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What Is Company Fraud And How Do You Stop It? (Part 2 Of 2)

By Peter Granger

In the first article of this series, I defined fraud, discussed how it can occur in a company, and provided some real-life examples of when and how it has occurred in the corporate world. (To read the first article, visit inlogik.com/12530+0+free-articles.htm.) In this – the second – article, we get down to nuts and bolts; how do you minimize fraud in YOUR company?

There are two main steps required to stop fraud in your company: Step 1 – identify your fraud risks; Step 2 – implement corporate expense management software controls to minimize those risks.

STEP 1 – Identify Your Fraud Risks

Is your company vulnerable to any of the following?

- Variances between hardcopies and computerized reports;
- Departure and return airfare on different dates but with no corresponding hotel expenses; – Meals on weekends or in non-work locations;
- Poor descriptions and incomplete documentation such as a missing boarding pass, itinerary or receipt;
- Dates out of sequence;
- Old receipts;
- Nasty or inconsistent explanations to questions regarding claims. A common response is "how dare you question me?" ;
- Copies;
- Altered receipts;

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- Credit card statements or printouts instead of receipts;

- Airline tickets:

- o Employees have been known to pay for airline tickets using frequent flyer points and then claim the cost of a ticket as an expense from the company. This can be considered a fraudulent activity;
 - o There are numerous mechanisms employed to defraud an organization through the use of airline tickets. Organizations need to be diligent when dealing with airline ticket exchanges, refunds, partial refunds and possibility the flight being claimed was not taken (evidence of car rental, parking at the home airport, meals or other expenses in the destination are not present).

- Duplications to watch out for:

- o These may not be identical amounts as in the case of partial hotel bills;
 - o Past due charges on mobile phone bills;
 - o The same expense may be reported twice in one period or in two or more periods with a different description and coding.

- Claiming personal items can also be a source of fraud against the company. These can include:

- o Travel for family members;
 - o Retail or personal purchases;
 - o Excursions added on to business trips;
 - o Extra days in a hotel, car rental etc.;
 - o Gift shop, massages, etc. may be included on a hotel bill;
 - o Non-authorized trips.

- Organizations should also be diligent in identifying expenses being claimed that were not incurred. This is especially relevant when related to the claiming of meal expenses and meal per diem expenses;

- Inconsistencies such as taxi and rental car claims for the same portion of trip or mileage calculations that are clearly inflated;

- Overstatements may or may not be deliberate, however they include typographical errors (\$34.95 reported as \$3,495) and incorrect exchange rate conversions.

There are numerous other less obvious activities that fail to comply with legislative and/or company policies. Examples of these failures include improper coding, such as: hotel bills that include meals, phone, etc., that are reported as lodging; car rental which may not fall into a company authorized class; and the use of prohibited vendors.

STEP 2 – Implement Corporate Expense Management Software Controls

In order to minimize the risk of fraud in your company, your corporate expense management software controls should be designed to provide and support the 5 W's (Who, What, Where, When, and Why). They must ensure that all reasonable, authorized expenses incurred in order for a staff member to perform their job responsibilities are paid with the corporate credit card and documented with an original, valid, unaltered receipt, and they must be implemented throughout the entire organization, at

all levels and in all functions.

In practice, these corporate expense management software processes, controls, and procedures are very broad. They relate to items such as approvals, authorizations, verifications, reconciliations, segregation of duties, reviews of operating performance, background investigations, and physical security. They need to be embedded in your day-to-day management and monitoring processes, and they need to also leverage available information technology.

Segregation of Duties as a Corporate Expense Management Control

Given the nature of accounts payable and the related functions, segregation of duties is a crucial consideration. Following is a partial list of duties related to accounts payable and how they should be segregated.

1) The person responsible for bank reconciliation should not: · Handle unclaimed property reporting · Be a signature on a bank account

2) The person who is check signature should not: · Authorize invoices for payment on an account that he/she is also a signature · Have ready access to the check stock.

3) A person who is responsible for the check stock should not: · Be an authorized signature · Handle the bank reconciliations

4) The person responsible for the master vendor file should not: · Be an authorized signature · Be able to approve invoices for payment · Handle unclaimed property

5) Individuals responsible for accounts payable functions should not also be responsible for accounts receivable.

Other Corporate Expense Management Controls

Some other corporate expense management controls that are helpful in combating fraud include:

- Requiring business purchases be made on a corporate credit cards
- Monitoring transactions on the corporate credit cards
- Direct pay of corporate credit cards
- Pre-population of corporate credit card data in expense report preparation
- A good system of approvals to prevent unauthorized reimbursements
- A thorough review of an individual's expenses over a period of time
- Implementation of a PostProcurement environment (historically we have been working in a pre-procurement environment (Purchase Requisition, Order, Receipt, Remittance, 3 Way Matching, Journal, etc.) which can lead to at least 20% of transactions being disputed.)

Corporate Expense Management Software

Corporate expense management software automates the management of expense claims, significantly reducing the risk of error or fraud and comprehensively managing all purchasing data. A good

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corporate expense management software solution can reduce processing costs by as much as 90%, so the payback period is tangible and measurable (often less than 6 months).

When choosing a corporate expense management software solution, ensure that it can manage digital data from a range of B2B transactions including purchasing cards, travel expense cards, fleet cards, mobile phones, and Internet purchasing. Information can then be integrated into operating systems including human resources, accounts payable, general ledger, and ERP. Furthermore, make sure that it accommodates all major credit card transactions, that it is non-bank specific, and that it can operate with the world's leading ERP systems.

And finally, before choosing your corporate expense management software solution, consider the fact that technology is not the entire story in achieving corporate expense management outcomes. Cultural issues, resistance to change and corporate ownership are the greatest barriers to the growth of card programs and the realization of benefits. You must be confident that your corporate expense management software solution provider has a customer-focused consultancy based approach to client relationships of which technology is only one very important part.

Conclusion

Fraud is a significant cost to many (if not most) companies. But it doesn't have to be. By identifying your fraud risks and implementing appropriate corporate expense management controls and corporate

expense management software, you can very effectively minimize your fraud risks. And with the right corporate expense management software solution, ROI within 6 months is very achievable.

* Peter Granger is the CEO of Inlogik Pty Ltd. Inlogik owns and distributes ProMaster, a Corporate Expense Management Software Solution used by over 250 major corporations in 40 countries. See

<http://www.inlogik.com>

Are You Worried About Credit Card Fraud

By Peter Kenny

Are you worried about your credit card or debt card being stolen? You're not alone, it's estimated that 51% of people in the UK are concerned about their credit and debt cards being stolen. Credit card fraud is a consent worry, and with more people using their cards as their main source of paying for services and goods. It gives the criminals many more chances too get information from our cards.

Credit card fraud is not new, the companies seem to be getting a head on how to stop the criminals, and then they come up with a new way it's a never-ending problem. Credit card skimming is just one of the problems, that is where they take the information from the magnetic strip and transfer it on to

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another card. The companies are trying hard to fight back and they have hit back with the chip & pin card, which seems to be reducing fraud but give it time no doubt the criminals will find a way around that.

There are ways to help yourself with credit and debt card fraud, below are some useful tips in keeping the criminals at bay.

- Never let your credit or debt card out of your sight
- Never keep your Pin number with your card
- Don't give your Pin number out to anyone
- When withdrawing money from an ATM machine make sure no one can see your Pin number
- Check bank statements very carefully any problems contact bank immediately
- Paying for goods with your card double check the amount before entering Pin
- Keep chequebook and cards separate at all times
- Report your lost or stolen cards immediately
- Make sure you destroy statements and old cards properly, leaving no account numbers visible

The tips above will help you to fight credit or debt card fraud but we have to be vigilant at all times. As I said earlier with more people paying for goods and services with there cards, it gives the criminals more opportunities to get our information so it's up to us to do what we can. With online shopping becoming very popular a lot of us worry about paying for goods over the net, credit card companies are trying to put our minds at rest. With most of them giving you extra fraud cover most give this cover free, but some do charge you so just check with your credit card company.

Credit and debt cards are here to stay so lets hope in the near future that the credit card companies, can rid us of credit card fraud but I am afraid it's big business costing us millions every year.

Peter Kenny is a writer for

<http://creditcards-gb.co.uk>

. For additional articles and an extensive resource

for everything about credit cards, please visit us at

<http://www.creditcards-gb.co.uk>

and

<http://www.creditcards2go4.com>

For credit card advice please visit here

<http://www.creditcards-gb.co.uk/creditcardadvice.html>



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