



Advisory



Organization



Money

Small expenses, big losses

November 15, 2018

Combine tone, policy and technology to prevent small frauds from adding up. Travel and entertainment and other small expenses don't get the attention or controls devoted to larger items, and it's easy to see why. Taken individually, the amounts involved are generally insignificant, and because the items involved are so numerous and so small, auditing them individually would be prohibitively expensive. Yet taken collectively these expenses are significant—abuses can add up. And lax enforcement on small matters can corrode your corporate culture, leading not only to unnecessary losses on minor expenses, but also to an atmosphere where employees might consider other, more serious frauds.



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The right tone at the top, consistent training and a combination of data analytics and a targeted risk scoring approach can significantly reduce the risk of small expense fraud.

What makes ZBB unique is not the budgeting methodology; it is the mind-set that upends managers' default assumptions. Rather than compare current year's spending to previous year's, ZBB alternatively looks for the most efficient return on spending, from the bottom up. In recent years, many executives have agreed that it has proved to be more effective to talk about every dollar spend in terms of efficiency, and ask if it was really necessary, rather than to compare it to last year.

It starts with tone

The right tone at the top, the right training and consistent ongoing communication of a zero-tolerance approach toward fraud are vital. While controls over minor expenses can be improved, making them fool proof would be prohibitively expensive. All employees should be thoroughly trained on expense policies. Make it clear that everything matters and that nothing will be ignored. If abuses are discovered, they should be corrected and disciplinary actions should be communicated to all personal. The goal isn't to create a fearful, draconian environment, but rather to make it clear that integrity is a central value and that fraud will not be tolerated.

Technology to back up your tone

New advances in data analytics can significantly strengthen your controls over small expenses. Start by building a risk profile to understand where your risks are highest. For example, consider:

- **your loss history.** Involve HR and others throughout the organization to track employee violations and work place complaints.
- **find your weak spots.** Understand where your controls are weakest to identify areas susceptible to fraud. Be sure to look at all transaction types.
- **geographic risks.** Different locations can have different risk patterns. For example, multinational organizations may operate in countries where certain types of abuses have traditionally been tolerated as normal business practices.
- **industry risks.** Every industry has its own pattern of expenses which can lead to risks. Use those to sharpen your focus. Watch the news and talk to your professional advisors. As new risk patterns are uncovered, check those against your risk profile.

From profile to prevention

The longer you carefully track your loss history, the more accurate your risk profile will be. With a solid risk profile in place, establish a risk scoring model to target your enforcement efforts. For example, transactions in amounts just under the threshold requiring a receipt or approval, transactions for round dollar amounts, transactions in certain categories where your organization has a history of issues and transactions of a certain type in a problematic geography could trigger red flags. The more triggers, the higher the risk score for any given transaction. The higher the risk score, the more scrutiny you apply.

Finally, continue to communicate. Training on expenses policies and compliance shouldn't be a one-time thing for new hires only. Constantly drive home the message that integrity matters, and publicize the efforts you are taking to combat fraud.

Without attention and diligence, small expense fraud can add up to a big problem. By combining the right tone and policies with the right tools, you can efficiently combat this problem and build a culture of integrity and compliance in your organization.

[Keep small expenses from becoming big losses](#)

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