FRAUD AWARENESS & PREVENTION
AN IMPERATIVE STRATEGIC INTERVENTION

“If we always do
What we always did
We’ll always get
What we always got”

Courtesy

The (W)Right Coaching cc

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# Table of Contents

1. Executive Overview Page 3
2. Why The Need For Fraud Prevention and Awareness – Applicable Legislation, the Prevention of Corrupt Activities Act 2004 Page 5
3. King II and The Role of Ethics in Fraud Prevention and Awareness Page 5
5. Sustainable Intervention Required Page 8
6. The Intervention – Ethics, Fraud Prevention, Awareness, and Communications Strategy and Business Plan Page 8
7. Closing Page 11
1 EXECUTIVE OVERVIEW

According to the Association of Certified Fraud Examiners, the average organisation loses 5% of its annual turnover to fraud. Here in South Africa the NPA (National Prosecuting Authority) and Dept of Justice, put the annual fraud losses between R80 – 150 billion per annum (2007 Estimate), which equates to an average loss of 6 -12% of an organisations annual turnover.

To this end, the 6% potential loss justifies an organisation committing the same level of resources to fighting fraud that they would otherwise apply to increasing margins or sales.

In one of their most recent surveys (2006) Ernst & Young reported the following in relation to who commits fraud.

- 55% Management
- 30% Employees
- 6% Organised Crime Syndicate
- 5% Client
- 4% Supplier

In view of the foregoing, it is essential that an organization has sustainable proactive fraud prevention and awareness interventions in place, especially as “chance favours the prepared mind”. An organization must move away from the mere knowledge of fraud and possession of the appropriate mix of forensic expertise in the organization.

Once organisations expect the unexpected, and are equipped to deal with it, they begin to move to a proactive and quick response organization. This state will have been achieved when (amongst other interventions) an organization develops a documented evolving fraud prevention and awareness strategy and business plan (which is included in the organisations policies), has ongoing fraud training, fraud awareness and communication, and a group-wide negotiated code of ethics and an associated Total Ethics Management Programme (TEMP). Such interventions must be underpinned and supported by the right people in the right positions, supporting documented processes which apply to the group as a whole, associated data, and suitable technology. The result is an improved, more measurable return on proactive fraud prevention.

Organisations (organisations shall refer to companies and vice versa) tend to focus their fraud prevention efforts on processes (controls). However, fraud tends to gravitate towards untested (not monitored) areas and consequently organisations need to place greater focus on its People when implementing fraud prevention and awareness interventions. Organisations require a massive mindset change in their fraud prevention and awareness strategy, structure, and approach to sustainability of said interventions.

The Prevention & Combating of Corrupt Activities Act 2004 has a profound impact on every citizen within South Africa and therefore every organization. The Act obliges companies to prevent and report corruption or face stiff penalties, including jail, for executives who turn a blind eye. The Act obliges organisations to report all corruption matters, irrespective of the amount involved, to the SAPS. Section 34 of the Prevention & Combating of Corrupt Activities Act 2004 stipulates the Requirement to Report. Any person in position of authority, who knows / ought reasonably to have known or suspected that any other person has committed offences as mentioned (in part 1 of the Act), including (amongst others) theft, fraud, forgery, extortion, uttering of forged document involving benefits of R100 000 or more, must report it to police official.

Penalties of not complying with the Act (Section 26, specifically in relation to fraud) vary per Court as follows.

- High Court: fine / life imprisonment
- Regional Court: fine / not exceeding 18 years
- Magistrates Court: fine / not exceeding 5 years

In addition to a court fine, the court may impose fine equal to 5 times the value of gratification involved in the offence.
In light of the foregoing it is imperative that an organisation includes awareness training on the Prevention of Corrupt Activities Act 2004 as an integral part of its fraud awareness interventions. Such an initiative acts as a powerful deterrent to any would be fraudsters.

An organisation’s code of ethics and associated Total Ethics Management Programme underpins all fraud prevention and awareness interventions. Many organisations have a documented code of ethics. However, few have a supporting TEMP which is important in ensuring the success of bringing about a culture of integrity, as well as all staff embracing and living out its code of ethics (especially its values and associated behaviours). This has an impact on reducing the number of staff committing fraud within an organisation and therefore a reduction in losses due to fraud.

In view of all the foregoing, an ongoing, sustainable, and measurable fraud and ethics intervention is required within an organisation which includes:

- A negotiated code of ethics (staff and unions to be involved in the formulation of the organisation’s code of ethics);
- A Total Ethics Management Programme (TEMP);
- ‘Walk the Floor’ – interactive fraud prevention/awareness and ethics targeted as identified employees (the only product of its kind in South Africa);
- Fraud Prevention & Awareness Interventions;
- A Supporting Communication Strategy & Plan;
- Transformation Coaching.
2 Why the Need for Fraud Prevention and Awareness - Applicable Legislation, the Prevention of Corrupt Activities Act 2004

The Prevention of Corrupt Activities Act 2004 compels companies to report corruption or face stiff penalties, including jail, for executives who turn a blind eye. This places a huge responsibility on companies to ensure all employees (inclusive of executives) are familiarized (through appropriate training interventions) on the Act and therefore their responsibilities to prevent and report corruption. This alone brings about the necessity for an all inclusive, ongoing, measurable, and sustainable fraud awareness intervention within companies. A world’s best practice fraud awareness programme (high level – details would be included in recommendations after a fraud prevention and awareness audit carried out in an organization is detailed in point 8 of this document and will be implemented by Steven Wright Krummeck.


3 King II and the Role of Ethics in Fraud Prevention and Awareness

The King Report on Corporate Governance for South Africa 2002 (King II) requires that a company should demonstrate its commitment to organisational integrity by qualifying its standards in a code of ethics. A Total Ethics Management Programme (TEMP) ensures a company meets JSE listing requirements, conforms to international best practice (such as the Federal Sentencing Guidelines for Organisations (FSGO)) (1991) and the UK Cadbury Code), as well as effectively mitigate Senior Executive from litigation exposure. The code of ethics and TEMP should reflect total commitment from the Board, Group Executive and the Chief Executive of the Group. The integration of a Values statement and associated behaviours, rules and regulations are collectively known as a code of ethics.

It is expected that every company should demonstrate its commitment to its code of ethics by -

- creating systems and procedures to introduce, monitor and enforce its ethical code;
- assigning high level individuals to oversee compliance with the ethical code;
- assessing the integrity of new appointees in selection and promotion procedures;
- exercising due care in delegating discretionary authority;
- communication with and training all employees regarding enterprise values, standards and compliance procedures;
- providing, monitoring and auditing safe systems for reporting of unethical or risky behaviour;
- consistently enforcing appropriate discipline; and
- responding to offences and preventing reoccurrence.

Annual Reports should include a statement of the extent to which the directors believe the ethical standards and above criteria of the code of ethics are being met.

Steven Wright Krummeck is a Certified Ethics Officer and will formulate an Ethics Project Charter in conjunction with your organization to ensure the foregoing best practice TEMP is implemented.
4 What the Experts Say

The Association of Certified Fraud Examiners Report 2006 on Occupational Fraud & Abuse reveals insightful facts as to why it is imperative for companies to implement ongoing fraud awareness and prevention interventions.

Detailed below are some of the most pertinent points, the most important being the last point in respect of the positive impact (in the reduction of fraud incidents and loss amounts) of organisations having proactive fraud awareness and ethics training interventions.

“The term ‘occupational fraud’ may be defined as: The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.”

“Occupational fraud schemes can be very difficult to detect. The median length of the schemes in our study was 18 months from the time the fraud began until the time it was detected.”

“Occupational fraud and abuse imposes enormous costs on organisations. The median loss caused by the occupational frauds in this study was $159,000 (+- R1113000). Nearly one-quarter of the cases caused at least $1 million (+- R7000000) in losses and nine cases caused losses of $1 billion (+- R7 billion) or more.”

“This Report includes organisations representing a wide range of industries. The industries with the highest median losses per scheme were wholesale trade ($1 million/+R7 million), construction ($500,000/+R3.5 million) and manufacturing ($413,000/+R2.9 million). Government organisations ($82,000/+R574000) and retail organisations ($80,000/+R560000) were among those with the lowest median losses.”

“The size of the loss caused by occupational fraud is strongly related to the position of the perpetrator. Frauds committed by owners or executives caused a median loss of $1 million/+R7 million. This is nearly five times more than the median loss caused by managers, and almost 13 times as large as the median loss caused by employees.”

“Small businesses continue to suffer disproportionate fraud losses. The median loss suffered by organisations with fewer than 100 employees was $190,000/+R1.3 million per scheme. This was higher than the median loss in even the largest organisations. The most common occupational frauds in small businesses involve employees fraudulently writing company checks, skimming revenues, and processing fraudulent invoices.”

“One reason small businesses suffer such high fraud losses are that they generally do a poor job of proactively detecting fraud. Less than 10% of small businesses had anonymous fraud reporting systems, and less than 20% had internal audit departments, conducted surprise audits, or conducted fraud training for their employees and managers. This helps explain why more small business frauds were detected by accident than by any other means.”

“Most of the occupational fraud schemes in our study involved either the accounting department or upper management. Just over 30% of the occupational frauds were committed by employees in the accounting department, and slightly more than 20% were committed by upper management or executive-level employees. The next most-commonly cited department was sales, which accounted for 14% of the cases in our study. Nearly two-thirds of the victim organisations in our study routinely conducted background checks on new employees. However, less than 8% of the perpetrators had convictions prior to committing their frauds. Although background checks on new employees can be a valuable anti-fraud tool, our data suggests that other measures such as fraud training, surprise audits and anonymous reporting mechanisms can have a more significant impact in detecting fraud.”

“Asset misappropriations were by far the most common type of occupational fraud in our study, occurring in over 90% of all cases. Meanwhile, cases involving financial statement fraud were the least common, but had the largest impact when they did occur. The median loss of $2 million/+R14 million in schemes involving financial statement frauds was 13 times greater than the median loss for schemes involving asset misappropriations and nearly four times greater than the median loss in cases that involved corruption.”
Effect of the Perpetrator’s Position

“Our past studies have indicated — and our current study confirms — that the level of authority a person holds within an organization will tend to have the most significant impact on the size of the loss in a fraud scheme. The more authority an individual has, the greater that individual’s access to organizational resources, and the more ability that person has to override controls in order to conceal the fraud. We asked respondents to classify the principal perpetrator in each scheme in one of three categories: (1) employee; (2) manager; or (3) owner/executive. As the following charts illustrate, most of the perpetrators were either employees (41.2%) or managers (39.5%). Owner/executives made up less than one-fifth of the perpetrators, but they accounted for the largest losses by far. The median loss in a scheme committed by an owner or executive was $1 million. This was nearly five times more than the median loss in a scheme committed by a manager and almost 13 times as large as the median loss caused by employees.”

Fraud Awareness/Ethics Training

“Among the victim organisations in this Report, 45.9% employed a fraud awareness or ethics training program for their managers and employees. The goal of such training is to make staff aware of how fraud is committed and to emphasize the importance of being watchful and reporting fraudulent conduct when it is observed or suspected. The median loss in organisations with fraud training in our study was $100,000 — half that of the loss for those organisations with no training. These organisations also experienced fraud schemes of a significantly shorter length.”
The foregoing facts clearly show the need for a proactive fraud prevention and awareness intervention, especially as most organisations are of the view that fraud is perpetrated by staff and those outside of the organisation.

5 Sustainable Interventions Are Required
Occupation fraud has been a world-wide phenomenon for centuries and will not be reduced or eradicated without dedicated resources and a long term, measurable and sustainable fraud prevention and awareness intervention. This view is accepted and promulgated by all leading accounting firms across the world.

It is with this in mind that we strongly urge organisations to implement the best practice fraud prevention and awareness interventions as detailed in point six below.

6 Fraud Awareness and Ethics Interventions

The first step in implementing fraud prevention and awareness interventions within an organisation is to conduct a survey/audit of what the status quo is in regard to what fraud prevention and awareness interventions are in place. A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis will also be carried out in respect of the organisations fraud prevention and awareness readiness. This analysis will include (amongst other things) a review of whether the most suitable people are appointed to this specialist field, what processes drive the various fraud prevention and awareness interventions (if any), what data is available (if any) and how it’s used to measure the effectiveness of any fraud prevention and awareness interventions, and thereby empower the people to prevent fraud and create awareness, and finally what technology is in place.

The second step is to make fraud prevention and awareness recommendations which should be implemented within the organization based on the findings in step one above.
Some of the interventions that would be recommended are listed below. A detailed description of each of these items would be included in the recommendations. The items below are listed merely to give a sense of the interventions.

- **Ethics & fraud** prevention and awareness champions strategically placed within the organization. These champions would have to go through train the trainer training to ensure they are knowledgeable on what is required of them to drive fraud awareness within their area of responsibility;

- Fraud prevention and awareness written into identified employees **performance agreements and appraisals** (probably under the category of risk management);

- **Publications** – awareness articles to be featured in internal publications;

- Fraud prevention and awareness **posters, flyers and videos** distributed throughout the organisation;

- Prevention & awareness **workshops** (including electronic pre & post surveys) presented to identified areas to raise levels of awareness and bring about greater involvement in fraud prevention;

- Fraud prevention and awareness **induction training** – all new employees to be taking through fraud awareness workshops;

- ‘**Walk the Floor’** – interactive fraud prevention/awareness and ethics targeted as identified employees (the only product of it’s kind in South Africa);

- **Fraud champion** process – Fraud awareness champions would be identified and monitored electronically via an Intranet site (fraud Intranet to be developed and implemented). Each champion would have a personal login and responsibilities, and monthly compliance checks to be carried out via the Intranet. They will be required to ensure compliance to fraud prevention and awareness training and fraud related messages, that fraud prevention & awareness initiatives are all in place, identified training has been attended, and so on);

- **Audit** will have fraud awareness checklists which would be completed electronically, thus giving the organization an instantaneous view of who within the organisation was fraud awareness compliant;

- **Hotline** facility where staff are able to report their suspicions of who is involved in fraud, dishonesty, bribery, and corruption, as well as known fraud incidents;

- **Computer Based Training (CBT).** Amongst other things, the CBT facility will include video clips, questionnaires on fraud awareness and prevention subject matter, surveys, reporting, ethics training, and
  - **Fraud awareness training.** Modules will focus on the following (and can be added to): -
    - Identifying fraud;
    - Recruiting the right staff;
    - Implementing a fraud awareness culture;
    - Why fraud occurs;
    - Risk profiles;
    - Why employees commit fraud;
    - Identifying staff fraud;
    - Warning signals;
    - Crime syndicates;
    - Creating a culture of integrity;
    - Case studies;
    - Incentive scheme;
Protected Disclosures Act (Whistle blowing)

- Policies
  - Zero Tolerance Policy;
  - Fraud Reporting Policy; and
  - Fraud awareness Policy.

- A world’s best practice **Total Ethics Management Programme** that would include at least the following: -
  1. CEO, Executive and Board buy-in and endorsement;
  2. A **code of ethics** which includes input from all **employees and unions**;
  3. Systems and procedures to introduce monitor and enforce its code of ethics;
  4. Pre-launch Ethics Survey (Ethics Thermometer) and results;
  5. Internal and or External Ethics Hotline complete with feedback and reporting mechanisms;
  6. Internal Ethics HelpLine complete with feedback and reporting mechanisms;
  7. An active Ethics Committee responsible for acting on unethical behaviour reports;
  8. A documented ethics committee responsible for acting on unethical behaviour reports;
  9. Delivery of ‘Train the Trainer’ Ethics Director’ training;
     - Train senior executives regarding the workings of a TEMP;
     - Train Ethics Champions within the company; and
     - Train Ethics Trainers to assist in the proposed Ethics Office with ongoing group wide awareness;
  10. Documented ethics monitoring / measurement of compliance plan;
  11. Amended HR Templates;
  12. Non-compliance reporting guidelines;
  13. Disciplinary guidelines for non-compliance to be included in existing HR Policies;
  14. A documented comprehensive communication plan;
  15. Defined awareness campaign, complete with dependencies;
  16. Actioned awareness campaign;
  17. Actioned training plan;
  18. Actioned monitoring plan;
  19. Actioned communication plan. To make use of various communication channels to reach a diverse audience: -
     - Intranet site
     - Regular email communications
     - Internal publications/newsletters
     - Question and answer documentation
     - Print e.g. poster campaigns
     - Other channels as defined in the communication plan.

- **Culture Change Intervention** The first and only intervention of its kind in South Africa. This intervention sets about changing the hearts and minds of employees within organisations to become truly honest with impeccable integrity. It enables employees (amongst other things) to discover and embrace their authentic selves and their core values, reach higher levels of consciousness, and therefore greater positive control in their lives and work;

- **Transformation Coaching.**
  Research by the International Personnel Management Association, results of which were published in January 2001, concluded that "ordinary training typically increased productivity by 22%, while training combined with coaching increased productivity by 88%".

  Coaching adds a powerful edge to fraud awareness training interventions. A transformation coach would be assigned to key individuals to coach them through the transformation process needed to bring about the successful integration of a comprehensive anti corruption intervention such as the one proposed in this document.
In another survey, the Chartered Management Institute showed that 80% of coached executives said that they would benefit from coaching at work and dismissed the suggestion that coaching was a fad. In addition, 96% said that coaching should be available to employees regardless of seniority.

The **third step** would be the identification of those interventions (as listed above) the organisation required to be implemented. This would include a costing and budget allocation and approval.

The **fourth step** is the development and implementation of the identified interventions.

The **last step** is to ensure a seamless handover to the client where appropriate skills and knowledge is handed over to the client.

### 7 Investigation Service – Not Available At Present

We have formed a powerful affiliation with a leading investigations company. Therefore we are able to afford you an investigation service over and above all of the foregoing.

The investigations company is a South African based private investigation agency of many years experience. Our main office is situated in Gauteng, but we form part of, and are associated with an extensive network of investigators throughout Southern Africa and are therefore able to service the tip of the African Continent. In recent years, the ability of the State to conduct criminal investigations has declined, leading to an increase in the number of private investigators and corporate forensic investigators.

The investigations company is an organisation dedicated in their fight against crime and corruption. Our client base over the past years have consisted of Private Individuals, Small Companies, Corporates, Attorneys, Private Banking Sector and the South African Police Services.

Investigation services have become an interactive business in South Africa and fulfil an increasing role in our criminal and civil justice system. Only by enhancing the professional level of service, extensive training and acceptance of its necessity within the criminal justice system and its role-players will private and corporate investigation fulfil its rightful place.

### 8 Closing

No organisation in South Africa is exempt from occupational fraud as summarised in the graphs below (Source: 2006 Association of Certified Fraud Examiners Report to the Nation on Occupational Fraud & Abuse). Therefore they cannot afford to be without some form of ongoing fraud prevention and awareness programme.

It is with the foregoing in mind that we strongly urge organisations to utilise our services to audit their status quo in regard to fraud prevention and awareness initiatives as well as implement appropriate identified interventions as detailed in this document.

Our service offering is unique in that it has interventions which are ground breaking in the area of creating an ethical, honest culture, where integrity is the norm.
Source of graphs: 2006 Association of Certified Fraud Examiners Report to the Nation on Occupational Fraud & Abuse

### Schemes Involving Cash Receipts and Cash On Hand

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Cases Reported</th>
<th>% of Asset Mis. Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skimming</td>
<td>Any scheme in which cash is stolen from an organization before it is recorded on the organization’s books and records.</td>
<td>• Employee accepts payment from a customer but does not record the sale.</td>
<td>196</td>
<td>16.9%</td>
<td>$76,000</td>
</tr>
<tr>
<td>Cash Larceny</td>
<td>Any scheme in which cash is stolen from an organization after it has been recorded on the organization’s books and records.</td>
<td>• Employee steals cash and checks from daily receipts before they can be deposited in the bank.</td>
<td>147</td>
<td>14.2%</td>
<td>$73,000</td>
</tr>
</tbody>
</table>

### Schemes Involving Fraudulent Disbursements of Cash

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Cases Reported</th>
<th>% of Asset Mis. Cases</th>
<th>Median Loss</th>
</tr>
</thead>
</table>
| Billing          | Any scheme in which a person causes his or her employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases. | • Employee creates a shell company and bills employer for nonexistent services.  
• Employee purchases personal items, submits invoice for payment. | 294            | 23.3%                 | $130,000     |
| Expense Reimbursements | Any scheme in which an employee makes a claim for reimbursement of fictitious or inflated business expenses. | • Employee files fraudulent expense report, claiming personal travel, nonexistent meals, etc. | 202            | 19.5%                 | $25,000     |
| Check Tampering  | Any scheme in which a person steals his or her employer’s funds by forging or altering a check on one of the organization’s bank accounts, or steals a check the organization has legitimately issued to another payee. | • Employee steals blank company checks, makes them out to himself or an accomplice.  
• Employee steals outgoing check to a vendor deposits it into her own bank account. | 177            | 17.1%                 | $120,000     |
| Payroll          | Any scheme in which an employee causes his or her employer to issue a payment by making false claims for compensation. | • Employee claims overtime for unworked hours.  
• Employee adds ghost employees to the payroll. | 137            | 13.2%                 | $50,000      |
| Wire Transfers   | Any scheme in which a person steals his or her employer’s funds by fraudulently wire transferring them out of the employer’s bank accounts. | • Employee causes funds to be wired from company bank accounts to an account controlled by employee or accomplice. | 87             | 6.5%                  | $500,000    |
| Register Disbursements | Any scheme in which an employee makes false entries on a cash register to conceal the fraudulent removal of cash. | • Employee fraudulently voids a sale on his cash register and steals the cash. | 18             | 1.7%                  | $26,000     |
## Non-Cash Misappropriations

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Cases Reported</th>
<th>% of Asset Mis. Cases</th>
<th>Median Loss</th>
</tr>
</thead>
</table>
| Inventory | Any scheme involving the theft or misappropriation of physical, non-cash assets such as inventory, equipment, or supplies. | • Employee steals merchandise from warehouse or sales floor.  
• Employee diverts incoming shipments of inventory for personal use. | 172 | 16.6% | $55,000 |
| Information | Any scheme in which an employee steals or otherwise misappropriates proprietary confidential information or trade secrets. | • Employee accesses customer records for purposes of committing identity theft.  
• Employee provides company trade secrets to a competitor. | 37 | 3.6% | $78,000 |
| Securities | Any scheme involving the theft or misappropriation of stocks, bonds, or other securities. | • Employee fraudulently transfers stock held by company to personal account. | 16 | 1.5% | $1,850,000 |

## Financial Statement Fraud Schemes

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Cases Reported</th>
<th>% of FSF Cases</th>
</tr>
</thead>
</table>
| Concealed Liabilities | Schemes in which financial statements are misrepresented by improperly recording liabilities and/or expenses. | • Organizer omits significant expenses or liabilities on its financial statements.  
• Organization records revenue-based expenses as capital expenditures, falsely increasing both net income and total assets in the current accounting period. | 54 | 45.0% |
| Fictitious Revenues | Schemes in which financial statements are inflated by recording sales of goods or services that never occurred, or by inflating actual sales. | • Organizer records the sale of inventory to a phantom customer.  
• Organization creates invoices showing sale of goods to existing customer, but goods are never delivered. Sales are reversed at beginning of next accounting period. | 52 | 43.3% |
| Improper Asset Valuations | Schemes in which the value of an organization’s assets is fraudulently misstated in the organization’s financial statements. | • Organizer fails to write off obsolete inventory.  
• Organization inflates its receivables by booking fictitious sales on account to nonexistent customers. | 48 | 40.0% |
| Improper Disclosures | Schemes in which management fails to disclose material information in its financial statements in an attempt to mislead users of the financial statements. | • Organization’s financial statements fail to note potentially material contingent liability arising from a corporate guarantee of personal loans taken out by an officer.  
• Organization’s financial statements fail to note that one of its largest suppliers is owned by the corporation’s president. | 45 | 37.5% |
<p>| Timing Differences | Schemes in which financial statements are intentionally misstated by recording revenues in a different accounting period than their corresponding expenses. | • Organization manipulates net income by recording sales that occur in December of Year 1, but not recording the corresponding expenses until January of Year 2. | 34 | 28.3% |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Cases Reported</th>
<th>% of Corruption Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflicts of Interest</td>
<td>Any scheme in which an employee, manager or executive has an undisclosed economic or personal interest in a transaction that adversely affects the company as a result.</td>
<td>• An employee owns an undisclosed interest in a supplier. The employee negotiates a contract between his employer and the supplier, purchasing materials at an inflated price.</td>
<td>215</td>
<td>61.5%</td>
</tr>
<tr>
<td>Bribery</td>
<td>Any scheme in which a person offers, gives, receives, or solicits something of value for the purpose of influencing an official act or a business decision without the knowledge or consent of the principal.</td>
<td>• An employee processes inflated invoices from a vendor and in return receives 10% of the invoice price as a kickback. • An employee accepts payment from a vendor in return for providing confidential information about competitors’ bids on a project.</td>
<td>149</td>
<td>42.7%</td>
</tr>
<tr>
<td>Illegal Gratuities</td>
<td>Any scheme in which a person offers, gives, receives, or solicits something of value for, or because of, an official act or business decision without the knowledge or consent of the principal.</td>
<td>• An official negotiates an agreement with a contractor; and in appreciation the contractor provides the official with a gift such as a free vacation.</td>
<td>104</td>
<td>29.3%</td>
</tr>
<tr>
<td>Extortion</td>
<td>The coercion of another to enter into a transaction or deliver property based on wrongful use of actual or threatened force, fear, or economic duress.</td>
<td>• An employee refuses to purchase goods or services from a vendor unless the vendor hires one of the employee’s relatives.</td>
<td>59</td>
<td>16.9%</td>
</tr>
</tbody>
</table>