

# Index

- A**
- Abagnale Associates, 35
  - Accounts payable fraud, 26, 27–30, 32, 33, 46–47, 50–52, 59, 132–133
    - prevention checklist for, 51–52
    - red flags of, 46–47
  - Accounts receivable fraud, 32–33
    - red flags of, 47
    - prevention checklist for, 55
  - ACH Fraud
    - prevention checklist, 57
    - red flags of, 48
  - ACL, 135
  - Adelphia, 5
  - AIG, 68–69
  - Alabama, University of, 86, 110
  - Alcohol abuse, 13
  - Allen, Claude, 99
  - Alphabet scams, 37
  - American Bankers Association, 35
  - American Foreign Corrupt Practices Act, 71
    - See also *U.S. Foreign Corrupt Practices Act*, 89
  - 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, 35, 56
    - 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
- Buca, 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
  - Collection ratio, 122
  - Collusion, 27, 30, 73, 82–83
    - red flags of, 102
  - Compliance and ethics training, 3–4
  - Computers systems, insider abuse of, 26, 44, 49, 59
    - red flags of, 49
  - Confidential info, theft of, 26, 30, 49, 59, 99–100
    - prevention checklist, 58–59
    - red flags of, 49
  - Conflict of interest, 70, 73–74, 119
    - prevention checklist of, 84
    - red flags of, 80
  - “Con game”, 100
  - Connelly Consulting, 82
  - Corporate Governance and Compliance Hotline Benchmarking Report*, 2006, 125
  - CPA, 114
  - Cressey, Donald, 15
  - Coughlin, Thomas, 69
  - Current ratio, 122
  - Customer-perpetrated fraud, 98–99
    - Red flags of, 102
  - Cuti, Anthony, 28–29
  - Cyber-extortion, 43, 100
  - Cybersource, 99
- D**
- Detecting 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, 122
  - 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, 129–136
  - Fraud Diamond, 18, 22
  - Fraud personality, 59
  - Fraud Risk Assessment (FRA), 45, 81, 103–104, 106, 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, 75
    - overstating assets, 76
    - prevention checklist of, 85–89
    - red flags of, 80
    - recording false sales, 75
    - revenue recognition fraud, 76
  - Frito-Lay, Inc, 98
- G**
- Global Corruption Report, 2007*, 71
  - Grand Rapids, MI, 86
  - Gupta, Nidhi, 114

## 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

## I

Idaho, Dist. of, 98  
IDEA, 135  
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, 129, 132  
Internal audit, 6  
Internal controls, 3, 6, 7, 46, 49, 69, 78, 82, 85, 86, 89, 94, 95, 108, 110, 111, 115, 121, 126, 130, 131, 135, 151  
Internal fraud, 93  
Employee level, 25–66  
Management level, 67–91  
International 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  
Iraqi Oil for Food Program, 72

## 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, 53  
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  
Nilson Report, 35  
Nigerian Government, 72

## O

Overstating 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  
Personal 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  
PrincewaterhouseCoopers Fraud Risk and Controls Practice, 112  
Procurement cards, (P-Cards), 25, 30  
Procurement card fraud, 47  
prevention checklist, 53–55  
red flags of, 47  
Project on Government Oversight, 73  
Purchase 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, 82, 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, 31  
“Straw vendor” schemes, 29  
SMART, 31  
Statement of Auditing Standards #9 (SAS 99), 109, 110, 130–131, 136  
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  
Tiplines, 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 \$3,597,929.68*, 98  
U.S. Department of Justice, 72, 89  
U.S. Office of the Comptroller of Currency, 37

## 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,  
*White-Collar Crime Fighter*, 114  
Williams, Brenda, 74  
WorldComm, 5

## Y

Young America Works, 74

## Z

Zero Tolerance, 7, 8, 86