Chief Information Security Office


# Internal Fraud

### What is it?

Internal Fraud occurs when a Board Director, current or former employee, or a directly contracted third party commits fraud, colludes to commit fraud or otherwise enables or contributes to fraud. Internal Fraud is relatively rare, but organizations of all sizes must remain vigilant in order to mitigate the risks of such an event.

### Internal frauds can refer to a variety of events in isolation or in combination, including:

- Fraudulent Invoices and Purchase Orders
- Benefits or Incentive Abuse
- Change of Account Detail Requests
- Misappropriation of Client Payments System or Process Manipulation
- Client Impersonation and/or Account Takeover
- Compromise or Removal of Client Information
- Collusion (secret agreement or cooperation for an illegal or dishonest purpose)
- Insider or Rogue Trading
- Data Theft

### Best Practices:

- Instruct all staff to report all suspicions
- Staff should be aware of the process for reporting any suspicious activity
- Each department in your organization should have risk-based controls in place (e.g., job rotation, mandatory vacation, maker/checker processes, etc.)
- Segregation of Duties

### Red Flags Could Include:

- A colleague displaying an abuse of position or asking employees to circumvent procedures
- Questionably close relationships between staff and vendors
- Any employee or manager refusing to take vacations
- Reluctance to share work duties
- Changes in behavior such as increased defensiveness, short-temperedness, unreasonable suspicion of others
- An employee living beyond their means
- An unwillingness to change role