
Expense Reimbursement

The Scenario

The auditor was working on an expense reimbursement audit at a Department of Defense agency. The auditor noticed that one individual submitted requests for reimbursement for exam/certification costs 5 times within a year. By having an accounting background, this seemed a bit odd to the auditor because they knew the amount of time it takes to prepare for the exams associated with the accounting profession. For the review, the auditor requested the supporting documentation required for reimbursement.

The supporting documentation included receipts and notices of pass/fail that were in email format, leading the auditor to believe that the employee simply created fictitious expenses in which the employee asked their employer to pay for. Also, upon interviewing the employee, the auditor discovered the employee could not:

- Produce the actual certificates.
- Prove they were a member of the certifying organizations.

An inquiry with the agency confirmed that reimbursement requests do not require a manager's review and approval and the agency does not maintain a list of the employees who seek reimbursement for certification costs. Once an employee submits a reimbursement package, the package is simply stored in a file cabinet.

The auditor determined that the employee was successful in producing authentic-looking counterfeit email receipts using graphic software on his personal computer. The employee was referred to the investigative unit within DoD for further investigation.

General Comments / Lessons Learned. In expense reimbursement schemes, employees simply create fictitious expenses in which they will then ask their employers to pay for. They can accomplish this by producing authentic-looking counterfeit receipts, emails, etc. using graphic software on their personal computers. Lack of controls, absence of management review, and override of existing controls are cited as the most common factors that allow expense reimbursement schemes to occur.

FRAUD INDICATORS

- **Multiple requests for reimbursement for certification costs within a specific timeframe.**
- **Absence of management review for reimbursement packages.**
- **Failure to maintain a list of the employees who seek reimbursement for certification costs.**