



ANATOMY OF FRAUD

Uniform Occupational Fraud Classification System

MAJOR CATEGORIES

I. CORRUPTION

- **Conflicts of Interest**
 - Purchase Schemes (split vouchers to avoid competitive bidding)
 - Sales Schemes
 - Other
 - Favoritism and nepotism in hiring, purchasing or client services
 - Governance in-breeding
- **Bribery**
 - Invoice Kickbacks (vendor collusion)
 - Bid Rigging (phony bids or no bids)
 - Other (bogus inspections, licenses granted)
 - Political (votes promised, nominations & endorsements)
- **Illegal Gratuities**
 - Christmas Presents
 - Theatre Tickets (Broadway)
 - Free Travel & Lodging (conventions)
 - Expensive Dinners or Country Club Greens Fees
 - Free Product Samples (laptops or cocaine)
 - Gift to Favorite Charity
- **Economic Extortion (Political Extortion too?)**
 - “By me, or I’ll sue”
 - “I’ll tell them about the freebies”
 - “I have the negatives”



II. ASSET MISAPPROPRIATION

- **Cash**
 - Larceny (outright theft or embezzlement)
 - Skimming (cash receipts, charitable donations – cash or goods)
 - Fraudulent Disbursements
 - Billing Schemes (shell company, personal purchases, collusion, fictitious goods)
 - Payroll Schemes (no-shows, phony overtime, attendance abuse, workers comp)
 - Expense Reimbursement Schemes (multiple and/or padded travel vouchers)
 - Check Tampering (altered payee, diverted checks, forgeries)
 - Cash Register Disbursements (false refunds, false voids)
 - Company Credit Card (personal use)



Internal Control – More Than a Good Idea – It’s Also the Law!



- **Inventory and Other Assets**

- Misuse
 - Cell Phones, Gasoline, Vehicles, Computers, Copiers, Long Distance
- Larceny
 - Asset Requisition & Transfer
 - False Sales & Shipping
 - Purchasing & Receiving
 - Unconcealed Larceny

III. FRAUDULENT STATEMENTS

- **Financial**

- Asset/Revenue Overstatements
 - Timing Differences (fiscal year roll-overs, delayed payments)
 - Fictitious Revenues (inflated sales figures, bogus bonuses)
 - Concealed Liabilities (stockholders will never know)
 - Improper Disclosures (insider trading, trade secrets)
 - Improper Asset Valuations (conceal company’s true value)
- Asset/Revenue Understatements
 - Tax Avoidance
 - Deflate Sales Staff Commissions (favoritism/revenge)

- **Non-Financial**

- Employment Credentials (often unverified, liars win)
 - Diploma Mill PhD’s
 - Forged Licenses or Degrees
 - Fake Identification (criminals / illegal aliens)
 - Concealed criminal history
 - Padded Resumes, bogus references
- Internal Documents (examples?)
- External Documents (examples?)