
FRAUD

COMBATING FRAUD IN THE MIDWEST

Executive Summary

The downturn in the economy has indirectly brought to light many fraud schemes as organizations in the Midwest¹ have had to scrutinize their cash flow situation to adjust to stale or declining revenue. These discoveries oftentimes lead to organizations scrutinize their internal controls (i.e., checks and balances).

Organizations lose an estimated 5 percent of revenue annually to fraud.² Fraudulent activity can be complex, which can cause it to be cumbersome to detect and investigate, not to mention expensive to get to the root of the problem. The potential for lost revenue and reactive investigative costs may warrant an organization to implement certain proactive, anti-fraud controls to help mitigate fraud risks.

Consideration of anti-fraud controls is important, as not all controls are created equal. In addition, depending upon the size of an organization and its financial means, implementing certain anti-fraud controls may not be cost-effective. However, there are certain controls that can be implemented by any organization without adding additional staff or creating an overly burdensome process.

This paper considers whether recent fraud trends affecting the Midwest indicate the necessity for organizations to become more proactive in their fight against fraud. If recent fraudulent activity supports the need for a proactive approach (and we believe it does), we will discuss prevalent fraud schemes and controls that can be implemented in a simple, cost-effective manner to mitigate associated risks.

¹ Inclusive of Iowa, Minnesota, Nebraska, North Dakota and South Dakota only and referred to as the "Central Region" in Eide Bailly LLP's Asset Theft reports.

² Association of Certified Fraud Examiners 2010 Report to the Nations on Occupational Fraud and Abuse.

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