Department of
Environment &
Conservation

HIDDEN THREATS

Unmasking Risks with Assessment

Melinda Weir, CFE

OVERVIEW

- What is a Risk Assessment?
- Why We Do and Should Do Risk Assessments?
- Steps in Financial Risk Assessment
- Benefits of Financial Risk Assessment
- Risk Assessment Examples
- Fraud Indicators (If Time Permits…)

WHAT IS A RISK ASSESSMENT?

- Financial risk assessment involves identifying, analyzing, and evaluating potential financial losses an organization might face, focusing on the likelihood of events and their potential impact
- Financial risk assessment is a process of analyzing potential financial losses
- It involves identifying risks, determining how likely they are to occur, and pinpointing the potential impact on the organization
- It helps organizations understand and manage their financial vulnerabilities

DIFFERENT TYPES OF RISK ASSESSMENTS

- Here's a breakdown of the common types:

- **Quantitative Risk Assessment**:
  - Uses hard data, statistical analysis, and mathematical models to assign numerical values to risks, often focusing on financial impact or potential loss

- **Qualitative Risk Assessment**:
  - Relies on subjective evaluation, expert judgment, and descriptive ratings (like "low," "medium," or "high") to describe the likelihood and impact of risks.

- **Semi-Quantitative Risk Assessment**:
  - Blends elements of both, using subjective inputs and descriptive categories but also applying numerical scoring systems to provide a more structured assessment than purely qualitative methods

NO MATTER WHICH TYPE IS USED …

- All comes down to money
  - Even the most basic of organizational services
  - Lose funding on state and federal level
    - May even lose statute status (TN Victims Coalition)
    - If they had done a generic risk assessment, management would have discovered that having state business cards made up and posing as a public official and official state agency could get your funding taken away and organization shut down

TODAY, WE'LL FOCUS ON FINANCIAL RISK ASSESSMENTS

WHY WE DO RISK ASSESSMENTS?

- First and foremost
  - In Tennessee, it's required by law
  - Tennessee Financial Integrity Act of 1983 requires each agency of State government to establish and maintain internal controls
  - To meet this requirement, TDEC conducts an annual, agency-wide risk management and internal control assessment in accordance with the *Enterprise Risk Management* guidelines, which are set by the Department of Finance and Administration
  - These guidelines were issued in 2008 (Revised 2016) by the Department of Finance and Administration in consultation with the Tennessee Comptroller of the Treasury

WHY WE DO RISK ASSESSMENTS?

- The Division of Internal Audit is responsible for collecting and reviewing each division's Risk Management and Internal Controls Assessment

- Before updating each year's assessment appropriate division personnel must review the TDEC Risk Management and Internal Controls Assessment **Matrix** and list of control goals/objectives applicable to TDEC divisions
  - Items in this list can and **should** be customized so that they accurately reflect your division's processes
  - Each Assessment is reviewed and signed by the division director
  - After it has been reviewed, it is then forwarded to the TDEC Internal Audit Director

WHY WE DO RISK ASSESSMENTS?

- After DIA reviews the assessments and conducts follow up meetings
  - DIA will forward division directors a Management Representation Letter that must be signed by the appropriate management personnel
  - DIA will then forward the assessments to TDEC Commissioner and the Executive Leadership Team for their review
  - TDEC's final work product must be submitted to F&A, the Fiscal Review Committee, and the Comptroller's Office in December of each year

Lastly …

- Finally:
  - The submission will be signed by TDEC Commissioner and will note the following:
    - **(1) TDEC has performed an entity-wide risk management and internal control assessment;**
    - **(2) TDEC has complied with the requirements of the Financial Integrity Act; and**
    - **(3) TDEC has controls in place intended to mitigate the identified risks.**

WHY SHOULD WE DO RISK ASSESSMENTS?

- Accountability for meeting program objectives
  - Tennessee Financial Integrity Act
  - Comptroller Audits
- Promotes operational efficiency and effectiveness
- Improves the reliability of financial statements
- Strengthens compliance with laws, regulations, rules, contracts, legal settlements, cooperative agreements, and grant agreements
- Reduces the incidents of financial or other asset losses due to fraud, waste and abuse
- Safeguards funds, property and other assets against waste, loss, unauthorized use, or misappropriation

STEPS IN FINANCIAL RISK ASSESSMENT

- Identify Potential Risks
  - Consider various factors that could lead to financial losses, such as market volatility, economic downturns, and operational disruptions.
  - Review past performance and industry trends to identify potential risk

- Analyze the Likelihood and Impact of Risks
  - Assess the probability of each identified risk occurring.
  - Determine the potential financial impact of each risk, considering both short-term and long-term consequences.

STEPS IN FINANCIAL RISK ASSESSMENT (Cont.)

- Develop Risk Mitigation Strategies
  - Implement strategies to reduce the likelihood or impact of identified risks.
  - This may involve improving internal controls

- Regularly Review and Update the Assessment
  - Financial risks are dynamic, so it's crucial to regularly review and update the assessment to stay informed about emerging risks and changing circumstances.
  - This ensures that risk mitigation strategies remain effective

BENEFITS OF FINANCIAL RISK ASSESSMENT

- Improved Decision-Making
  - By understanding potential risks, organizations can make more informed decisions about operations and other financial matters
- Enhanced Risk Management
  - Risk assessment helps organizations develop and implement effective risk management strategies
- Increased Financial Stability
  - By mitigating potential risks, organizations can improve their financial stability and resilience

WHY CONDUCT RISK ASSESSMENTS?

- To proactively identify, evaluate, and control potential hazards in a workplace or activity, ultimately preventing harm and ensuring safety

- Risk assessments help organizations understand where risks exist, who might be affected, and what measures can be taken to minimize or eliminate those risks

- A risk assessment demonstrates that an organization is taking reasonable steps to protect its employees, safeguard funds, and comply with the law

PREVENTING HARM AND ENSURING SAFETY

- **Identifying hazards:**
  - Risk assessments help pinpoint potential dangers that could cause injury, illness, or damage.
- **Evaluating risks:**
  - Once hazards are identified, risk assessments help determine the likelihood and severity of potential harm
- **Implementing control measures:**
  - The process outlines steps to eliminate or minimize risks, such as providing training, using protective equipment, or modifying work processes

IMPROVING WORKPLACE CULTURE

- Risk assessments **raise awareness among employees** about potential hazards and the precautions needed to mitigate them

- **By involving employees in the assessment process, organizations can foster a culture of safety and encourage proactive risk management**

SAVING COSTS

- **Preventing accidents:**
  - By identifying and addressing risks, risk assessments can help prevent accidents, injuries, and illnesses, reducing costs associated with sick leave, workers' compensation, and potential legal liabilities.

- **Reducing damage:**
  - Risk assessments can help identify and mitigate risks to equipment, property, and the environment, preventing costly damage and disruptions

PLANNING FOR EMERGENCIES

- Risk assessments can help organizations prepare for potential emergencies by identifying hazards that could lead to incidents and developing appropriate response plans

- This proactive approach can minimize the impact of emergencies and ensure a more effective response

  - **In essence, risk assessments are a proactive and essential tool for creating a safer and healthier workplace, protecting employees, and meeting legal obligations**

TONE AT THE TOP

- Refers to the ethical atmosphere and expectations established by an organization's leadership
  - primarily its board of directors and senior management
  - This "tone" influences the overall culture and behavior within the organization
  - Impacts how employees approach ethics, compliance, and their work

TONE AT THE TOP

- **Essentially, leadership's actions and attitudes set the standard for everyone else**

LEADERSHIP'S ROLE

- The "tone at the top" is set by the leadership's commitment to:
  - Ethical Conduct
  - Integrity, and
  - Compliance
- This is demonstrated through their actions, decisions, and communication.

IMPACT ON CULTURE

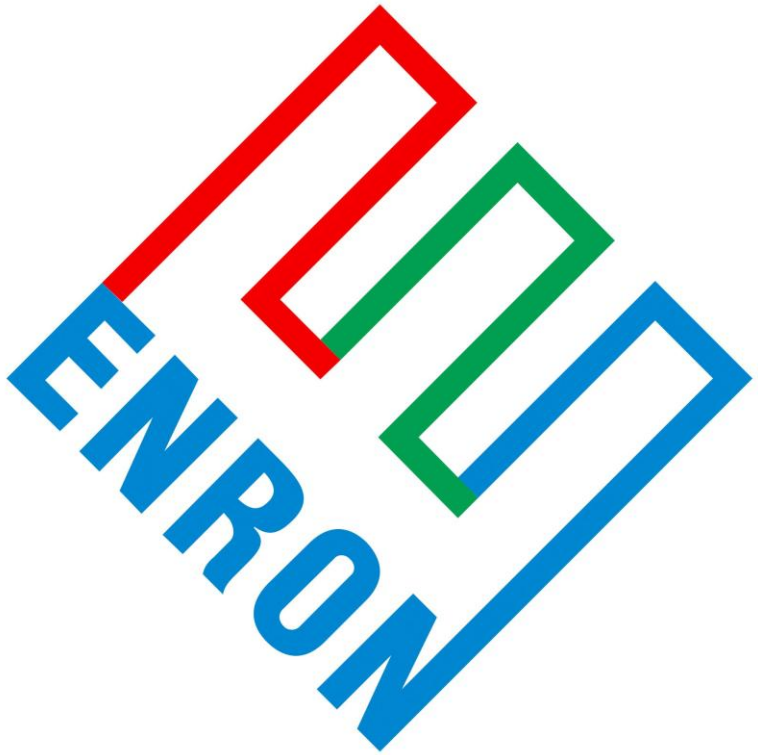
- When leaders prioritize ethical behavior
  - It creates a culture where employees are more likely to act with integrity and adhere to ethical standards
  - On the other hand, if leaders disregard ethical considerations, it can lead to a culture where unethical behavior is tolerated or even encouraged
    - Companies like Volkswagen, Enron, Wells Fargo, Apple, and Coca-Cola have been cited for various unethical practices, including environmental deception, financial fraud, human rights abuses, and deceptive marketing.
    - Unethical behavior can encompass a wide range of actions such as exploiting workers, damaging the environment, avoiding taxes, violating privacy, or engaging in illegal collusion

VOLKSWAGEN

- Volkswagen
  - was found to have used "defeat devices" to cheat on emissions tests for its diesel vehicles
  - an act of environmental deception and fraud

ENRON

- Enron
  - committed massive accounting fraud to hide billions in debt, leading to the company's collapse and widespread job losses



WELLS FARGO

- Wells Fargo
  - faced scandals related to deceptive practices like employees creating millions of unauthorized accounts to meet sales quotas.

APPLE

- Apple
  - has been accused of poor working conditions and labor exploitation in its supply chain

COCA-COLA

- Coca-Cola
  - has faced numerous ethical crises over decades, including accusations of pollution, unfair labor practices, and depletion of natural resource

IMPORTANCE

- A strong "tone at the top" is crucial for
  - fostering a positive and ethical work environment
  - promoting compliance, and
  - preventing misconduct

    - It helps to build trust with stakeholders, including
      - Employees
      - Customers, and
      - Investors

EXAMPLE

- If a company's leadership emphasizes the importance of safety and environmental responsibility, employees are more likely to prioritize these aspects in their daily work

CONSEQUENCES OF A POOR TONE

- A weak "tone at the top" can lead to a variety of negative consequences, including:
  - increased risk of fraud and misconduct
  - decreased employee morale, and
  - damage to the organization's reputation

POOR TONE CAN REALLY DAMAGE YOUR ORGANIZATION

- Five types of fraudsters who can do damage without proper tone at the top
  - Situational Fraudster
  - Deviant Fraudster
  - Multi-Interest Abuser
  - Well-Intentioned Noncompliance Employee
  - Disengaged Noncompliance Employee
- Most procurement fraud authors and trainers almost exclusively about **SITUATIONAL AND DEVIANT FRAUDSTERS**

SITUATIONAL FRAUDSTERS

- **Situational Fraudster**
  - Typical Fraudster
  - Frustrated at work
  - Has rationalized their perceived entitlement
  - Perpetrates fraud when the right occasion occurs
  - Usually because of weak procurement integrity controls

DEVIANT FRAUDSTER

- **Deviant Fraudster**
  - “Wheeler Dealers”
  - Causes the most damage
  - Often seen as the hardest workers or contractors even though they’re always searching for opportunities to commit fraud

MULTI-INTEREST ABUSER

- MULTI-INTEREST ABUSER
  - Not by definition a fraudster
  - Directs contracts in favor of one contractor
  - Not illegal, but unethical
- Usually not seeking any financial advantages
- Usually manipulates procurement processes to advance their interest and/or the interest of others
- Helps friends or family members obtain contracts or ensure awards go to their preferred contractors (TNSBA/JM)

WELL-INTENTIONED NONCOMPLIANCE EMPLOYEE

- WELL-INTENTIONED NONCOMPLIANCE EMPLOYEE
  - Organizations rarely consider this personality type
  - Presents significant risks to procurements
  - Harder to identify than fraudsters or abusers

- Well-intentioned noncompliance employees believe
  - Their willful deviations from procurement processes cause no harm
  - They believe they are actually helping their organizations become more efficient and obtain better services
  - They believe they are totally focused on helping their organizations

DISENGAGED NONCOMPLIANT EMPLOYEE

- DISENGAGED, NON-COMPLIANT EMPLOYEE
  - is a worker who not only lacks motivation, enthusiasm, and commitment towards their job and the organization but also fails to adhere to established workplace rules, regulations, or policies
  - This can manifest in various ways, from subtle disregard for company guidelines to outright defiance or failure to meet job expectations

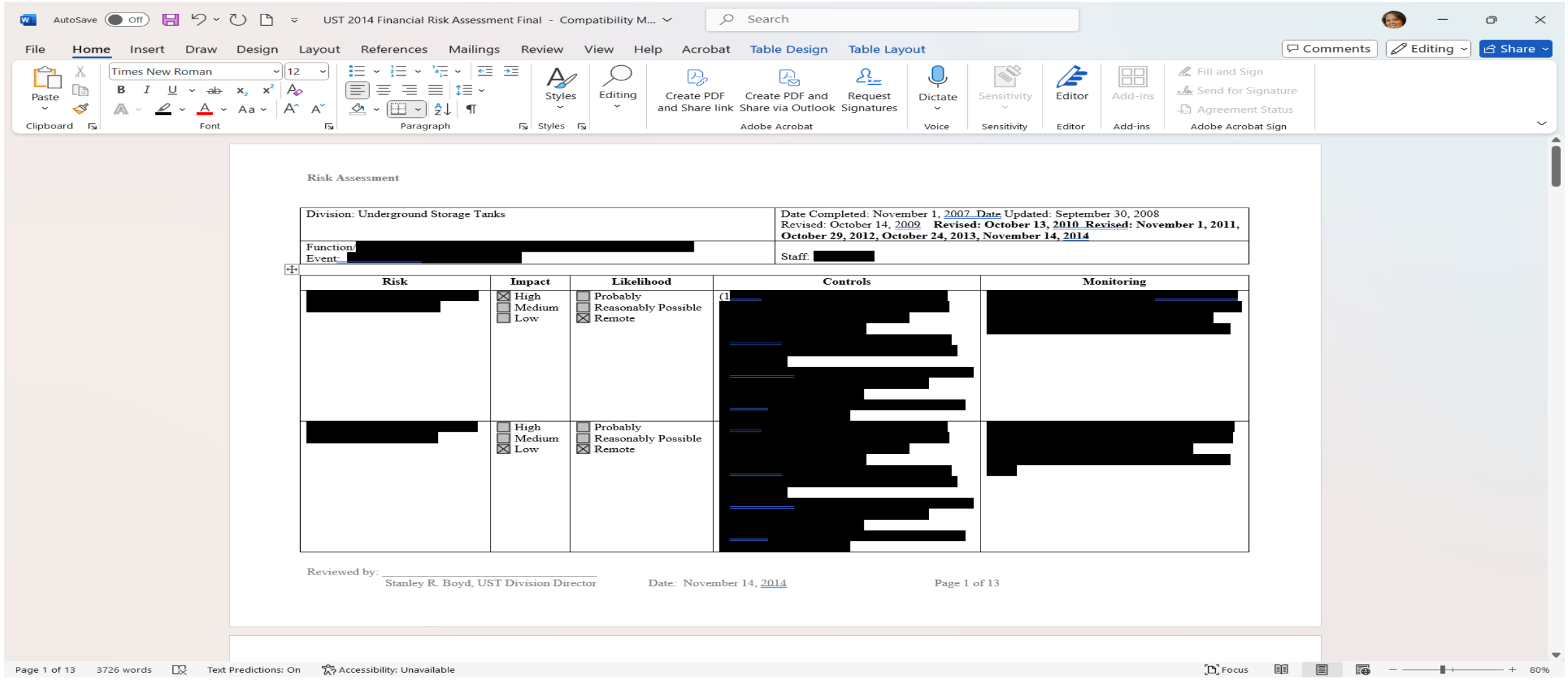
SET THE RIGHT TONE

RISK ASSESSMENT EXAMPLES

HISTORY OF UST RISK ASSESSMENT

- Earliest noted was 2007
- No notable change from 2007 to 2015
- Annually resubmitted
- No updates/no edits (basically signed and forwarded)

RISK ASSESSMENT FORMATTING (2007-2014)



Risk Assessment

Division: Underground Storage Tanks	Date Completed: November 1, 2007 Date Updated: September 30, 2008 Revised: October 14, 2009 **Revised: October 13, 2010 Revised: November 1, 2011, October 29, 2012, October 24, 2013, November 14, 2014**
Function/ Event:	Staff:

Risk	Impact	Likelihood	Controls	Monitoring
	☒ High ☐ Medium ☐ Low	☐ Probably ☐ Reasonably Possible ☒ Remote	(1	
	☐ High ☐ Medium ☒ Low	☐ Probably ☐ Reasonably Possible ☒ Remote		

Reviewed by: _____
Stanley R. Boyd, UST Division Director Date: November 14, 2014 Page 1 of 13

Department of Environment & Conservation

RISK ASSESSMENT FORMATTING (2007-2014)

- Risk
- Impact
  - High
  - Medium
  - Low
- Likelihood
  - Probably
  - Reasonably Possible
  - Remote
- Controls
- Monitoring

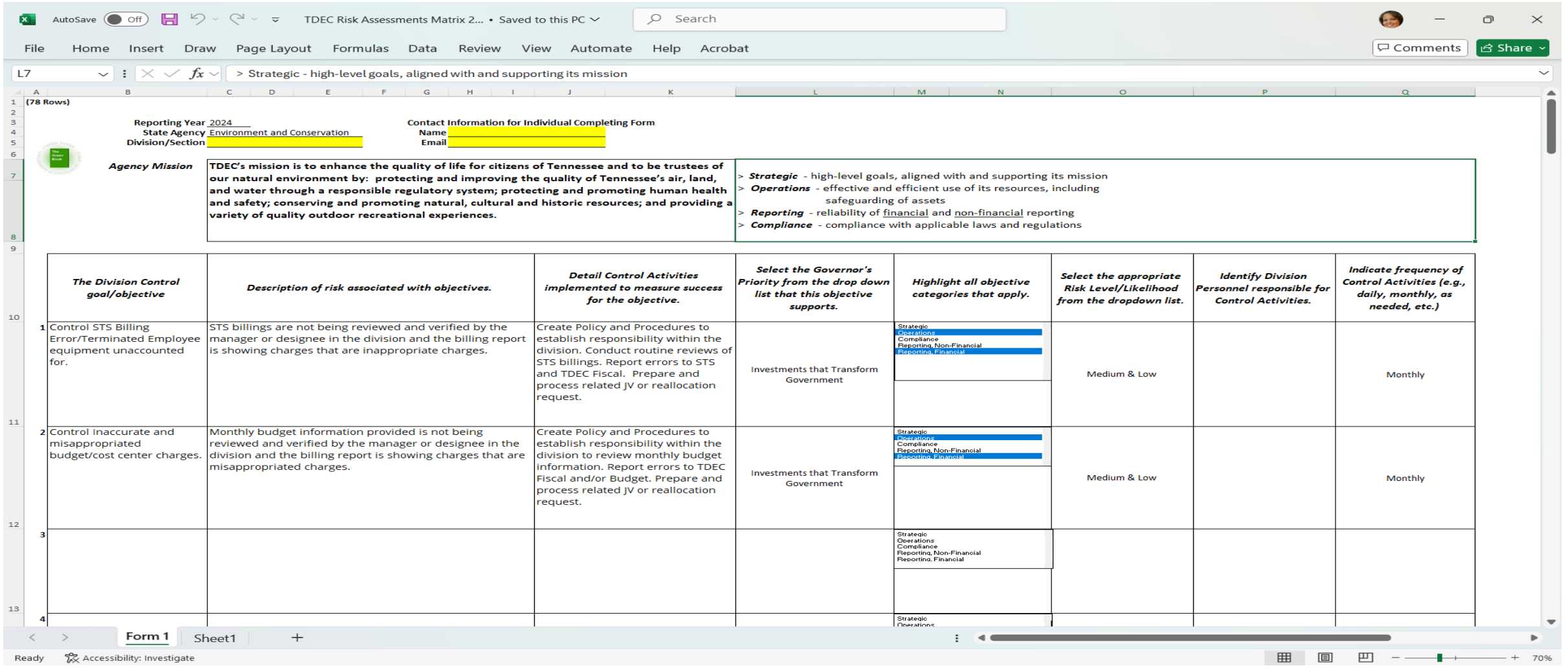
CURRENT UST RISK ASSESSMENT PROCESSES

- Began review in 2015
- Met with senior management
- Never had been tested to determine relevance
- Developed new formatting
- Began full testing rather than sample testing
- Developed a testing document

HOW THE UST RISK ASSESSMENT HAS EVOLVED

- Now a living document
  - Changes throughout the year get added
- Memo to management each February
- Deadlines
  - For reviewing current document
  - Deadline for submitting changes/edits/deletions
  - Deadline for submitting testing documents for inclusion in the new year notebooks
- Meetings are documented and included in testing document

RISK ASSESSMENT FORMATTING (CURRENT)



TDEC Risk Assessments Matrix 2... • Saved to this PC

(78 Rows)

Reporting Year 2024
State Agency Environment and Conservation
Division/Section

Contact Information for Individual Completing Form
Name
Email

Agency Mission

TDEC's mission is to enhance the quality of life for citizens of Tennessee and to be trustees of our natural environment by: protecting and improving the quality of Tennessee's air, land, and water through a responsible regulatory system; protecting and promoting human health and safety; conserving and promoting natural, cultural and historic resources; and providing a variety of quality outdoor recreational experiences.

> ***Strategic*** - high-level goals, aligned with and supporting its mission
> ***Operations*** - effective and efficient use of its resources, including safeguarding of assets
> ***Reporting*** - reliability of financial and non-financial reporting
> ***Compliance*** - compliance with applicable laws and regulations

	The Division Control goal/objective	*Description of risk associated with objectives.*	*Detail Control Activities implemented to measure success for the objective.*	*Select the Governor's Priority from the drop down list that this objective supports.*	*Highlight all objective categories that apply.*	*Select the appropriate Risk Level/Likelihood from the dropdown list.*	*Identify Division Personnel responsible for Control Activities.*	*Indicate frequency of Control Activities (e.g., daily, monthly, as needed, etc.)*
1	Control STS Billing Error/Terminated Employee equipment unaccounted for.	STS billings are not being reviewed and verified by the manager or designee in the division and the billing report is showing charges that are inappropriate charges.	Create Policy and Procedures to establish responsibility within the division. Conduct routine reviews of STS billings. Report errors to STS and TDEC Fiscal. Prepare and process related JV or reallocation request.	Investments that Transform Government	Strategic Operations Compliance Reporting, Non-Financial Reporting, Financial	Medium & Low		Monthly
2	Control Inaccurate and misappropriated budget/cost center charges.	Monthly budget information provided is not being reviewed and verified by the manager or designee in the division and the billing report is showing charges that are misappropriated charges.	Create Policy and Procedures to establish responsibility within the division to review monthly budget information. Report errors to TDEC Fiscal and/or Budget. Prepare and process related JV or reallocation request.	Investments that Transform Government	Strategic Operations Compliance Reporting, Non-Financial Reporting, Financial	Medium & Low		Monthly
3					Strategic Operations Compliance Reporting, Non-Financial Reporting, Financial			
4					Strategic Operations			

Form 1 | Sheet1

Ready | Accessibility: Investigate | 70%

WHAT RISKS HAVE BEEN IDENTIFIED

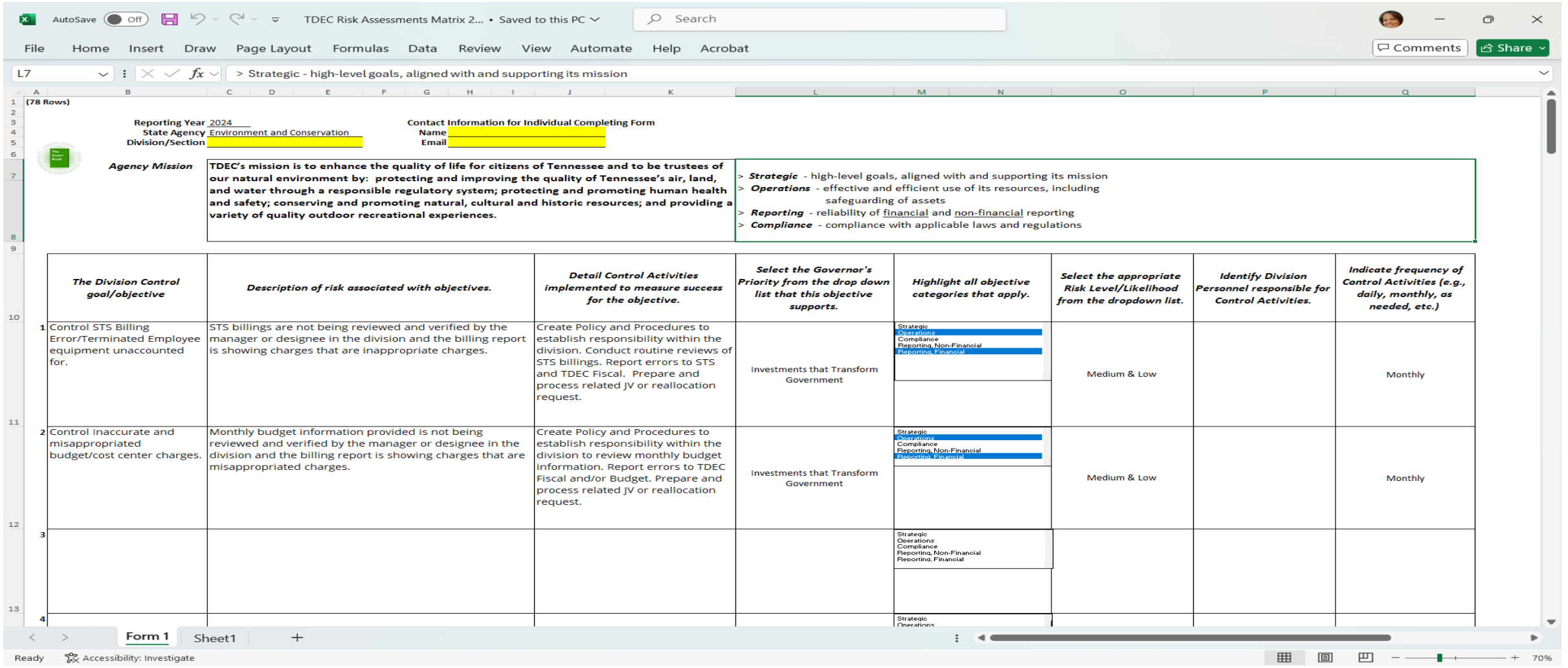
- Currently we have
  - 22 “Events”
    - Division Control/goal/objective
    - Description of risk associated with objectives
    - Detail control activities implemented to measure success for the objective
    - Governor's priority that the objective supports
    - Objective categories
    - Risk level/Likelihood
    - Division personnel responsible for control activities
    - Indicate frequency of control activities
  - 100’s of testing documents

HOW DO WE DETERMINE IF WE HAVE A RISK

- If it can impact
  - Funding
  - Our mission
  - Human health
  - Environment
- If there are “holes” where fraud can occur
- If there are “holes” where danger can occur
- Might not be so clear sometimes

EXAMPLES OF INHERENT RISKS

RISK ASSESSMENT FORMATTING



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Department of Environment & Conservation

RISK: DAMAGE TO A UST CORRECTIVE ACTION SYSTEM

- Division Control/Goal/Objective
  - Program Integrity/Fraud Protection

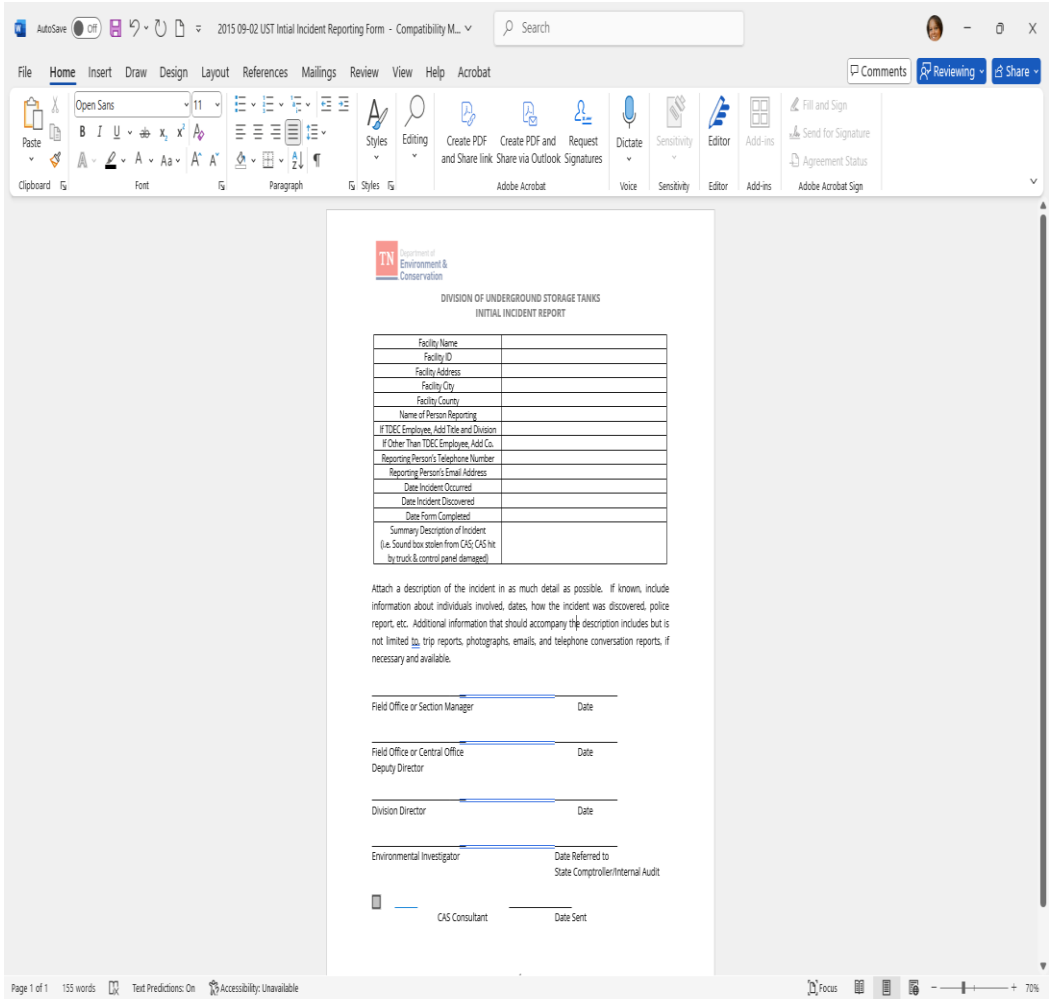
- Description of Risk
  - Incidents involving theft or loss of UST funds or equipment not reported in a timely manner to the Division Director, TDEC Internal Audit, and Tennessee Office of the Comptroller General.

- Detailed Control Activities Implemented to Measure Success
  - (1) A form titled "Division of Underground Storage Tanks Initial Incident Report" has been developed
  - (2) A form titled "Division of Underground Storage Tanks Follow-up Incident Report" has been developed for distribution to all field offices
  - (3) Both forms noted above require signatures of the manager or section manager where the incident occurred followed by signatures from the deputy director, division director, and environmental investigator, listing the date the form and related information was submitted to internal audit and comptroller's office

RISK: DAMAGE TO A UST CAS (cont.)

- Governor's Priority that objective supports
  - Transparent & Efficient Government
- Objective Category
  - Operations
  - Compliance
  - Reporting Non-Financial
  - Reporting Financial
- Appropriate Risk Level/Likelihood
  - High & High
- Division Personnel responsible for control activities
  - Director
  - Fraud Investigator
  - Deputy Directors
- Frequency of control activities
  - As Needed

HOW DO WE TEST OUR CONTROLS FOR THE RISK ASSESSMENT?



DIVISION OF UNDERGROUND STORAGE TANKS
INITIAL INCIDENT REPORT

Facility Name	
Facility ID	
Facility Address	
Facility City	
Facility County	
Name of Person Reporting	
If TDEC Employee, Add Title and Division	
If Other Than TDEC Employee, Add Co.	
Reporting Person's Telephone Number	
Reporting Person's Email Address	
Date Incident Occurred	
Date Incident Discovered	
Date Form Completed	
Summary Description of Incident (i.e. Sound box stolen from CAS; CAS hit by truck & control panel damaged)	

Attach a description of the incident in as much detail as possible. If known, include information about individuals involved, dates, how the incident was discovered, police report, etc. Additional information that should accompany the description includes but is not limited to, trip reports, photographs, emails, and telephone conversation reports, if necessary and available.

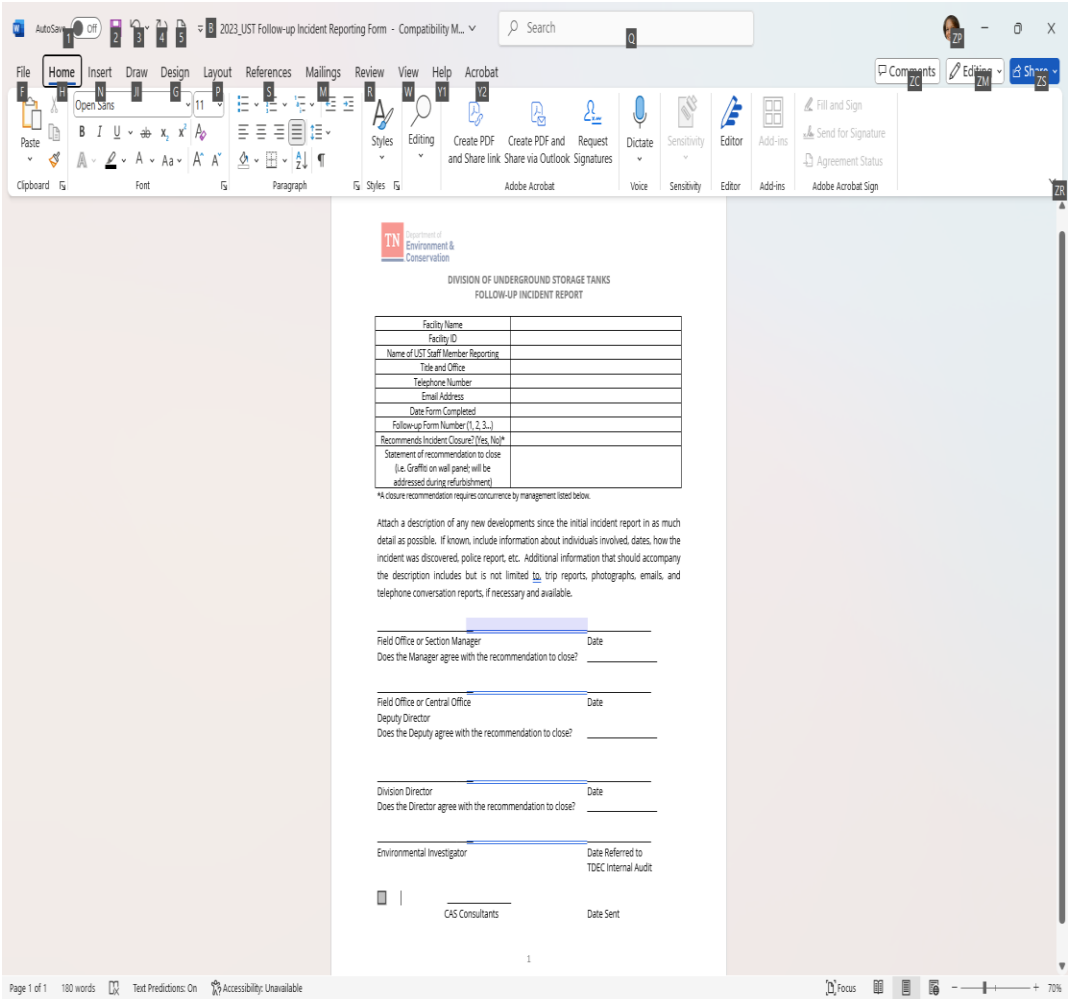
Field Office or Section Manager — Date

Field Office or Central Office Deputy Director — Date

Division Director — Date

Environmental Investigator — Date Referred to State Comptroller/Internal Audit

CAS Consultant — Date Sent



DIVISION OF UNDERGROUND STORAGE TANKS
FOLLOW-UP INCIDENT REPORT

Facility Name	
Facility ID	
Name of UST Staff Member Reporting	
Title and Office	
Telephone Number	
Email Address	
Date Form Completed	
Follow-up Form Number (1, 2, 3...)	
Recommends Incident Closure? (Yes, No)*	
Statement of recommendation to close (i.e. Graffiti on wall panel; will be addressed during refurbishment)	

*A closure recommendation requires concurrence by management listed below.

Attach a description of any new developments since the initial incident report in as much detail as possible. If known, include information about individuals involved, dates, how the incident was discovered, police report, etc. Additional information that should accompany the description includes but is not limited to, trip reports, photographs, emails, and telephone conversation reports, if necessary and available.

Field Office or Section Manager — Date
Does the Manager agree with the recommendation to close?

Field Office or Central Office — Date
Deputy Director
Does the Deputy agree with the recommendation to close?

Division Director — Date
Does the Director agree with the recommendation to close?

Environmental Investigator — Date Referred to TDEC Internal Audit

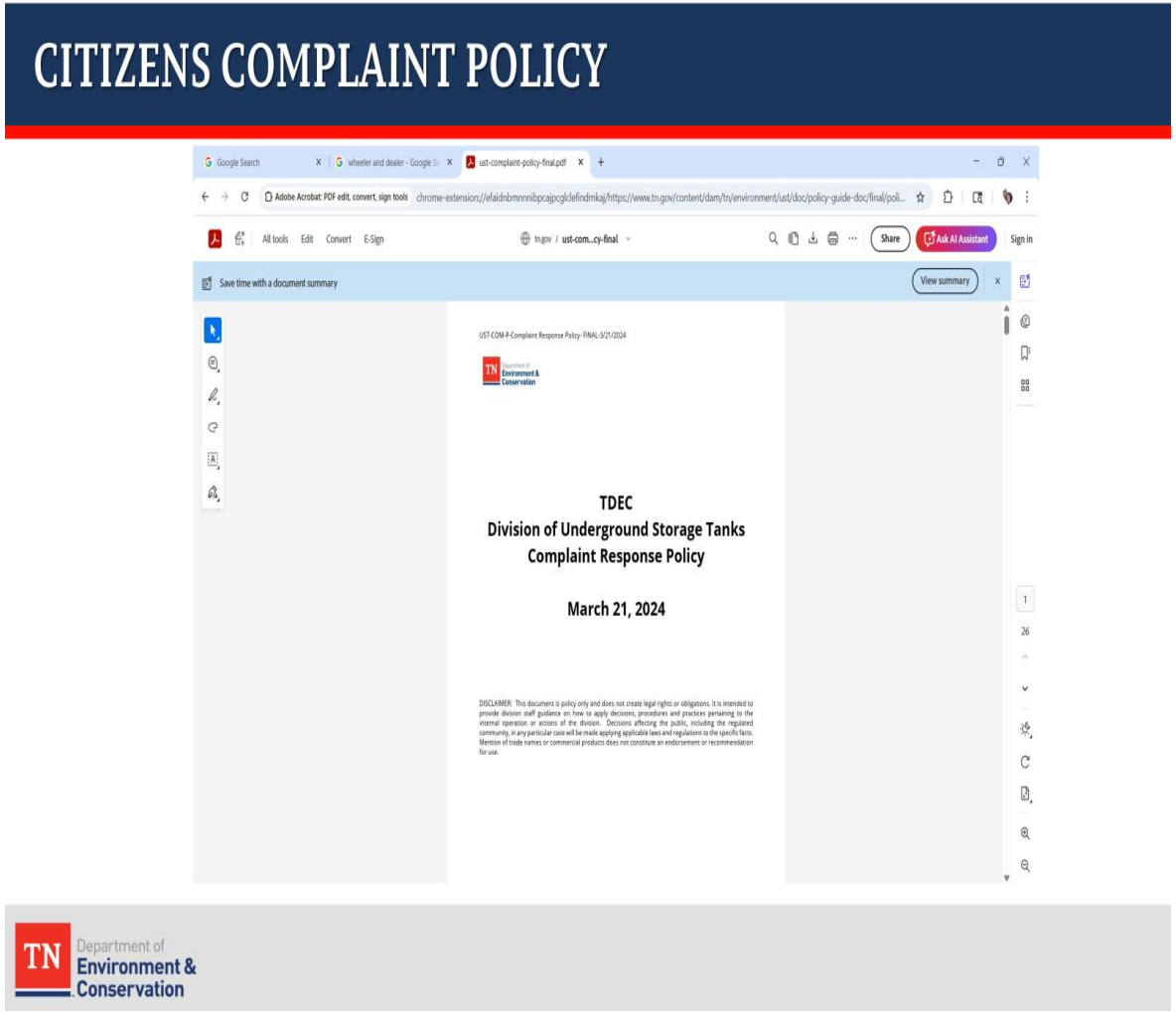
CAS Consultants — Date Sent

EXAMPLE: PROCUREMENT CARDS

- Risk
  - Misuse
- Control
  - Segregation of duties
- Monitoring
  - Random audits/staff training
- Testing
  - Pulling samples of purchases and backup documentation
  - Fundamentally, Segregation of Duties will prevent likelihood of fraud risks
  - Tourist Development
  - General Services

CITIZEN ENVIRONMENTAL COMPLAINTS

- To timely and effectively respond to citizen environmental complaints
- Determine UST jurisdiction
- Manage or appropriately refer
- Address and mitigate environmental hazards if applicable
- Input and track data to analyze trends
- Improve Division processes/procedures



OPERATIONAL COMPLIANCE INSPECTIONS

- To ensure operational compliance inspections are properly and consistently conducted
  - Example: compliance extensions extended
  - Ensure the Division does not issue compliance date extensions to timeline requirements under your rules

CHECK FRAUD

- Background
- How it turned out
- Did not rise to the level of a risk because it was an easy fix (board approved direct deposit requirement)

WHEN TO REMOVE/EDIT RISK ASSESSMENT ENTRIES

- When it's been Risk Level/Likelihood remains in the "low/low" risk category for a long time

- When the risk no longer exists
  - Funding source no longer applicable
  - Policy has become obsolete
  - Activity no longer part of the organization

- Very hard to remove

OTHER EDITS TO CONSIDER

CONFLICTS OF INTEREST

- Staff become personal friends with contractors
- Conflict of interest forms
- Inspector rotations
- Enforce penalties for violating policy

Testing the Risk Assessment

TESTING MEMO TO MANAGEMENT

- February of each year
- Monthly
- Deadlines for edits
- Deadlines for submission

DOCUMENTING THE TEST WORK

REPORTING THE FINDINGS TO MANAGEMENT AND INTERNAL AUDIT

CONCLUSION

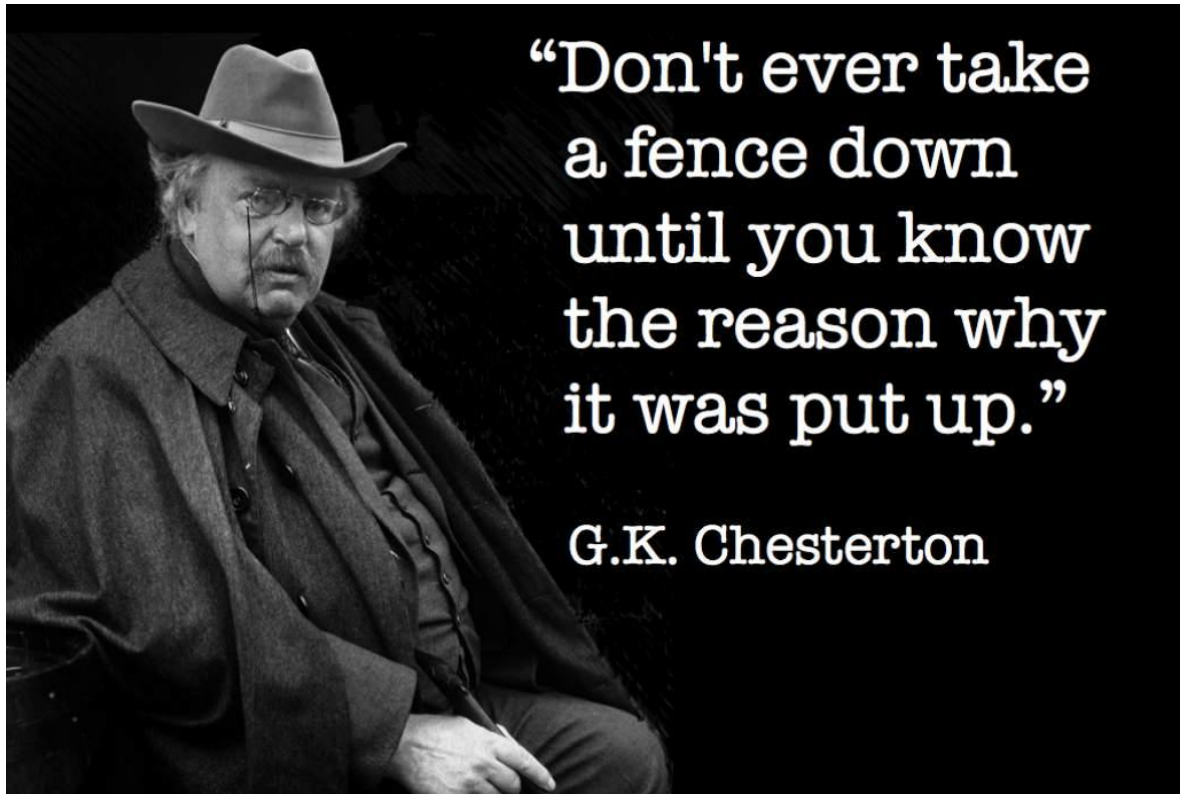
- Risk assessments are necessary to
  - maintain a proper functioning organization
  - safeguard assets
  - show staff know that we care about our work
  - keep us out of trouble

- Risk assessments need to involve all levels of your organization
  - From debit card purchases to succession planning … all levels are important

CONCLUSION

- But, most importantly … The tone at the top sets the standard for your organization

REMEMBER …



- Emphasizes the importance of understanding the rationale behind existing systems or traditions before attempting to change them.

THANK YOU/QUESTIONS

- Melinda Weir, CFE
- Environmental Investigator
- TDEC/UST
- 615-946-6256
- melinda.weir@tn.gov

FRAUD INDICATORS

OVERVIEW

- Discussion of Fraud Indicators
- Discussion of Professional Skepticism
- Discussion of Improving Fraud Determination

WHAT ARE FRAUD INDICATORS

- Fraud indicators are red flags that suggest fraudulent activity may be occurring
- These “indicators” should not be interpreted as proof of fraud
- There could be other legitimate explanations for the occurrence of these indicators

BEHAVIORAL INDICATORS

- Lifestyle discrepancies:
  - Living beyond one's means or displaying unusual wealth inconsistent with their known income
- Behavioral changes:
  - Increased irritability, defensiveness, or suspiciousness when questioned about work
- Unusual associations:
  - Forming unusually close relationships with vendors or customers, which could signal a conflict of interest
- Control issues:
  - An excessive need to control, or reluctance to share duties or take time off

FINANCIAL INDICATORS

- Unusual transactions:
  - Sudden spikes in spending, or transactions that are inconsistent with typical customer behavior
- Missing funds or missing documents:
  - Discrepancies in financial records or a prevalence of missing supporting documentation
- Duplicate payments:
  - Receiving multiple payments for the same goods or services
- High volume of activity:
  - An unusual increase in invoices, expenses, or purchasing without a corresponding increase in sales or activity

PROCEDURAL & CONTROL INDICATORS

- Weak internal controls:
  - Gaps in systems, weak oversight, or management overriding controls make it easier for fraud to occur
- Lack of documentation:
  - Missing receipts, invoices, or other records to support activities
- Manual processes:
  - Requests for manual processing or checks that bypass established procedures
- Policy deviations:
  - Bypassing standard approval steps, or a lack of written policies and procedures

VENDOR-RELATED INDICATORS

- Vendor address matches:
  - A vendor's address is a mail drop, a post office box, or matches an employee's address or zip code.
- Sole-source contracts:
  - A high volume of sole-source contracts awarded to a single vendor.
- Vendor issues:
  - Complaints from unsuccessful bidders about favoritism, or poor vendor performance despite continued payments and contracts

ADDITIONAL INDICATORS OF FRAUD

- Lack of/poor internal controls
- Lack of segregation of duties
- False or altered entries and documents
- Unexplained or questionable wealth of employee
- Personnel's lack of taking vacations

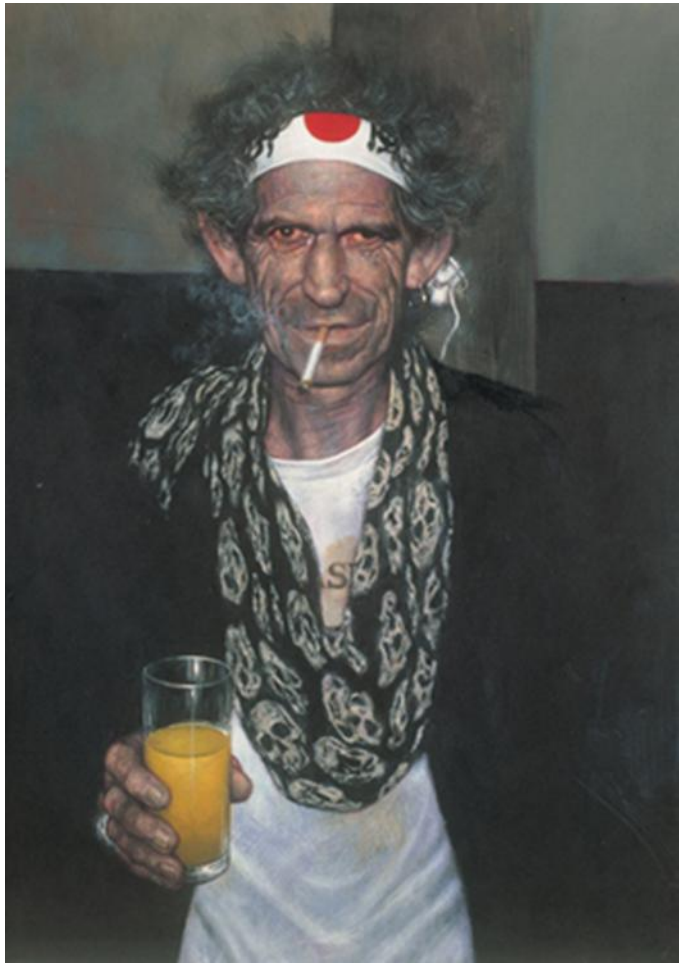
ADDITIONAL INDICATORS OF FRAUD

- Excessive or large cash transactions
- Cash or other assets readily available
- Vendor’s name or address same as employee
- Frequent complaints
- Bank deposit includes checks or credit card slips not on register tape

MORE EXAMPLES OF INDICATORS OF FRAUD

- Getting too close to vendors or customers
- Control issues
- Defensiveness
- "Wheeler-dealer" attitude
- Family problems
- Addictions
- Bullying or intimidation

INDICATORS OF FRAUD



- Financial need
  - Drug addiction
  - Divorce
  - Bankruptcy
  - Medical expenses
  - Gambling

PROFESSIONAL SKEPTICISM

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- An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of evidence

- Tell me
- Show me
- Convince me
- Use common sense!

IMPROVE FRAUD DETERMINATION

- Pay attention to detail of documents
- Investigate exceptions
- Follow through on explanations
- Go beyond documentation
- Inject an element of surprise
- Assume anyone can commit fraud
- Brainstorm the possibility for fraud
- Follow up on hints and rumors
- Examine unusual transaction
- Think like a crook

CONCLUSION

ASSUME ANYONE CAN COMMIT FRAUD UNDER THE RIGHT CIRCUMSTANCES

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TRUST, BUT VERIFY

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QUESTIONS?

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