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The background features a collage of newspaper clippings and handcuffs. The clippings contain various headlines related to fraud, such as 'fraud and dishonesty', 'Trusted employee', 'Accountant', 'Retailer suffer heavy losses', 'Pyramid scheme exposed', and 'Crooked staff eat into profits'. Handcuffs are visible in the top left and bottom left corners.

2022 Fraud and Preventions: Getting into the Mind of a Fraudster

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November 10, 2022

... Agenda

- Introduction
- What is Fraud?
- Why People Commit Fraud and How It Occurs, “Getting Into the Mind of a Fraudster”
- Common Types of Fraud That Exist in Businesses
- Preventative Measures That Reduce the Risk of Fraud in a Remote Environment

... “Getting into the Mind of a Fraudster”

Understanding the mindset of a fraudster is a critical component in predicting and recognizing fraudulent behavior and countering the losses sustained by businesses.

We will look at various recent embezzlement cases from local, state and national headlines, and focus on the psyche of the employees who committed the fraud scheme and the dynamics behind how they exploited internal control weaknesses.

We will also highlight ways in which each of the victim companies could have prevented these acts and what internal controls your company should implement to prevent a similar theft.



What is Fraud?

“Corruption, embezzlement, fraud, these are all characteristics which exist everywhere. It is regrettably the way human nature functions, whether we like it or not. What successful economies do is keep it to a minimum. No one has ever eliminated any of that stuff”

- Alan Greenspan – Former Chair of the U.S. Federal Reserve

What is Fraud?

- Fraud is any activity that relies on deception in order to achieve financial or personal gain.
- Fraud can be committed by an individual or an organization
- Fraud becomes a crime when it is a knowing misrepresentation of the truth or concealment of material facts to induce another to act to their detriment.



Why Do People Commit Fraud?



Pressure

- Living paycheck to paycheck
 - Average inflation increase of roughly 5% in 2021 and 8% in 2022
 - Electric bills in NY estimated to increase approximately 22% this winter, while gas is expected to increase approximately 32%.
 - Food prices increased between 9.5% to 10.5% during 2022
 - Average wages and salaries increased just over 4% during 2022
- Addiction
 - Drug & alcohol
 - Gambling
 - Shopping
- Living beyond means
 - Keeping up with the Joneses

.... Rationalization

- Survival
- Feeling underpaid and undervalued
 - Unpaid overtime for salaried employees
 - Additional services performed above and beyond their job responsibilities
 - Helping the Company during tough times and not receiving “sufficient” compensation
- Dehumanizing the Company
- Poor tone at the top set by upper management

Anti-Fraud Controls

Control	Percent of cases	Control in place	Control not in place	Percent reduction
Job rotation/mandatory vacation	25%	\$ 64,000	\$140,000	54%
Hotline	70%	\$100,000	\$200,000	50%
Surprise audits	42%	\$ 75,000	\$150,000	50%
Proactive data monitoring/analysis	45%	\$ 80,000	\$150,000	47%
Anti-fraud policy	60%	\$100,000	\$183,000	45%
Fraud training for employees	61%	\$ 97,000	\$177,000	45%
Formal fraud risk assessments	46%	\$ 82,000	\$150,000	45%
Code of conduct	82%	\$100,000	\$168,000	40%
Fraud training for managers/executives	59%	\$100,000	\$165,000	39%
Internal audit department	77%	\$100,000	\$150,000	33%
Dedicated fraud department, function, or team	48%	\$100,000	\$150,000	33%
External audit of internal controls over financial reporting	71%	\$100,000	\$150,000	33%
Management review	69%	\$100,000	\$150,000	33%
External audit of financial statements	82%	\$100,000	\$150,000	33%
Management certification of financial statements	74%	\$100,000	\$140,000	29%
Independent audit committee	67%	\$103,000	\$142,000	27%
Employee support programs	56%	\$ 90,000	\$120,000	25%
Rewards for whistleblowers	15%	\$100,000	\$105,000	5%

Anti-Fraud Controls

Control	Percent of cases	Control in place	Control not in place	Percent reduction
Proactive data monitoring/analysis	45%	8 months	18 months	56%
Surprise audits	42%	9 months	18 months	50%
Job rotation/mandatory vacation	25%	8 months	16 months	50%
Formal fraud risk assessments	46%	10 months	18 months	44%
Dedicated fraud department, function, or team	48%	10 months	18 months	44%
Rewards for whistleblowers	15%	8 months	13 months	38%
Code of conduct	82%	12 months	18 months	33%
Internal audit department	77%	12 months	18 months	33%
Management certification of financial statements	74%	12 months	18 months	33%
Management review	69%	12 months	18 months	33%
External audit of financial statements	82%	12 months	18 months	33%
External audit of internal controls over financial reporting	71%	12 months	18 months	33%
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Independent audit committee	67%	12 months	18 months	33%
Fraud training for managers/executives	59%	12 months	15 months	20%
Employee support programs	56%	12 months	12 months	0%

Asset Misappropriation

- Misuse or theft of Company resources
- Most rampant in businesses, however its also the least costly:
 - Abuse of Company vehicles, office supplies, etc.
 - Theft of inventory
 - Fake payroll schemes
 - Fake billing, false invoices, fake vendor schemes
 - Skimming
 - Cash larceny
 - Check tampering
 - Expense reimbursement schemes

2022 Asset Misappropriation Statistics

Category	Number of cases	Percent of all cases	Median loss
Billing	416	20%	\$100,000
Noncash	385	18%	\$78,000
Expense reimbursements	232	11%	\$40,000
Check and payment tampering	208	10%	\$100,000
Cash on hand	199	9%	\$15,000
Skimming	198	9%	\$50,000
Payroll	198	9%	\$45,000
Cash larceny	169	8%	\$45,000
Register disbursements	58	3%	\$10,000

Financial Statement Fraud

- Deliberate misrepresentation of an organization's financial situation
- Less common than asset misappropriation, however it is easily the most costly
 - Overstating or understating profits, revenues, assets
 - Understating losses, expenses, liabilities
- Financial statement fraud may be committed to:
 - Increase performance incentives/bonuses
 - Manipulate stock/share prices
 - Receive favorable financing terms
 - Pass bank covenant ratios

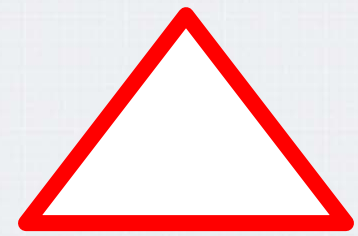
Van Duyn – Financial Statement Fraud

- Van Duyn was a nursing home under investigation for misappropriating government funds and providing false financial statements.
- The owners of Van Duyn funneled government money to themselves and their related parties, which led to limited funds at the nursing home for care staff, medication, and living materials for the residents.
- The investigation showed total payments of \$60 million to one of the owners' LLCs from 2016 to 2020 to pay for "food, management, and other services."
- The record showed that Van Duyn received \$26.18 million in Medicaid and Medicare in 2020 alone, which accounted for 64% of the nursing home's patient revenue.
- Van Duyn manipulated their financial statements to report a net loss of \$1 million in 2020. The net loss helped them apply for additional Medicaid funding.
- Ultimately residents of the home died due to neglect caused by mismanagement and lack of resources, which caused relatives to start looking into the business operations and prompt investigations from regulatory agencies.

How It Occurred

- It's legal, even considered an industry norm, for private for-profit nursing homes like Van Duyn to funnel government money to other related private companies that provide management services and other amenities.
- Van Duyn owners claimed that nothing was wrong with contracting outside companies to pay for food and other services and defended the idea that it's good to buy goods and services from companies owned and controlled by the owners since it ultimately "saved money" for the nursing home.
- Van Duyn tried to make itself look poor since most of its profit came from the government while enriching the other related companies.
- This was a very complex scheme and involved collusion among many individuals.

Into the Mind of a Fraudster



- The motive was greed and a dehumanization of the Medicaid Program and the Federal government.
- The practice of funneling money to other companies appeared legal, as they provided legitimate services, however ultimately there was massive collusion discovered (overcharging, fictitious invoices, etc.).
- The owners wanted to make Van Duyn look like it was struggling financially, receive higher government funds and enrich other companies.
- The residents' health and overall nursing home was seen as a source to essentially steal money. The owners in fact were extremely prepared for litigation and had several defense safeguards in place in the event they were investigated.
- One of the more intricate defenses was that since Van Duyn filed for a net loss and had majority of the cash transferred out of the nursing home entity, there was nothing in the Company for residents' family members to recover in their lawsuit. The family members were forced to use larger and more technical resources to go after the related party companies and take into consideration the possibility they would recoup funds in the lawsuit sufficient to cover their legal expenses.

Preventions

- Set appropriate rules for those on top. Management should lead by ethical example.
- Train employees periodically and make sure every employee is aware of fraudulent activity.
- Review transactions to look for unusual amounts, patterns, or fluctuations in financial records.
- Know the authority to contact outside the company in the case of financial statement fraud.
- Review unusual other income and other expenses.

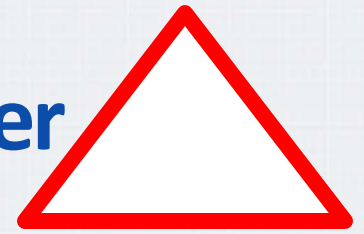
Upstate NY Contractor Corruption

- Two individuals pled guilty to a fraud scheme to obtain government construction contracts that were exclusive to businesses owned and operated by disabled veterans.
- They also plead guilty to bribing a Fort Drum contracting officer.
- Individual 1 admitted that he received approximately \$345,000 in profit from the scheme, and individual 2 admitted that he received approximately \$34,000 from his participation in the scheme.
- Individual 1 will pay approximately \$690,000, and individual 2 will pay approximately \$68,000 to the federal government as a part of the resolution for the criminal and civil punishment.
- In addition to the above payments, these two individuals can receive a maximum sentence of 20 years in prison and additional fines of up to \$250,000.

How it Occurred

- Certain government agencies offered exclusive construction contracts to Service-Disabled Veteran-Owned Small Businesses ("SDVOSB") to help disabled veterans.
- The main requirement to receive the exclusive offer is that the disabled veteran must own majority of the business and control daily business operations.
- Individual 1 saw an opportunity for exploiting these incentives to obtain more contract bids, so he added individual 2, who is a disabled veteran, as the co-owner of his company.
- The scheme was that individual 1 managed all daily activity while individual 2 did nothing. Individual 2 lived in Virginia, where he had an unrelated full-time job.
- Individual 1 also bribed contracting officers to get a further advantage on competition.
- When questioned by the government agencies, individual 2 stated that he ran daily operations in the "main office" in Virginia and maintained 25 hours a week. Individual 1 also stated that he worked substantially less than individual 2.

Getting into the Mind of a Fraudster



- The scheme was motivated by greed. The existing contractor wanted to obtain more contract work and gain an unfair advantage on competition.
- Individual 1 saw an opportunity to make the Company's qualifications appear legitimate on paper and bid and obtain the exclusive contracts that the government provided for disabled veterans
- Individual 1 felt that his actions were justified because it was the Federal Government, who in his mind was not experiencing any real harm from this. The work they paid for was still completed. There was no thought to the impact of legitimate SDVOSB who lost out on the work.
- Individual 1 didn't think that government agencies would investigate his scheme. He thought the plan was advanced enough to go undetected.

How It Could Have Been Prevented

- Create a zero-tolerance policy for bribery and corruption.
- Check on employees' relationships with clients, especially those in power, periodically.
- Look for suspicious activities like the number of times an employee meets with a client and their location.
- Create an anonymous system to report suspicious activities to the higher power that encourages other employees to report any suspicious activities without repercussion from their boss, manager, or co-worker.
- Know your customers

Medicaid Fraud in CNY

- A doctor with offices in Groton and Tully, New York agreed to pay \$900,000 to settle a civil claim of up-coding and violation of the Controlled Substance Act.
- “Upcoding” is the practice of billing for services at a higher reimbursement rate than what was actually provided and what the practitioner is entitled to.
- The doctor falsified claims for a higher reimbursement rate and submitted them to the Medicaid program and to various Medicaid Managed Care entities, from January 1, 2012, to September 17, 2018.
- The doctor then started over prescribing opioids to patients (a violation of the Controlled Substances Act), which raised suspicions for Medicaid agencies.

Getting into the Mind of a Fraudster



- The motive was greed and the Doctor's opinion that he was not compensated fairly for the actual services he provided. So, he upcoded the services to reflect the value he thought he should be receiving for his work.
- The doctor saw an opportunity for up-coding that was unlikely to be discovered when claiming for reimbursement, and he was able to get away with it for over 6 years.
- The doctor dehumanized the Medicaid system. His internal justification was that the funding for Medicaid is huge, and his upcoding scheme impacted an insignificant portion of the program.
- He also stated in his settlement agreement that he believes his charges were just.

How It Could Have Been Prevented

- Compare current reimbursement claims with previous or similar claims from the same patients (customers).
- Require clients to provide detailed documents/receipts for their expenses and reasons for irregular expenses.
- Look closely at monthly, quarterly and annual reports for usual claims from customers, vendors, patients, employees, etc.
- In this case, the doctor's admin, accounting and medical support staff did not question any of his direction in this scheme.
 - Have hotlines available or other resources for employees to go to if they discover something fraudulent

... CNY Payroll Fraud

- An attorney's bookkeeper, was arrested and charged with third-degree grand larceny.
- The bookkeeper is suspected of stealing more than \$27,000.
- The bookkeeper gave herself bonuses between \$500 and \$2,000 over multiple payroll periods stemming somewhere from between 14 to 54 weeks.
- The investigation determined that the bookkeeper altered her checks when processing payroll, which was one of her main duties at the attorney's office.

Getting into the Mind of a Fraudster



- The bookkeeper believed she was underpaid for her services. It was a small attorney's practice, and she felt the services she provided were above and beyond what she was compensated for. She started adding \$500 to her pay when running payroll and eventually felt confident enough to pay herself an additional \$2,000 per payroll toward the end of her scheme, before being caught.
- The bookkeeper saw an opportunity. There was no oversight of her duties of processing payroll. No additional approval was needed to change pay rates, hours, etc. No dual authorization needed to process payroll transfers from the Firm's checking account. No reconciliation of payroll by the owner of the business.



How It Could Have Been Prevented

- Separation of duties: the same person processing payroll should not be the same person who reviews payroll and approves the wire transfer
- Having approval of pay rates and hours worked by a second party.
- Requiring two signatures for all wire transfers.
- Have an independent person look over expenses periodically to spot potential suspicious activity.
- Periodic rotation or review of duty

... Chop House on Waring Billing Scheme

- The Chop House owner was arrested on October 8, 2021, for stealing over \$100,000 from customers.
- The owner overcharged hundreds to thousands of dollars through customers' credit cards.
- The scheme was caught when a customer who planned an event for her mother's funeral questioned the charges on her credit card
- The owner charged the customer a total of \$8,172 for the event with \$4,557 of it being fraudulent.
- The customer called the owner about the charges, and she claimed there was a mistaken charge, but the customer found out that the owner still overcharged by \$2,292 even after being refunded the "mistaken charge."
- The owner ignored customers when they tried to contact her for future questioning.
- The owner removed all her money from her bank account so the customer couldn't get a refund through the credit card company.

How it Occurred

- The owner had full control of the restaurant operations making it easier for her to overcharge customers and falsify receipts without repercussion.
- The owner only overcharged large gatherings that used a single credit card because she knew that most people and businesses would not check what each attendee ordered. She targeted company events.
- The owner started out overcharging customers hundreds of dollars on their bills and ultimately increased the overcharges to thousands of dollars.
- The scheme allowed her to steal over \$100,000 over a period of 6 years or roughly \$17,000/year. Police believe that the fraud amount is much greater, but most customers are still oblivious to the fact that they have been scammed.

Getting into the Mind of a Fraudster

- The owner's motivation for the fraud was greed, as the police were unable to find any other vices leading to the fraud.
- By starting small, she tested her theory that large parties did not reconcile the invoices she sent or the payments she charged to the actual services that were being provided. She targeted middle and upper-middle-class business owners that went to Chop House for large gatherings.
- With full control and a great scheme, The owner was able to scam most customers.
- The scheme would have gone on for a longer time if she hadn't become too greedy and started charging customers twice the amount of the bill.



... Preventions

- Restrict use of credit cards
- Limit the amount that can be charged
- Require approval for large amounts
- Examine credit card statements and receipts each month
- Have a strict review process that includes the reconciliation of receipts, charges, and payments from bank accounts to pay off the cards.

... Syracuse City School District Payroll Scheme

- Beginning 2015-2016 Syracuse City School District (SCSD) received federal grant funds to operate a high school dropout-prevention program.
- The Twilight Program is an after-school credit recovery program from 3 p.m. to 7 p.m. that helps students make up classes to accumulate enough credits to graduate.
- Twilight Program Coordinator at Henninger High School instructed certain Twilight staff to claim hours on their timecard based on the federal grant funds available in the Twilight budget, not on the number of hours they worked
- The coordinator and his accomplice (former Henninger teacher) falsified timecards, submitted them for payment and falsely attested to their accuracy.
- The scheme was caught in 2017 when another district employee blew the whistle upon noticing empty classrooms and false class offerings. Prompting her to dig into it deeper and finding further that students were enrolled in fake classes.
- The coordinator and his accomplice fraudulently obtained over \$31,000 with their falsified timecards.
- The investigation also showed that the school administration knew about the scheme for several years, but failed to intervene as it increased the graduation rate of the school.

Getting into the Mind of a Fraudster

- The coordinator used his position of authority as the Program Coordinator to take advantage of the Twilight Program.
- The coordinator knew exactly how much funds were available in the Twilight Program and had little oversight. There was no review or verification of the information he submitted through the program. He used that knowledge as an opportunity for fraud.
- The coordinator recruited another teacher to help him with the scheme, knowing he would need help to create fake classes and timecards.
- The coordinator's father was also on the school board and the school turned a blind eye to the scheme for several years due to the benefit from the increased graduation rate.
- The scheme lasted three years before action was finally taken by the state Education Department Office of Audit Services in 2019.

Preventions

Use proper segregation of duties. Set up a system of checks and balances.

Conduct independent reviews variously throughout the year. Program and department coordinators should not be above supervision and review themselves.

Utilize electronic timecards, CCTV systems and implement technology with hard to override controls where applicable.

Limit the number of people that can modify wage rates, hours, bonuses, vacations, etc.

Regulate employee behavior

Cash Larceny Scheme

- Cash Larceny - the action of stealing cash that has already been recorded in the books. Cash larceny is often perpetrated by an employee without the consent or knowledge of the employer.
 - Types of Cash Larceny
 - Stealing cash from the register
 - Reversing cash transactions
 - Altering cash counts
 - Writing personal checks to cover theft
 - Transferring money to personal account

Isaac Eames Case

- Isaac Eames, who was a grant writer in the sheriff's civil division and managed grant funds and other financial accounts.
- Eames embezzled over \$525,000 from January 2020 to July 2021.
- The account in question was for garnished wages, civil fees, and other small deposits and withdrawals. The account always had balances between \$500,000 to \$600,000 with unclaimed funds eventually going to the state comptroller's office.
- Eames made 15 wire transfers to his personal account, with 13 going through and 2 that were eventually flagged and stopped.
- On Dec. 14, the county officials were notified by JP Morgan Chase of two suspicious pending transfers of more than \$40,000 into the Eames' personal account. This led to an internal investigation for Isaac Eames.
- Eames was questioned one week before the tragedy, and on Monday, Feb. 2, 2022, the deputy killed his son, his dog, and wounded his wife, before committing suicide.

Getting into the Mind of a Fraudster



- The investigation shows that the Eames' motivation for the theft was living above his lifestyle.
- Between the Eames and his wife, their combined income was \$115,000 per year, but both have a habit of gambling.
- The stolen funds were used to fund excessive lifestyle habits, such as frequent trips to local casinos, expensive vacations, and a new house that costed more than \$200,000
- Eames likely believes that he can put the unclaimed funds to better use, like funding his lavish lifestyle.
- The account in question is now being overseen by two individuals, one of whom is a deputy and another employee.

Preventions – Cash Larceny



Separation of duties

- One employee should not be given complete control of an accounting transaction by an employer. Cash duties like cash receipts, cash disbursements, bank reconciliations, cash counts, deposits, etc. should be looked over by different employees.



Assignment rotation

- Employers should rotate employees to perform different roles to prevent employees from becoming too comfortable and starting to find ways to manipulate the system. By rotating employees to perform different roles so that there's always someone to fill the role in case of vacation or termination.



Surprise account reconciliations or cash counts

- By conducting a surprise cash count, you can not only detect fraud but also instill discipline among employees. The unexpected cash count will keep employees in check and prevent the possibility of cash larceny. For Company's utilizing non-cash transactions such as wire transfers, a surprise reconciliation of the daily cash in the bank account can be performed.

Oneida City Chamberlain Fraud

- Former chamberlain of city of Oneida is facing corruption and larceny charges for stealing more than \$78,000
- The former chamberlain is accused of stealing the payments made by cash for water, tax and sewer payments over the course of 14 years.
- The former chamberlain applied one property owner's payments to another's to keep the scheme going for a long time without raising any suspicion.
- The former chamberlain was Oneida's chamberlain from 1998 to 2021 and prosecutors suspect that she started the scheme around 2007 after having 9 years of experiences and a deep understanding of the system.

How It Occurred

- The former chamberlain saw the vulnerability of cash payments by property owners, so she used her position to steal those payments.
- The former chamberlain's plan was nearly flawless, as she only stole approximately \$78,000 over 14 years, or approximately \$5,600 per year, which is less than the average \$8,000 loss per month at the County.
- The former chamberlain also used a Ponzi-like scheme of using new payments to pay for previous, so it raised no suspicions since it's cash that hasn't been registered in the system and she had power to manipulate how that money was applied.
- The scheme was caught recently due to an audit.

Getting into the Mind of a Fraudster



- Prosecutors said that the former chamberlain spent the money on social outings and trips with friends.
- The former chamberlain saw that she was the only who collected the cash payments and manually input them into the system. She eventually recognized there was no review process from her superiors, and no one looked into her work as a part of their duties within the county.
- The Ponzi-like scheme and the small amount of stolen cash allowed her scheme to last for 14 years.
- The former chamberlain felt minimal guilt as she would eventually "pay" the citizen's bill in full once new cash came in from a separate citizen. Ultimately, after write-offs, her scheme "never hurt the individuals," only the county.

How it Could Have Been Prevented

- Separation of duties – One person should collect the payments, and another deposit the cash. Another party should also be tasked with recording the payments in the system and applying them against outstanding receivables. There should also be another party independently reviewing everything.
- Move the process to an electronic application and require homeowners to pay online or write checks and mail them directly to the office, eliminating or at least reducing cash payments to a minimum.
- Periodically review late payments and verify outstanding balances with homeowners.
- Rotation of duties.

••• Pandemic Relief Fraud

- \$800 billion handed out through the Paycheck Protection Program (PPP)
 - 10%-20% believed to be fraudulently obtained (\$80B-160B)
- \$900 billion disbursed in COVID unemployment relief programs
 - \$90B - \$400B believed to have been stolen, at least half of which was taken by international fraudsters
- \$78 billion to \$100 billion estimated to have been fraudulently obtained through Economic Injury Disaster Loans (EIDL)
- \$80 billion potentially pilfered from separate COVID disaster relief programs

How did this occur?

- All SBA-certified lenders were given full authority to speedily process PPP loans and disburse funds, by passing the typical chain of command and review process for loan disbursement
- Banks were overrun with massive application and data information being submitted (which fraudsters thrived on)
- The government took the position to “get citizens and businesses the funds they need immediately and track the down stolen funds after the fact” knowing pandemic funds would be targeted by fraudsters

Buffalo Brother \$7 Million COVID Relief Scam

- Two individuals from Buffalo are accused of filing 8 fraudulent loan applications for nearly \$7M in forgivable PPP loans for their business 5 Stems, Inc.
- The brothers lied about business operations and the size of their payroll
- They obtained \$600,000 in federal funds before being caught
- The money obtained was spent on personal expenses such as home improvements, vehicles and securities
- The government reclaimed \$400,000 of the \$600,000 disbursed
- They are both charged with wire fraud. If convicted, they each face 20 years in prison and a \$250,000 fine.

... New York Man Steals Millions in PPP Loans

- An individual of Brooklyn, NY plead guilty in May 2021 in US District Court in Syracuse to conspiring to commit bank and wire fraud to obtain more than \$5.6 million in loans from the pandemic relief program
- In July and August 2020, he submitted multiple fraudulent applications for PPP loans and EIDL's
- The applications misrepresented the number of employees and payroll at his companies and fake tax documents were also submitted
- The individual and an accomplice are accused of using \$4.9 million of loan proceeds to purchase a motel in Rockaway Beach, MO and \$1 million in real estate in NJ, including an 18-room "Tuscan-style" mansion.
- The individual faces up to 30 years in prison

... Work From Home Risks

- Data theft
 - It's easier for employees or someone related to employees to steal sensitive data.
 - Breaches of customer data can lead to loss of reputation and legal issues.
- Time theft
 - Employees might log in to work but watch tv or do other chores instead.
 - This can lead to lower productivity with higher expenses.
- Payroll fraud
 - Remote work makes monitoring payroll tasks more difficult.
 - Separation of tasks like writing and signing checks is also more difficult when the employees work apart.
- Work Compensation Fraud
 - It's difficult to know if injuries or illnesses should be considered for work compensation or not.
 - The employer has no control over the environment of the employees that work from home.

Work From Home Preventative Measures

- Data theft
 - Require employees to work only on secure networks.
 - Require employees to read and sign an acceptable use policy.
 - Issuing company-owned devices with IT software for employees to use at home.
- Time theft
 - Only allow high-performing or long-serving employees to work from home.
 - Use time tracking or monitoring software.
 - Allow flexible work hours so employees can make up work hours if they have something to do during normal work hours.
- Payroll fraud
 - Set a schedule so the needed employees work together on the same day.
 - Restricting access to payroll records as strictly as possible.
- Work Compensation Fraud
 - Provide a list of criteria that an employee's home must be to work from home.
 - Help employees set up a safe work environment and document it with photos.

... Conclusion

- Fraud has become a part of the business itself.
- All businesses are expected to face some type of fraud during their lifetime.
- Many businesses have failed to survive not because they couldn't make money, but because they didn't have an internal control system in place and put too much trust in bookkeepers and key employees.
- All businesses, especially small businesses, should invest in internal controls for the Company.
- Fraud can be mitigated with strong internal controls; however, it can never be 100% eliminated.

Questions





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