

Langlinais



*Common Symptoms
of Fraud*

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Camouflage & concealment:

1. Documentation is missing or inadequate;
2. Transactions occur at unusual hours or on unusual days;
3. Columns and rows are hidden or white font is used in spreadsheets;
4. A vendor invoice is very generic, e.g. *Services* or *Consulting*;
5. Terms have been altered manually or via undocumented side deals;
6. Access to records is denied without a sound reason;
7. One-sided / top-side entries are prevalent in the GL.

Significant deviations from baseline behavior:

1. There is no evidence of performance / no receipt of goods;
2. Top performance, especially by a new employee;
3. Unbelievable consistency in performance;
4. Heavy pattern of complaints by third parties: vendors, customers, stakeholders;
5. Presence of a thief's adding machine;
6. Too many "low ring" sales;
7. Unusual number of sales voids, reversals, discounts, or refunds;
8. Too many Work Order or Job Order cancellations;
9. Amount of goods sold or purchased is unreasonable (3 laptops for every employee);
10. Deposits take several days to appear on the bank statement.

Violations of time & space:

1. Consistent rush jobs, e.g. *please hurry, return to me ASAP, do this by COB today!!!*;
2. Perishable products expire too quickly;
3. Brand new products written off to excess & obsolete;
4. Unusually high overtime by an employee;
5. Too many hours billed by a service provider;
6. Processes are occurring in the wrong sequence, e.g. an invoice is paid before the purchase request was entered into the system;
7. Receivables never come due;
8. Spikes occur around key thresholds.

Violations of logic:

1. The person or place doesn't exist;
2. Transactions equal but shouldn't, or don't equal but should;
3. A branch or business unit is earnings-rich but cash-poor;
4. Unexpected blank fields in system data (payroll recipient without a tax ID, product sale without a bill of lading, fixed asset with no useful life, inventory with no cost basis);
5. Name of the vendor delivering the product or service does not match the invoicing vendor;
6. A system-generated document contains math errors, or isn't properly formatted or justified;
7. An account is exponentially increasing in activity, period after period;
8. Dead people are involved in a transaction.

Footprints:

1. Too many transactions of the exact same amount;
2. Personnel post entries affecting themselves;
3. Vendor address, tax ID, or phone number matches an employee's;
4. Unusual number of field changes in a record (e.g., their address changed 25 times in the past year);
5. Large, round sum cash transfers to odd locations or unknown accounts;
6. Transactions are duplicated or identically split;
7. Key words* flag a transaction.

*In general, your Key Word Searches should flow from your brainstorm and / or any allegation of suspected wrongdoing. Don't forget the obvious words, and don't assume people wouldn't be so obvious; we've seen "Fraud Expense" in a general ledger!

The lists below will get you started. Asterisks indicate wild cards to capture all forms of the word root. When searching databases in foreign languages, learn the local idioms and translations conveying the spirit of these words and phrases.

Key words for fraudulent financial reporting:

ADJ*, ACCR*, EST*, SUSP*, CORR*, REVERS*, PLUG*, RESIDUAL, and PER (insert executive's name, as in "entry per the CFO"), WIITB (whatever it takes to balance).

Key words for corruption:

KICKBACK*, SUPERCED*, COMMISSION*, BRIBE*, ROYALT*, EXPEDIT*, INTERVEN*, FACILITAT*, UPGRAD*, OVERRID*, INCENTIV*, SPECIAL (HANDLING / PAYMENT / DISCOUNT), NECESSARY (HANDLING / PAYMENT / DISCOUNT), SECURITY, CLEARANCE, CUSTOMS, SLUSH, EXPRESS, THIRD PARTY ACCOUNT, GIFT*, PARTY, *INTHEDOOR (foot in the door, get in the door). Also CONSULT*, SERVICE*, PERDIEM, FEE (commitment fee / management fee) on invoices with no other detail.

Key words for fictitious payments:

Vendor address contains: CARE OF, CO, C/O, DBA.

Payment is flagged to “hold for pickup” or is a rush job (RUSH, ASAP, and other similar descriptors).

Payee includes “cash” or “petty” or an employee’s name.

CONSULT* or SERVIC* or FEE* as generic service description with no other detail.

Calls for Urgency:

ASAP, HURRY, EOB TODAY, URGENT, EXPEDIT*, RUSH, SOON, IMMEDIAT*, AWAY (as in right away, straightaway).