



Inside Employee Fraud

Introduction

Employee fraud is the dishonest practice and misconduct that is committed by an employee of an organisation through the abuse of their position in the workplace.

These acts of fraud result in financial loss for the employer and in some cases, reputational loss for the employer.

Categories

Financial Statement Fraud

- Improper Disclosures
- Liability & Expense Manipulation
- Improper Asset Valuation
- Overstating Revenue

Payroll Manipulation

- Ghost Employee Fraud
- False Expenses Fraud
- Sick Leave Fraud
- Unauthorized Bonuses
- Commission Fraud
- Pay Rate Alteration
- Timesheet Fraud
- Advance Payment Fraud

Asset Misappropriation

- Theft of Cash on Hand

- Unrecorded Sales
- Refund Schemes
- Fraudulent Billing
- Overstated Employee expenses
- Fake receipts for reimbursement
- Multiple reimbursements
- Forged cheques

RED FLAGS

Being able to detect fraud requires individuals to have observational skills that are sharp. Organisations can detect and prevent fraud through looking for red flags that are common characteristics amongst employees who have committed fraud within an organisation.

A few red flags:

- Living beyond one's means
- Skipping approval steps & Unhappy with Employer
- Unwilling to share duties
- Gambling problems
- Aggression or Defensiveness

Payroll fraud is a silent threat that can undermine the financial stability and reputation of any organisation.

Who will typically commit fraud?

According to ACFE, living beyond one's means and financial difficulties are the top common red flags for employee fraud in each of their reports.

The Occupational Fraud 2024: A Report to the Nations by the ACFE shows that the primary perpetrators who were most likely to commit employee/occupational fraud were to be:

1. **Male** - 74% of cases
2. **A Manager** - 41% of cases
3. Aged **36 to 40** - 19% of cases
4. College **educated** - 67% of cases
5. Employee for 1 to 5 years - 45% of cases

6. Living beyond their means - 39% of cases
7. Employed in the operations department - 14% of cases

Source: <https://www.acfe.com/-/media/files/acfe/pdfs/rtnn/2024/2024-report-to-the-nations.pdf>

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