

March 8, 2010

**ALERT: Economic environment increases fraud risk;
preventive/mitigation measures more critical than ever**

Despite signs of a possible slow recovery, economic conditions remain grim on many fronts. In this environment, **organizations are at higher risk of fraud than normal**. A June 2009 survey by the Association of Certified Fraud Examiners (ACFE) showed an increase in both frequency and dollar amount of fraud since the start of the recession, with an increase during the next year also expected.

During a recession, the risk of all three factors within the “fraud triangle” increases. **Fraud occurs when pressure, opportunity and rationalization intersect**. Employees and their families experiencing layoffs or salary cuts face financial pressure; managers may feel pressure to show positive financial results. Fraud opportunity can increase when layoffs leave fewer employees responsible for internal controls. Rationalization may occur if fewer employees working more hours feel poorly compensated or resentful and justified in committing fraud.

One of the most effective ways to guard against or detect fraud early is by enlisting employees’ assistance. **A confidential employee hotline is one of the most effective anti-fraud tools an organization can adopt**. The ACFE reports that fraud is more likely to be detected by tips than any other means, including audits or controls; confidential hotlines also reduce the median loss per incident. AGH’s Web-based employee communications tool, called OurWorkplace, can provide a way for management to invite and receive anonymous suggestions or concerns about possible fraud, dishonest acts or other risks. Offering an anonymous reporting channel also can help mitigate an employer’s liability in some types of situations.

Should you need assistance at any time, AGH has CPAs on staff who are well versed in how to help lower your risk of fraud. As well, certified fraud examiners (CFEs) are available if you discover or already suspect the possibility of fraud, or simply want to strengthen your defenses against it. For more information or to discuss ways to help reduce your risk of fraud, contact your AGH professional at (316) 267-7231.

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