

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 such an event.

Internal frauds can relate to a variety of (combined) events:

- Fraudulent Invoices and Purchase Orders
- Benefit Abuse
- Change of Account Detail Requests
- Misappropriation of Cash Receipts

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
- ✓ Staff should not process any requests until they have verified the legitimacy

Red Flags:

- ✗ A colleague displaying an abuse of position or asking employees to circumvent procedures
- ✗ Questionable 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

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