


Preventing & Detecting Fraud During Economic Uncertainty

Why fraud experts admit businesses are more susceptible to fraud and compliance risks when faced with economic downturns and disasters

SAP Concur 

THE BEST RUN





If You Have Employees then **You Have Fraud**

According to the most recent global study on occupational fraud and abuse, **the typical organization loses 5% of annual revenue** to white-collar crimes such as occupational fraud each year.

But how much does that number fluctuate when organizations, and the employees within them, are faced with economic uncertainty? Experts such as the Association of Certified Fraud Examiners (ACFE) and Business Travel News (BTN) admit: it shoots up. So, what can your organization do to prepare? And where should you be looking for fraudulent risks? This is why fraud is in focus for the majority of financial executives.

This eBook will:

- Identify why spend control has never mattered more
- Share common trends and benchmarks of occupational fraud
- Provide a framework to focus on employee spend
- Share how to build a best-in-class fraud solution

Fraud is on the Rise

When unpredictable forces put a new strain on budgets, plans, and business models, controlling costs becomes even more critical. And while every business must face the possibility of fraudulent and/or non-compliant spend, the ACFE predicts that **fraud levels are expected to continue and rise.**

As of May 2020, the ACFE found 68% of its surveyed respondents had already experienced or observed an increase in fraud levels, with one-quarter saying the observed increase has been significant.¹ Looking forward, anti-fraud professionals expect an even greater shift in the overall fraud level.

On the next page, we'll compare the events that followed the 2008 economic recession to explain why spend control has never mattered more.



\$4.5 trillion

amount CFE's estimate
businesses lose to fraud
globally each year.²

Why Spend Control Has **Never** Matterred More



UNCERTAIN ECONOMIES INCREASE RISK OF FRAUD

There are a number of reasons why fraud proliferates during recessions and times of economic instability. A large factor is the increased pressure companies and their employees feel as they struggle to meet the challenges of a down economy.³

The threat that has risen the most during the COVID-19 pandemic is cyberfraud, which includes schemes such as business email compromise, hacking, ransomware, and malware.⁴



ANT-FRAUD ACTIVITIES BECOME INCREASINGLY DIFFICULT

During the 2008 recession, in-house CFE's reported their companies had experienced layoffs, which eliminated some of their internal controls.⁵ Since 1 out-of-every 3 cases of fraud is due to a lack of internal controls,⁶ businesses were left increasingly exposed.

Likewise in 2020, 68% of anti-fraud professionals note that detecting fraud has become more difficult during the global pandemic primarily due to inability to travel, the postponement of their engagements, and a lack of access to evidence.⁷



ACTIVELY MANAGING SPENDING CAN HELP COMBAT FRAUD

Actively managing spend is the key to getting a handle on the mistakes, double-entries, and miscategorizations that often go unnoticed and undetected as fraud. In fact, the ACFE reports that the presence of internal, anti-fraud controls are associated with lower fraudulent losses and quicker detection.⁸

By pairing your finance and AP teams with the right technology, you can help guide employees and take away the temptation to commit fraud.

The Benchmarks & Trends of Occupational Fraud

Since white-collar crimes can be sneaky, **often using multiple means to pull off their schemes**, it can make detecting fraud difficult for businesses. And even more so when you have limited visibility into spending.

In fact, the ACFE reports the top four concealment methods used by fraudsters included creating fraudulent physical documents (40%), altering physical documents (36%), altering electronic documents (27%), and creating fraudulent electronic documents (26%).⁹ From mischaracterized expenses, inflated and falsified expense claims, to filing the same claim numerous times – without multiple checkpoints, red flags, or other forms of internal controls, these areas of spend can easily open up the door for fraud.

As for the trends and benchmarks of what fraud can look like, the next page highlights what the ACFE found after analyzing 2,506 cases of occupational fraud that were investigated between January 2018 and September 2019.¹⁰



HIGH-RISK LINE ITEMS

Difficult to track and validate, cash payments and mileage typically cause the most frustrations for finance and AP teams.

14 months

average time span fraud
lasts before detection

\$8,300

average loss to fraud
each month

76%

of cases are committed at
employee or manager-level

64%

of fraudsters had a
university degree or higher

Corruption

was the most common
global fraud scheme

86%

of cases were asset
misappropriation



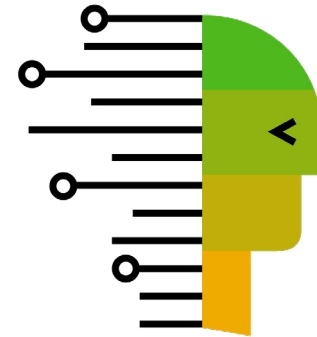
Source: ACFE, [Report to the Nations](#), 2020

Using Controls to Put a Focus on Employee Spend

Savvy companies understand that **there is a commitment to having a strong compliance program**, recognizing spend control is an evolving process which requires continuous updates. And while gaining visibility into employee spend is the first step in spotlighting fraud, with so much data, it can be challenging for businesses to figure out what to look at first.

The ACFE finds that the primary internal control weaknesses which contribute to occupational fraud include a lack of: reporting mechanisms, clear lines of authority, employee fraud education, independent checks or audits, and personnel in roles of oversight.¹¹

Since internal policy controls are associated with lower losses and quicker detection, the next part of this eBook includes some considerations when it comes to updating your organization's fraud prevention and detection strategy.



BETTER TOGETHER

By taking proactive steps, companies can supplement human auditors with technology to help identify any red flags or find the “needle” to unravel broader schemes.



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STEP 1:

Take policy into consideration

Your travel and expense policy shouldn't be stagnant, but rather an evolving document. Ask yourself these questions when reviewing your policy:

- How often do you update your travel and expense policy?
- Does it include what is and isn't an acceptable expense?
- Does it include how out of policy spend or non-compliant expenses are handled?
- Do you typically have employees working from home on a regular basis?
- What's your company's appetite for detecting fraud within employee expenses, travel booked, or invoices?
- Are you capturing all of the data needed to assess your compliance and fraud risk?



STEP 2:

Establish the right technology process to prevent and detect fraud

Rarely is there a single workflow that fits all. Taking the steps to improve how your business prevents and detects fraud can in turn increase the employee's perception that fraud will be detected and help deter future misconduct. Ask yourself:

- Does your credit card data auto-populate into expense reports?
- Do you require e-receipts beyond a certain spend limit or threshold?
- Do you have audit rules set up to automatically verify the appropriate checks and balances?
- Or approval flowcharts to make accountability a group effort?
- Do you have standardized reason codes to identify why an expense might not be submitted?
- Do you have an external audit program that's unbiased to help oversee and control spend?

A woman with dark hair and large hoop earrings is looking towards the camera. In the foreground, there is a large yellow circle with the number '3' inside it. The background is dark with some digital code or data visible on the left side.

3

STEP 3:

Use reporting to monitor and analyze your spend data

Monitoring employee spend is an important concept in fraud investigation because the speed at which fraud is detected, as well as the way it is detected, can have a significant impact on the size of the fraud.¹² Here are some tips on how to get started:

- **Identify what teams are responsible:** Is it finance, travel, HR, legal, audit, compliance, and/or risk?
- **Use data to identify trends:** Car mileage vs. car rentals, excessive spend in specific expense types, airport parking vs. Lyft, Uber, or taxi drop-off.
- **Do periodic reviews and checks of:** Duplicate company meals, expense items, hotel stays, meal attendees, expenses nearing receipt limits, submitted ticket charges with unsubmitted refunds, and merchant validation.



STEP 4:

Compare compliance benchmarks with industry experts

Identifying the most common fraud schemes within industries can help you design controls to safeguard against the most significant threats. Identify where your policies are working and where they can be improved by looking at areas such as:

- Receipt attachment
- Frequent use of high-risk expense types
- Higher percentage of cash expenses
- Travel expenses on cash
- Mileage transactions on card
- Route data attachment
- Reports approved, receipts not viewed
- Excessive personal mileage

Learn How to Build an Advanced **Fraud Solution**

With SAP® Concur® solutions to help you actively manage all of your employee spending, your business can go from looking back at what was being spent to controlling spend before it goes out the door.

When you integrate travel and expense management into a single, connected process, you'll close the data and workflow gaps that let fraudsters pull off their schemes and drain budget from your control. Your teams can then eliminate the need for data-entry and processes that take time to manage and cause mistakes, while AI and machine learning can automatically apply spend controls and detect fraud along the way. See where policies are working, what internal controls you could improve, and how much you could be saving.

Learn more by scheduling an [appointment to discuss fraud](#) today.

View survey results



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eBook Sources:

1,4,7. ACFE, [Fraud in the Wake of COVID-19](#), 2020

2,8-11. ACFE, [Report to the Nations](#), 2020

3,5-6. ACFE, [Occupational Fraud: A Study of the Impact of an Economic Recession](#), 2009

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