AGENDA

Who we are
• Aldo Lagrutta
• Sam Brown

Common Fraud Schemes

How can Internal Audit Help
• Continuous Monitoring
• Vendor Management
<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>Cases</th>
<th>Billing</th>
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<th>Cash on hand</th>
<th>Check and payment tampering</th>
<th>Corruption</th>
<th>Expense reimbursements</th>
<th>Financial statement fraud</th>
<th>Noncash</th>
<th>Payroll</th>
<th>Register disbursements</th>
<th>Skimming</th>
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**LESS RISK**

**MORE RISK**
COMMON FRAUD SCHEMES

1. An understaffed payroll department updates bank account (direct deposits) and pays rogue employees (ACH to personal bank acct)
   
   **How does IA help?**

2. During years of bounty, the head of accounting creates fictitious general ledger entries to place revenue into an expense accrual, then in lean years writes off those expense accruals to gain that revenue back
   
   **How does IA help?**

3. A cost center owner has a close relationship with a vendor and pays higher than normal rates for the vendor services then personally gains benefits through “kick backs”
   
   **How does IA help?**
- Google & Facebook – Impacted (between 2013 & 2015)
- Google - $23 Million
- Facebook $100 Million
**STEP 1:** Fraudster incorporates in Lithuania using name of popular vendor used by Google/Facebook

**STEP 2:** Through social engineering – prepare a fake invoice for legitimate services with valid vendor name but fraudster’s newly created bank account (in Lithuania)

**STEP 3:** Google/Facebook business owner receives the invoice from similar domain (e.g. dloitte.com, and submits to AP for payment)*

**STEP 4:** Accounts Payable updates bank account based on new invoice approved by business user.

**STEP 5:** Payment processed to Lithuanian bank for legitimate services based on on-going invoicing.

*Unconfirmed – unable to verify through public indictment*
Thieves steal over $650K from Utah bank in wire fraud

By Mike Anderson, KSL TV | Posted - Oct 1st, 2019 @ 10:26pm

LOGAN — Cache Valley Bank employees said scammers were able to wire over $655,000 to Hong Kong in a fraud scheme while posing as an employee from a local business.

Logan Police Captain Curtis Hooley said the wire request came down through an email.

“It was supposed to be from Visionary Homes,” Hooley said. “There was a phone number listed on that email to verify that transaction. The bank employee called that phone number.”

“(Visionary Homes) believed that one of their employees had their email hacked,” Hooley said.
BUT WE HAVE CYBER INSURANCE, WHO CARES?

WELLLLLLL......HOPE THEY HAD INSURANCE
HOW CAN INTERNAL AUDIT HELP

• **Training & Education** - Business/Process owners need to be cautious about the source of their invoices. They perform no bank account verifications. The sole purpose of business owner is to approve the validity of the product/services rendered.

• **Control Check** - In the event an invoice is submitted for payment with bank account/payment details not matching master data records consider additional check to verify updated bank information.

• **3rd party tools** - Shift risk to your vendors and implement payment instructions self-service through 3rd party vendor portals.

• **Continuous Monitoring** – Implement automated daily audits.
OUR CONTACT INFO

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- Sam Brown sam.brown@Activision.com