Index

A
Abagnale Associates, 35
prevention checklist for, 51–52
red flags of, 46–47
Accounts receivable fraud, 32–33
red flags of, 47
prevention checklist for, 53
ACH Fraud
prevention checklist, 57
red flags of, 48
ACL, 135
Adelphi, 5
AIG, 68–69
Alabama, University of, 86, 110
Alcohol abuse, 13
Allen, Claude, 99
Alphabet scams, 37
Allen, Claude, 99
American Institute of Certified Public Accountants (AICPA), 81, 132
Asset theft, 1
Association of Certified Fraud Examiners (ACFE), 2, 5, 25, 70, 71, 81, 86, 129, 132
Managing the Business Risk of Fraud, 110, 112
American Greetings Corp, 97
American Institute of Certified Public Accountants (AICPA), 2, 110, 129
Antitrust, 3
Apex Analytix, 82
Association for Financial Professionals, 29, 30, 33, 36
Electronic Payments Survey, 56
Audits, 6
Audit plan, 129–131
Auditing for fraud, 131–135
Audit analytics, 135
Audit solutions, 82
Automated Clearing House (ACH), 27, 35, 38–39, 48

B
Bank of America, 68, 97
Baptist Foundation of America (BFA), 87
Bear Stearns, 5
Belton, Brenda, 74
Benford’s Law, 134
BDO Consulting, 114
BDO Seidman, LLP, 114
Biegelman, Martin, 124
Billing fraud, 22, 29–30, 93–95
red flags of, 46–47, 101–102
Bribery, 12, 70–72, 80
of vendors or contractors, 70–71, 80
of government or regulatory officials, 70, 71–72
prevention checklist of, 84
red flags of, 79, 84
Boca, Inc, 77
Bush, George W, 99
Business Strategy, Inc, 82, 86
Business and Financial Policies and Procedures Manual, Univ. of Illinois, 50–51
Business Risk of Fraud, The, 129

C
CAMS, 114
Carnegie Mellon University, 97
Cash larceny, 32
CCH, 132
CFE, 114
Check fraud/tampering, 12, 14, 26–27, 30, 35–39, 48
prevention checklists for, 56–57, 83
check altering, 37
counterfeiting, 7, 98
forged endorsements, 36
interception, 36
red flags of, 48, 79
Chief Internal Auditor, 111
CIA, 114
Clientlogic, 124
Coffey, John “Sean”, 87
Cressey, Donald, 15
Coughlin, Thomas, 69
Current ratio, 122
Cuti, Anthony, 28–29
Cyber-extortion, 43, 100
Cybersource, 99
Detection of fraud, 1, 6, 8, 20, 22, 25
Defining fraud, 8
District of Columbia’s Office of Charter School Oversight (OCSO), 74
Doxey, Chris, 86
Dual control, 83
Duane Read, 28–29
Debt-to-equity ratio, 132
Delegation of authority (DoA), 50, 82, 83, 104–105
Deloitte, 124
Dun & Bradstreet, 53

E
E-Commerce fraud, 99
Edo Corporation, 73
Embezzlement, 26–41
red flags of, 82
Employee detection of fraud, 6
Employee level fraud, 1, 2, 11–12, 22, 25–45
Prevention, 49–59
Red flags, 45–49
Employer Identification Number (EIN), 101
Enron, 5, 8, 12, 21, 75, 85, 87
Expense padding, 14
External fraud, 14–15, 93–106
Prevention checklist, 103–105
Red flags of, 101–103

F
FBI, 72, 97
Financial loss, 12, 25
First Security Bank, 98
Fleet Bank, 97
Foreign Corrupt Practices Act (FCPA), 72, 84, 89
Forged checks, 36
Forgery of endorsements, 36
Forgery of organization checks, 112
Frank, Jonny, 112, 113
Fraud, definition of, 2
Fraud, myths and realities about, 3–6
Fraud detection tools and techniques basic, 119–125
advanced, 119, 123–136
Fraud Diamond, 18, 22
Fraud personality, 59
Fraud Risk Assessment (FRA), 45, 81, 103–104, 105, 115–116, 129, 130–132, 135
role of management and board, 114–115
steps for conducting, 109–115
Fraud Triangle, 12–13, 14–17, 22, 77
Fraudulent financial reporting (FFR), 75–78, 80, 112
illegal financial transaction, 76
manipulating liabilities, 73
overstating assets, 76
prevention checklist of, 85–89
red flags of, 80
recording false sales, 73
revenue recognition fraud, 76
Frito-Lay, Inc, 98

G
Global Corruption Report, 2007, 71
Grand Rapids, MI, 86
Gupta, Nidhi, 114
INDEX

H

Hacking, 4
Halliburton Corp., 72–73
Hard indicators of fraud, 14
Harvest House Ministries, 19
Healthcare fraud, 31
Hey, Robert, 69
“hidden check” fraud, 37
Horizontal analysis, 122
Hotlines, 6, 20, 69
HSBC, 97
“Hybrid billing fraud”, 30
Idaho, Dist. of, 98
IDEA, 15
Identity fraud, 43, 95, 96, 99, 100, 103, 106
Identity theft, 95, 103, 105
Illegal financial transactions, 76
Improper revenue recognition, 112
Information theft, 1
Institute for Defense Analysis, 73
Institute of Internal Auditors (IIA), 81, 110, 120, 122
Internal audit, 6
Internal controls, 6, 7, 46, 49, 69, 78, 82, 83, 86, 89, 94, 95, 98, 108, 110, 111, 115, 121, 126, 130, 131, 135, 151
Internal fraud, 93
Internal controls
Employee level, 25–66
Management level, 67–91
Internal Standard of Auditing (ISA) #240, 121
Inventory/supply schemes, 26, 33, 35
“Inventory shrinkage”, 34
Inventory theft, 27, 30, 35, 48, 59
prevention checklist, 56
red flags of, 47
Inventory turnover, 122
K
Kickback schemes, 26, 30, 33–34, 47–48, 59–70
prevention checklists, 55–56, 84
red flags of, 47–48, 79
Kendall Regional Medical Center, 31
Kozlowski, Dennis, 67–68, 87
L
Losses due to fraud, 1, 6
Lapping, 26, 32
M
Madoff, Bernard, 20, 32, 95
Management-level fraud, 12, 78–88
Prevention checklist, 81–88
Red flags of, 78–81
Manipulating liabilities, 76
Margin analysis, 122
Massachusetts, 98
Materiality, 113
McGovern & Greene, 33
Merrill Lynch, 68
Miami, FL, 97
Microsoft Corp, 124
Misappropriation of assets, 112
Misuse of Organization-Owned Assets, 74–75
N
National Association of Purchasing Card Professionals (NAPCP), 30
National Retail Federation (NRF), 99
New York Stock Exchange, 72
Nixon Report, 35
Nigerian Government, 72
O
Overspending assets, 76
Oramas, Sylvia, 31
P
“Pass-through vendor” schemes, 29
Payroll Fraud/Scheme, 26, 41–42, 48, 59, 133
prevention checklist, 58
red flags, 48–49
Person Identifying Information (PPI), 96
Pharmed Corp, 31
Phishing, 103
Red flags of, 102
Phony vendor fraud, 27–29, 94–95, 123
P-D-R Responsibility, 20–22, 25
Poneman Institute, 97
Poneman, Larry, 97
Ponzi Scheme, 20, 32, 87
Preventing fraud, 1, 6, 20, 22, 25
Prevention environment, 86
PRG, 82
PrincetonwaterhouseCoopers Fraud Risk and Controls Practice, 112
Procurement cards, (P-Cards), 29, 30
Procurement card fraud, 47
prevention checklist, 53–55
red flags of, 47
Project on Government Oversight, 73
Projective Order Fraud
Purchasing card (P-card), 27
Pyramid Scheme, 32
R
Recording false sales, 75
Reporting fraud, 1, 6, 21–22, 25
Report to the Nation on Occupational Fraud and Abuse, 85
Revenue recognition, improper, 112
RICO law, 71
S
Sarbanes-Oxley (SOX), 88
“SCAM”model, 100–101, 106
Securities Exchange Commission (SEC), 1, 72, 73–77, 89
Segregation of Duties (SoD), 50, 82, 83, 88, 104, 106
Sexual harassment, 3
Shell company frauds, 27–28, 29, 30, 37, 50, 52, 73, 82
red flags of, 79, 98, 112
Siemens, AG, 72, 73
Singleton, Tommie, 86, 110
Skimming, 26, 32, 59
Social engineering, 44, 95–96
red flags of, 102
Soft indicators of fraud, 12–13, 22, 59
SoHo Marketing, 11
“Straw vendor” schemes, 29
SMART, 31
Statement of Auditing Standards #9 (SAS 99), 109, 110, 112–13, 116
Sub-prime mortgage crises, 4–5
Supervalu, Inc, 98, 100
System sabotage, 43
T
Target, 99
Tennant, William, 28–29
Thain, John, 68
Theft of cash, 26
Thomas, Justice Clarence, 99
Tilts, 6, 20
Tone at the top, 6, 8, 18
Transparency International, 70–71
Travel and entertainment fraud (T + E), 26, 39–41, 48–49, 59, 67–69, 79, 83, 84, 123
prevention checklists, 57–58, 83
red flags of, 48–49, 79
Trust factor, 19, 22
“trust violators”, 15
Twenty-sixty-twenty rule, 11
Tyco, 67–68, 87
U
Unauthorized purchases, 27
UniSys Security Leadership Institutes, 97
United States v. The Sum of $3,997,929.68, 98
U.S. Department of Justice, 72, 89
U.S. Office of the Comptroller of Currency, 57
V
Vendor Fraud, 4, 27, 28–29, 93–95, 127
red flags of, 101–102
Vendor Master File (VMF) Fraud, 27, 30, 32, 37, 47, 101
Vendor Profile Form, 60–61
Vertical analysis, 122
Victims of Fraud, 11
W
Wall Street, 77
Wal-Mart, 69
Wells, Joseph T, 2, 70, 77
Whistle-blowers, 69
Whistle-blower hotlines, 69
White-Collar Crime, 2, 101, 114
White-Collar Crime Fighter, 114
Williams, Brenda, 74
WorldComm, 5
Y
Young America Works, 74
Z
Zero Tolerance, 7, 8, 86