

FORVIS

WEBINAR

Do Good People Commit Fraud?

Insights from a Fraud Investigator

October 19, 2022

TO RECEIVE CPE CREDIT

▪ Individuals

- Participate in entire webinar
- Answer polls when they are provided

▪ Groups

- Group leader is the person who registered & logged on to the webinar
 - Answer polls when they are provided
 - Complete group attendance form
 - Group leader sign bottom of form
 - Submit group attendance form to cpecompliance@forvis.com within 24 hours of webinar
- If all eligibility requirements are met, each participant will be emailed their CPE certificate within 15 business days of webinar. Due to the large volume of certificates of completion issued, requests to re-issue lost or misplaced certificates will be honored up to 60 days following the webinar

Presenters



Roy Strickland, CPA/CFF, CFE, MAFF
Partner

843.727.3255
roy.strickland@forvis.com



Sandon Vieth, CPA, CFE
Senior Managing Consultant

317.383.4052
sandon.vieth@forvis.com

Agenda

- Do Good People Make Bad Decisions?
- The Human Element(s) in Fraud
- Fraud Deterrence & Detection

Do You Know This Person?

- Big Producer
- Great People Skills (Unless You Cross Them)
- Connected & Respected in Community
- Justifies Overriding Controls in Order to Provide Customer Service
- Accustomed to Getting Their Way
- Too Busy for Questions
- Long-Time Employee or New Hire Brought in to Increase Sales
- Possessive of Customer Relationships (“My Customer”)
- Travels & Entertains Customers
- Bad Habits Are Overlooked

YES

- Business Partner
- Trusted Employee
- Friend
- Family Member
- Business Advisor
- Trustee

A True Story: The Bank Vault

FORV/S

Key Points

- Understanding this fact is the key to establishing awareness & deterrence in this area to protect an organization & its employees
- Small Businesses vs. Big Businesses
 - Big businesses are comprised of a lot of small businesses

The Human Element

FORV/S

**Perceived
opportunity
to commit
fraud**



**Perceived
pressure
facing
individual**

**Person's
rationalization
or integrity**

The Human Element

Perceived
opportunity to
commit fraud



Person's
rationalization
or integrity

Perceived
pressure facing
individual

FORV/S

- Internal controls in & of themselves do not ensure these purposes are met
- People within an organization following & enforcing internal controls

The Human Element

Perceived
opportunity to
commit fraud



Person's
rationalization
or integrity

Perceived
pressure facing
individual

- Controls impeded efficiency
- Inherent in every internal control is an additional layer of time & effort added to an individual's responsibilities
- Lack of communication & understanding
- **Trust is not an internal control**

The Human Element

Perceived opportunity to commit fraud



Perceived pressure facing individual

Person's rationalization or integrity

FORVIS

FIG. 21 WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN VARIOUS INDUSTRIES?

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%



©2022 Association of Certified Fraud Examiners, Inc.

A True Story: What Controls?

FORV/S

The Human Element

Perceived
opportunity to
commit fraud



Person's
rationalization
or integrity

Perceived
pressure facing
individual

- Midlife crisis
- Alcohol/Drugs
- Gambling
- Financial difficulties
- Medical costs due to illness
- Work pressures
 - To meet budgets
 - To enhance bonuses

The Human Element

Perceived opportunity to commit fraud



Perceived pressure facing individual

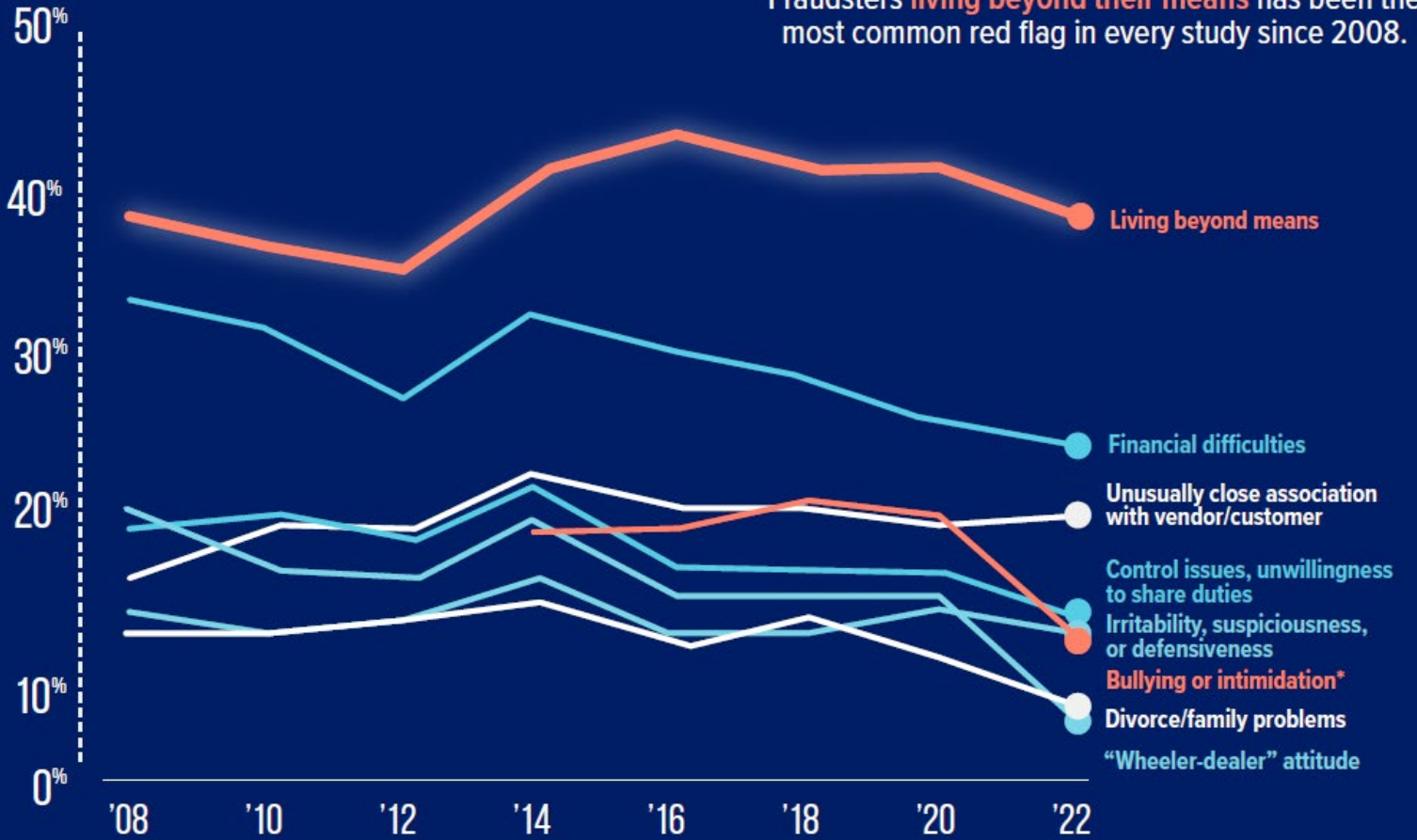
Person's rationalization or integrity

FORVIS

LIVING BEYOND MEANS



Fraudsters **living beyond their means** has been the most common red flag in every study since 2008.



©2022 Association of Certified Fraud Examiners, Inc.

The Human Element

Perceived
opportunity to
commit fraud



Perceived
pressure facing
individual

Person's
rationalization
or integrity

FORV/S

- **The Cycle**
 - Long-term trusted employee
 - Opportunity
 - Runs into outside pressure or incentives
 - Begins to rationalize
 - Intends to repay
 - “I deserve it”
 - Makes the wrong decision
 - Starts gradually
 - Builds slowly over a period of time
 - Hindsight is 20/20 – It all makes sense in the end

A True Story: A Fresh Set of Eyes

FORV/S

Quote from President & CEO of ACFE

- “Coronavirus pandemic is a perfect storm for fraud”
– Bruce Dorris, April 10, 2020
- “As Warren Buffet said, ‘You only find out who is swimming naked when the tide goes out’”

A True Story: All in the Family

FORV/S

Deterrence

- The most cost-effective way to deal with occupational fraud is through **deterrence**
- Deal with what we know
- Good people commit fraud
- Communication/awareness
- ***Controls protect the organization & employees***

The Human Element continued...

FORVIS

FIG. 10 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?

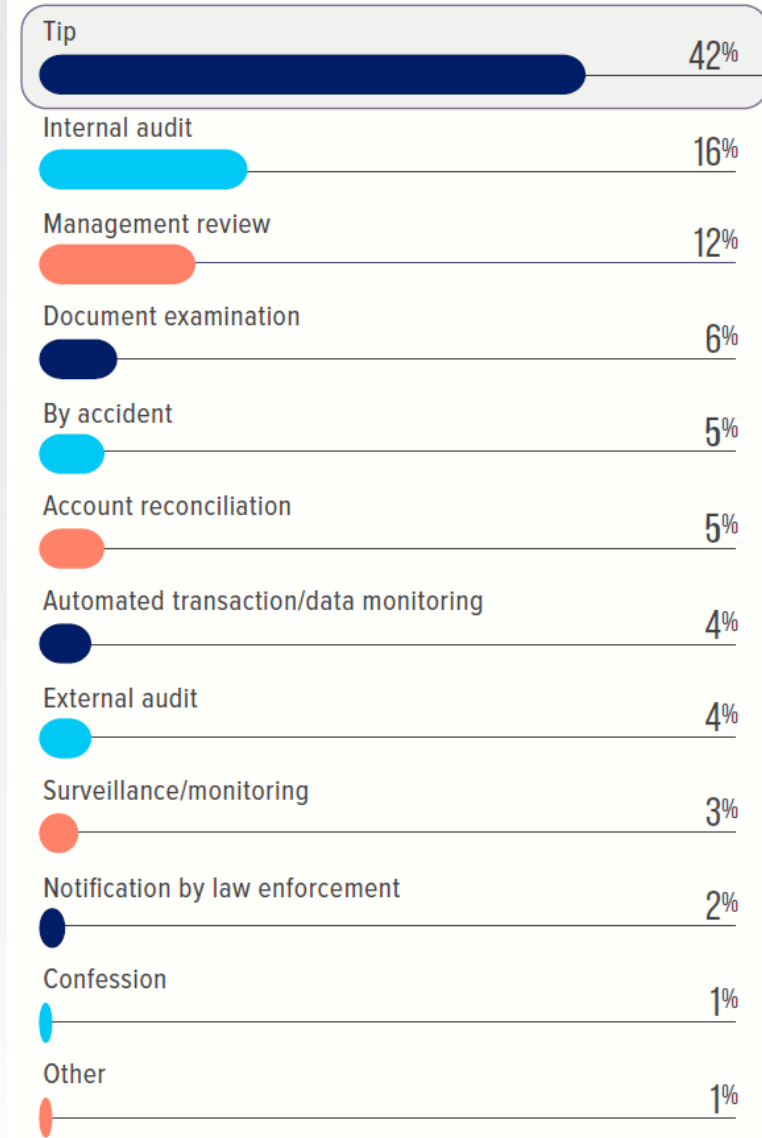
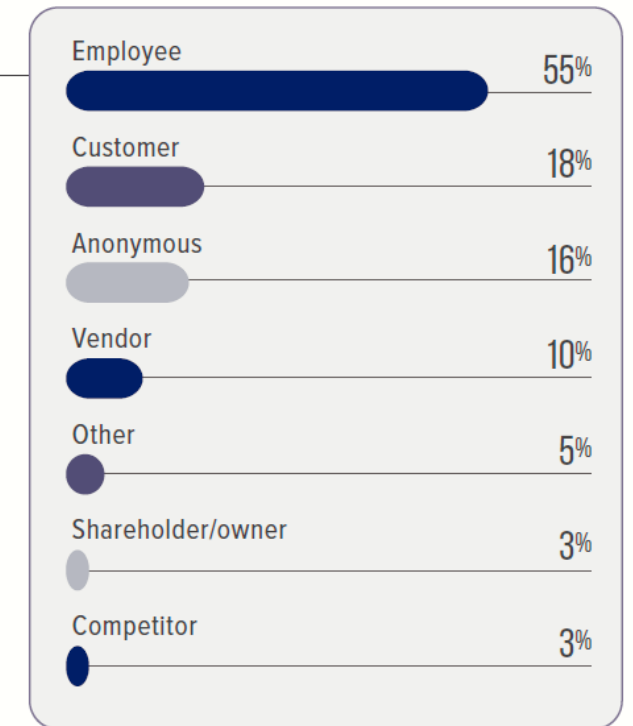


FIG. 11 WHO REPORTS OCCUPATIONAL FRAUD?



©2022 Association of Certified Fraud Examiners, Inc.

INTEGRAREPORT

FRAUD & ETHICS HOTLINE

- Personalized website
- Custom toll-free phone number with a customized script
- Real-time, quarterly dashboards
- Online case management system
- Ability to anonymously communicate with the reporter
- Hotline monitored by **FORVIS** fraud professionals
- Live implementation and setup training
- Consultation and customized templates for marketing materials
- Industry specific fraud awareness training via USB drive or access to online webinar for unlimited viewing within subscription year

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

FORVIS

24 HOURS A DAY. 7 DAYS A WEEK. 365 DAYS A YEAR.

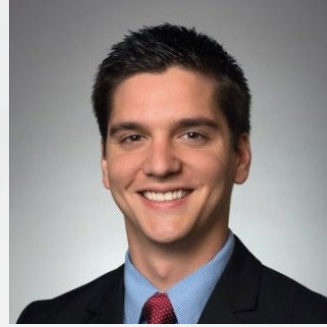
Questions?



Roy Strickland, CPA/CFF, CFE, MAFF

Partner

roy.strickland@forvis.com



Sandon Vieth, CPA, CFE

Senior Managing Consultant

sandon.vieth@forvis.com

CONTINUING PROFESSIONAL EDUCATION (CPE) CREDIT



FORVIS, LLP is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org

FORV/S

CPE CREDIT

- CPE credit may be awarded upon verification of participant attendance
- For questions, concerns, or comments regarding CPE credit, please email FORVIS at cpecompliance@forvis.com

WEBINAR

Thank you!

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

FORVIS

Assurance / Tax / Advisory