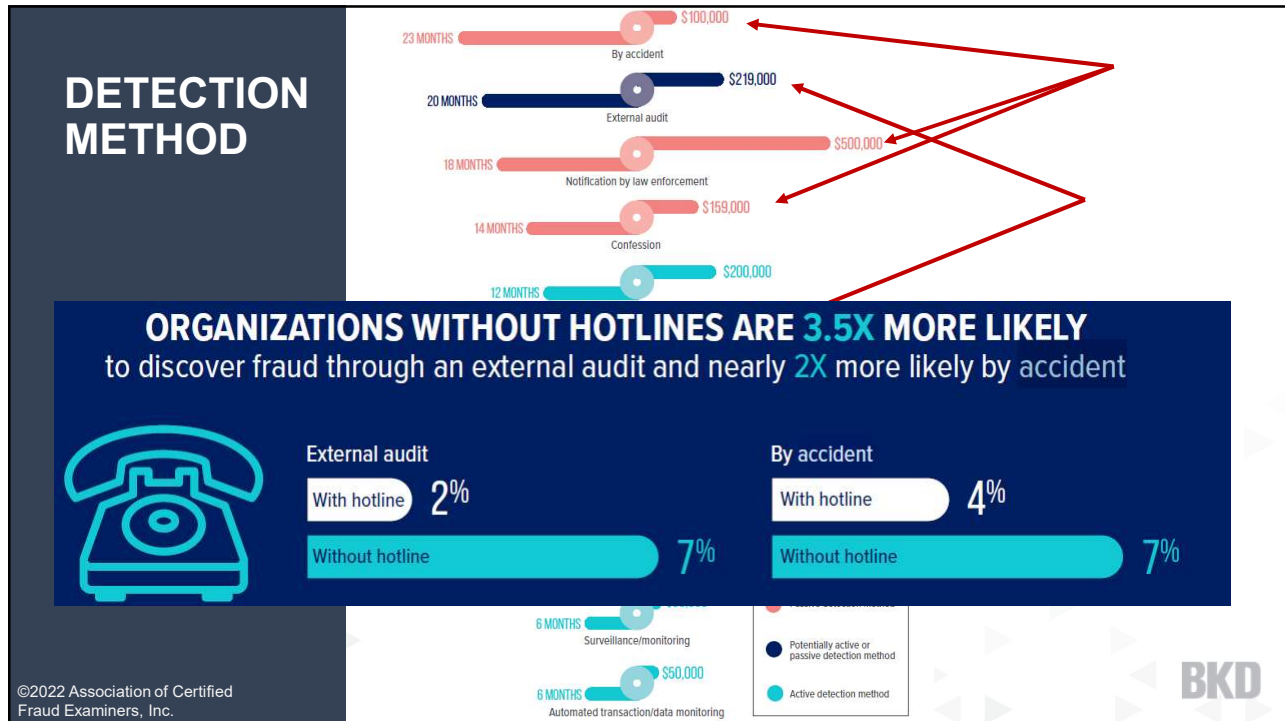
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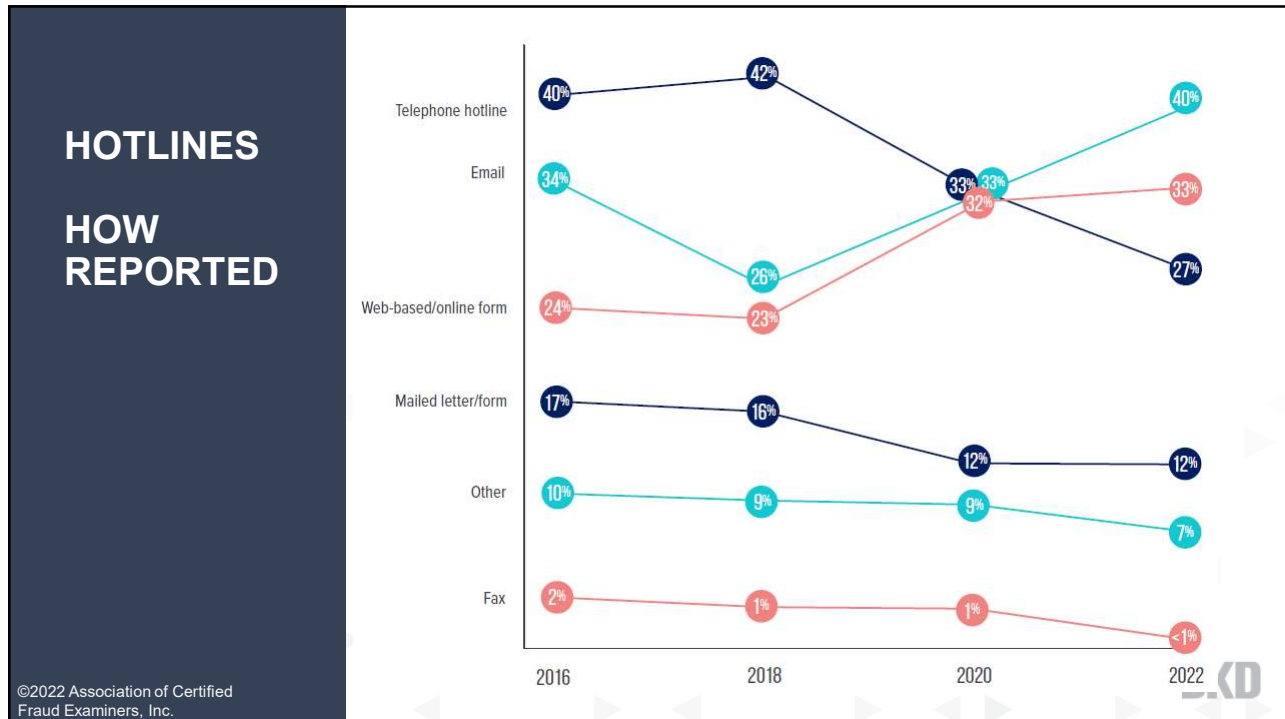
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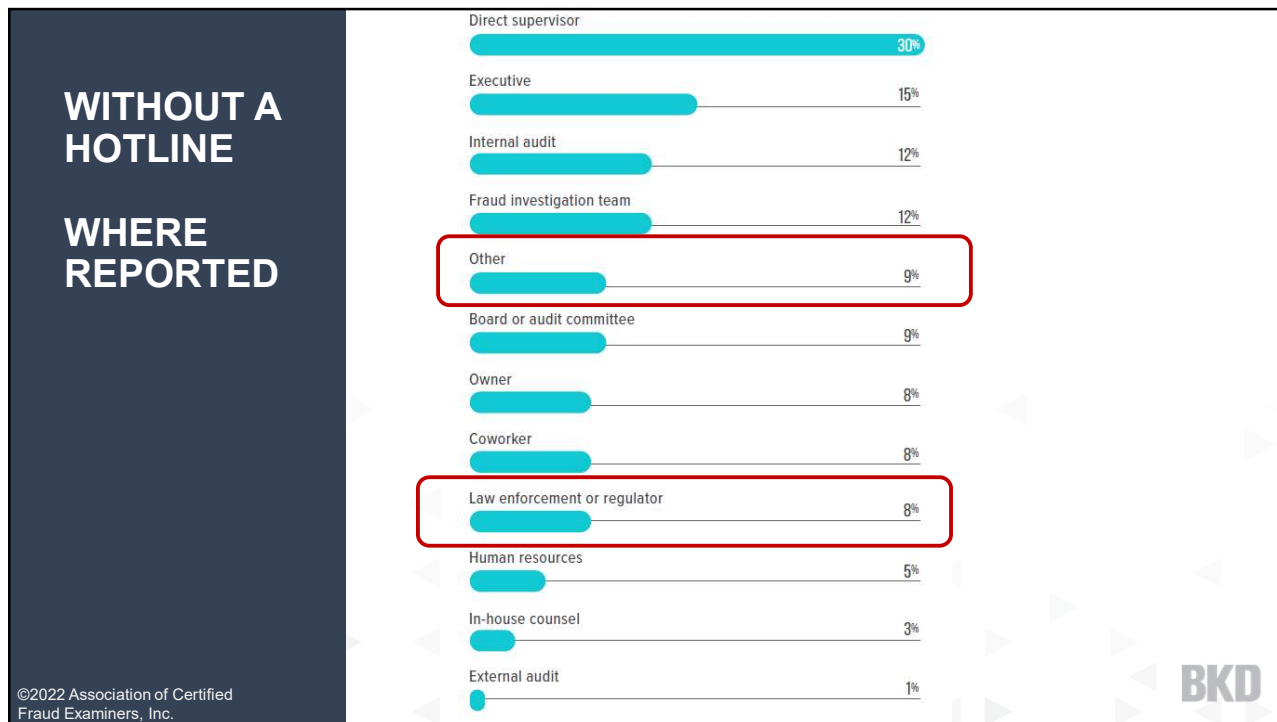


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## How Can You Catch This?

- Compare carbon copy deposit slip to cleared deposit slip from bank statement



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## How YOU Could Catch This

- Compare tiny check images to general ledger listing of checks
  - Is check there?
  - Payee the same?
  - Amount the same?



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## CONSIDER A/R COMPLAINT CALLS

- A/R Clerk or A/R Manager is assigned to take complaint calls
  - i.e. Why am I getting an invoice if I've already paid?
- Provided the ability to cover up issues
- CHANGE who receives these calls
  - Look into it without A/R's assistance
- MONITOR/LOG these calls.
  - Pattern?

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## DATA ANALYTICS BASICS

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## Definitions

### Big Data

*Information of extreme size, diversity and complexity.*

- Gartner, Inc.

Source: <http://www.gartner.com/technology/topics/big-data.jsp>

### Data Analytics

*...processes and activities designed to obtain and evaluate data to extract **useful information** and **answer strategic questions**...*

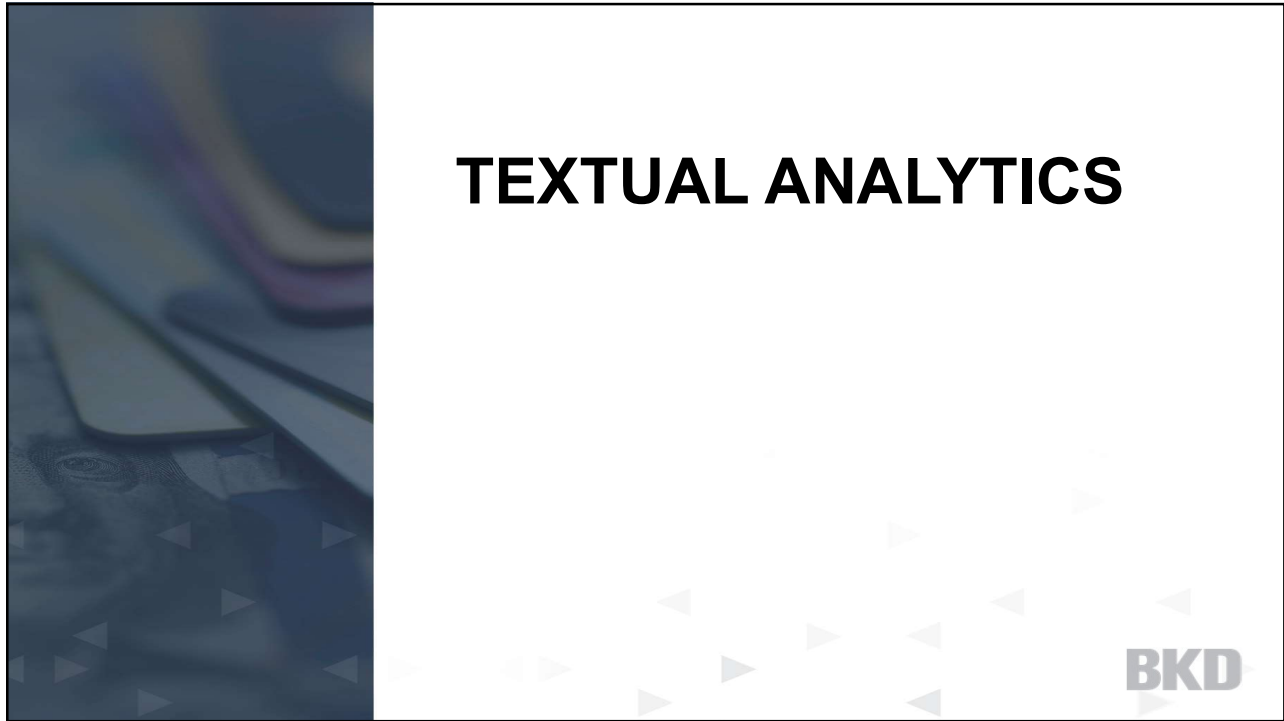
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## Examples of Uses in Examinations



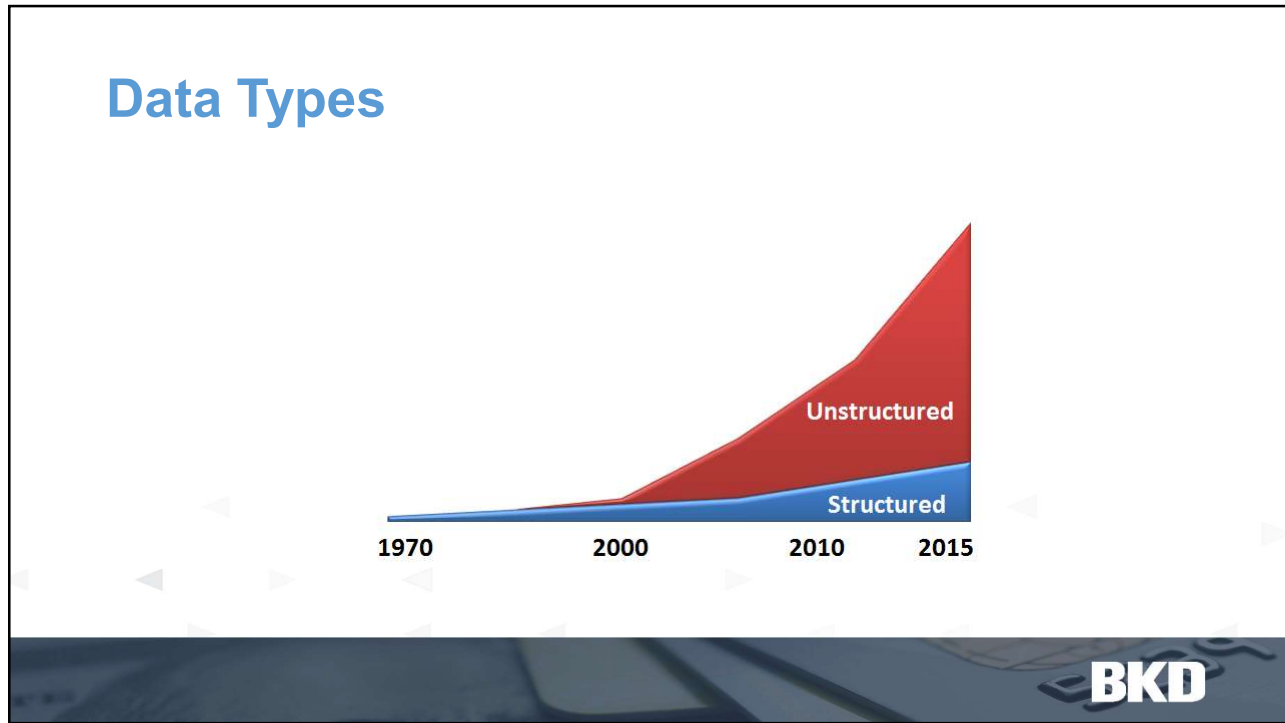
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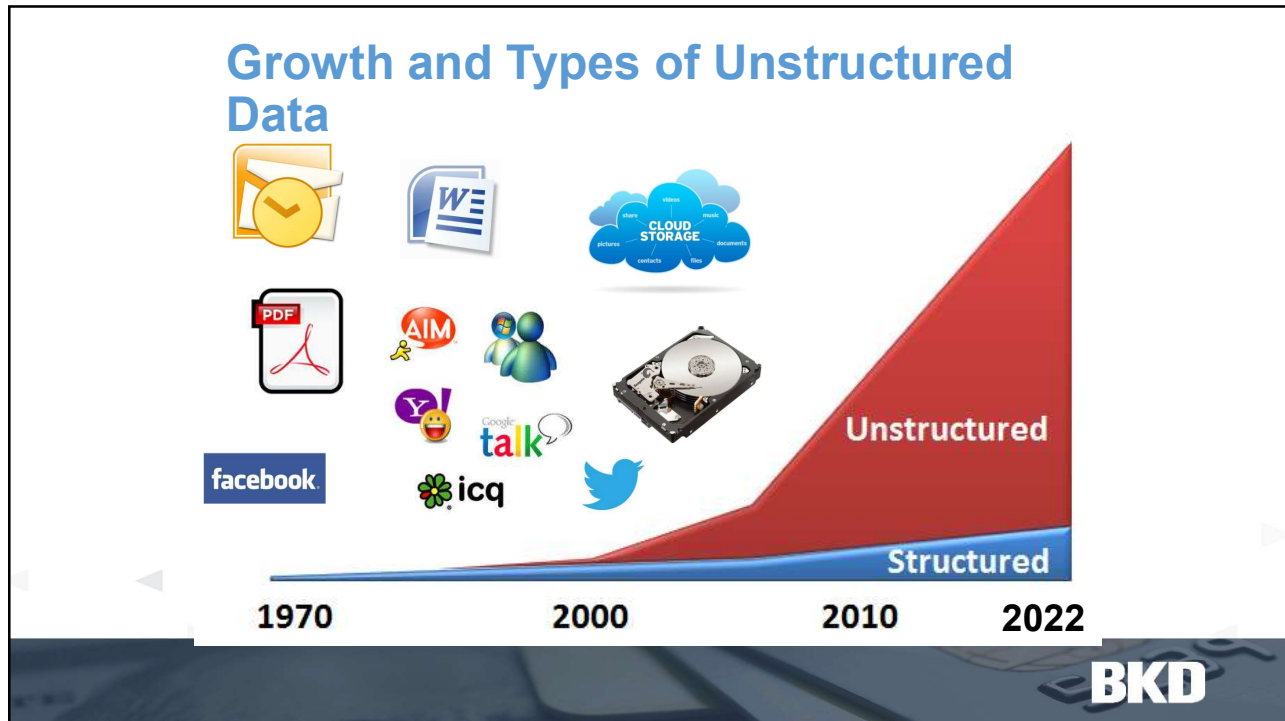
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# We are...

Communicative



Social



Emotional



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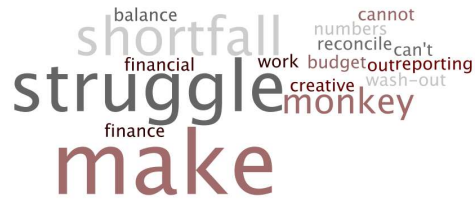
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# Topic Maps and Themes

"Normal" Finance Department



Financial Statement Fraud



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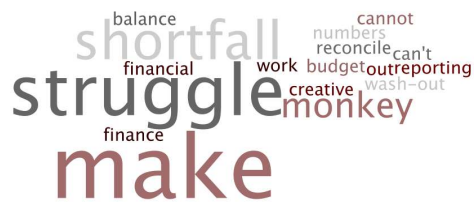
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## Topic Maps and Themes

### "Normal" Finance Department



### Financial Statement Fraud



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# Questions?



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# Thank You!

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