“How to Cheat on Your Expense Report”

Presenter
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2008 Report to the Nation

- Compiled by the Association of Certified Fraud Examiners
- Accountants were the most likely to commit fraud, 231 followed by Executives 142, Operations 129 and Sales 93.
- 13.2% of the reported cases involved expense report fraud vs. 19.5% in the prior report
- The median loss on an expense report scheme is $25,000

CBIZ MHM, LLC
Managing the Business Risk of Fraud: A Practical Guide

From the Sponsoring Organizations:

The Institute of Internal Auditors
David A. Richards, CIA, CPA
President and Project Manager

The American Institute of Certified Public Accountants
Barry C. Melancon, CPA
President and CEO

Association of Certified Fraud Examiners
James D. Ratley, CFE
President

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Wal-Mart In the News

Tom Coughlin's questionable reimbursements

Wall Street Journal April 8, 2005

- Former #2 at Wal-Mart
- Hunting buddy of founder Sam Walton
- Questionable transactions totaling between $100,000 and $500,000; Plead guilty to $350,000
- A $1,359 pair of custom made alligator boots
- $6,500 for hunting guide service
- $2,590 dog pen for Arkansas home
- $2,000 travel costs for a subordinate
- 51 gift cards @ $100 each
Westchester County District Attorney

News Release April 2, 2007

• Westchester County District Attorney Janet DiFiore announced that Tracy Bowen (DOB 06/13/66) of 89 Trenton Avenue, White Plains, New York was arraigned today on one count of Grand Larceny in the Second Degree, a class “C” Felony.

• Over a four year period from December 12, 2002 to December 26, 2006, Bowen, employed by Consumers Union in Yonkers, New York, submitted false expense vouchers representing that she had personally paid for corporate expenses totaling approximately $400,000. She claimed that she paid brokers, with her personal American Express Card, for placing copies of Consumer Reports magazine on newsstands.
T&E EXPENSE SCHEMES

- Mischaracterized Expenses
- Overstated Expense Report
- Fictitious Expenses
- Multiple Reimbursements
COMMON METHODS

- Airfare/E-Tickets
- Meals & Entertainment
- Hotel
- Car Rental
- Mileage
- Cab Fare
- Gifts
- Tear Off Receipts
MISCHARACTERIZED EXPENSES

- Personal travel as a business trip
- Dinner with a friend listed as “business development”
- Overstatement of actual mileage driven
- Office equipment and supplies for personal use
- Large bar bill listed as business entertainment
- Inflated taxi fares
Taxicab Fares

• Most cab drivers provide passengers with blank receipts, so employees can easily complete them to reflect a greater fare than actually paid. Some employees hoard blank cab receipts, saving them to submit for reimbursement at a later date when they’ve actually used public transportation or reduced-fare shuttles.
Identical Taxi Cab Receipts in Manhattan and Washington DC
Controlling Meals & Entertainment

• Audit steps should include a courtesy letter sent to the person entertained as shown on the receipts. Such as: "Our employee [Nick] informs us that you and he recently enjoyed a dinner and a show [lunch or sporting event] with our compliments at the [The Grille on the Alley] in [Dallas]. We value the relationship between our companies and appreciate your business. As always we appreciate any comments or suggestions you may have on how we may better serve your company."
OVERSTATED EXPENSE REPORTS

Altered receipts - $10.00 altered to $110.00

Over purchasing – common with airline tickets – buys advance fare discount ticket and full-fare ticket. Double Booking

CONTROLS

Require original receipts; Do not accept credit card statements
Mileage Reimbursement
Washington DC-Cumberland, MD

- 274 miles roundtrip @ 55 cents per mile equals $150.70
- National Car Rental 1 Day $58.13
- Gasoline 9.13 gallons @ $1.89 per gallon equals $17.26
- Profit $75.13
Hotel & Lodging

- Employees sometimes stay in a low-priced hotel but submit a reimbursement request for a pricier one. Or employees might return from a trip a day early and then seek reimbursement for the extra night.

- Other frauds upgrade to bigger hotel rooms for their unsubstantiated traveling companions and hide it in their reports.
Airline Ticket Purchases

• One of the most popular fraudulent expense account endeavors involves purchasing a fully refundable and expensive airplane ticket, followed by a cheaper, discounted ticket. The expense cheater then returns the expensive ticket for a full refund and uses the cheap ticket for their actual trip. Then it is simply a matter of presenting an account report with the expensive ticket receipt and pocketing the difference between the two tickets.
Paid $458.40 on original ticket 001 1317216832 using American Express CC ending in 6004; Re-booked travel through Washington DC and exchanged unused portion of original ticket for new a new ticket at an additional cost of $427.80; Submitted receipt for $657.00 and made a profit of $229.20.
FICTITIOUS EXPENSE SCHEMES

- Bogus support documents – false receipts
- Reimbursement for a personal check written
- Credit card purchases for items returned and a credit to the account
- Obtain blank receipts from vendors, waiters, bartenders, cab drivers
- American Express receipts with establishment imprinted on receipt
- Sequentially numbered receipts
# Excessive Mileage

2004 Mileage rate $0.375

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31,342

$11,753.25
SEQUENTIAL RECEIPTS

Sequentially Numbered Receipts
MULTIPLE REIMBURSEMENTS

Airline ticket receipt, boarding pass, itinerary, travel agency invoice – all used to obtain multiple reimbursements for a single flight.

Charge direct to company credit card and also attach receipt to an expense report as if they paid for the item themselves.
Airline Receipts

American Express Statement

Continental Email Invoice

Travel Itineraries also submitted as support

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DETECTION OF EXPENSE SCHEMES

- Review and analysis of the expense reports
  - Historical comparisons
  - Comparisons to budgeted amounts

- Detailed review of expense reimbursements
  - Be familiar with the travel and entertainment policies of the company
  - Obtain a calendar and copy of the employee’s schedule for the relevant period
  - Examine expense reports and supporting receipts
KEY CONTROLS

- Travel Policy
- Utilize Travel Agent to Book Reservations
- Do not permit travelers to use personal credit cards; Utilize Company Sponsored Corporate Card Program
- Automated the Expense Process
- Focus on Out of Policy Exceptions
- Do Not Allow Cash Advances
- Restrict the use of certain types of receipts
PREVENTION OF EXPENSE FRAUD SCHEMES

- Detailed expense reports should require the following information:

1. Original receipts or other support documentation
2. Explanation of the expense including business purpose and persons entertained
3. Time period expense occurred
4. Place of expenditure
5. Amount
Suggested Reading

SEARCH INSIDE!™

How To Pad Your Expense Report... And Get Away With It!

by Employee X

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Quotes by Employee X

• Page 11 “Most bosses will spend less than 30 seconds auditing an expense report.”

• Page 12 “The key piece of documentation is the receipt. Receipts come in all shapes and sizes and can be obtained from many sources and in many ways without actually incurring the expense.”

• Page 20 “The airline is a good way to add big dollars to your expense report and get it into your pockets.”
Quotes by Employee X

- Page 23 “The accounts payable department pays hundreds or even thousands of bills every day. They have even less incentive to audit your expense report. They will usually recheck to see if everything totals and foots, and if your boss signed it. If it looks right and is signed by your boss, they pay it.”

- Page 84 “Your boss is not going to call someone you claim to have taken to lunch to see if you really did. There are a few things your boss could do which would be more stupid than that. If it is a customer; your boss, your company, and you would lose all credibility.”

- Page 116 “The book shows you how to cheat on your expenses, but it also informs you of ways your own employees are trying to cheat on their expense reports”
**Quotes by Employee X**

- Final comment-Friends of the author who have read this book have asked, “Don’t you feel guilty encouraging all of those people to cheat on their expenses?”

- The author’s response was, “They already are!”

- Let’s go find them.
Questions?
The Original Con Man