

APPENDIX: Categories of Occupational Fraud¹

1. *Asset misappropriations* are those schemes in which the perpetrator steals or misuses an organization's resources. These frauds include schemes such as skimming cash receipts, falsifying expense reports and forging company checks.
2. *Corruption* schemes involve the employee's use of his or her influence in business transactions in a way that violates his or her duty to the employer for the purpose of obtaining a benefit for him- or herself or someone else. Examples of corruption schemes include bribery, extortion and a conflict of interest.
3. *Financial statement fraud* schemes are those involving the intentional misstatement or omission of material information in the organization's financial reports. Common methods of fraudulent financial statement manipulation include recording fictitious revenues, concealing liabilities or expenses and artificially inflating reported assets.

Asset Misappropriation Sub-Categories		
Category	Description	Examples
Schemes Involving Theft of Cash Receipts		
Skimming	Any scheme in which cash is stolen from an organization <i>before</i> it is recorded on the organization's books and records	<ul style="list-style-type: none"> • Employee accepts payment from a customer, but does not record the sale, and instead pockets the money
Cash Larceny	Any scheme in which cash is stolen from an organization <i>after</i> it is recorded on the organization's books and records	<ul style="list-style-type: none"> • Employee steals cash and checks from daily receipts before they can be deposited in the bank
Schemes Involving Fraudulent Disbursements of Cash		
Billing	Any scheme in which a person causes his employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases	<ul style="list-style-type: none"> • Employee creates a shell company and bills employer for services not actually rendered • Employee purchases personal items and submits invoice to employer for payment
Expense Reimbursements	Any scheme in which an employee makes a claim for reimbursement of fictitious or inflated business expenses	<ul style="list-style-type: none"> • Employee files fraudulent expense report, claiming personal travel, nonexistent meals, etc.
Check Tampering	Any scheme in which a person steals his employer's funds by intercepting, forging or altering a check drawn on one of the organization's bank accounts	<ul style="list-style-type: none"> • Employee steals bank company checks, makes them out to himself or an accomplice • Employee steals outgoing check to a vendor, deposits it into his own bank account
Payroll	Any scheme in which an employee causes his employer to issue a payment by making false claims for compensation	<ul style="list-style-type: none"> • Employee claims overtime for hours not worked • Employee adds ghost employees to the payroll
Cash Register Disbursements	Any scheme in which an employee makes false entries on a cash register to conceal the fraudulent removal of cash	<ul style="list-style-type: none"> • Employee fraudulently voids a sale on his cash register and steals the cash
Other Asset Misappropriation Schemes		
Cash on Hand Misappropriations	Any scheme in which the perpetrator misappropriates cash kept on hand at the victim organization's premises	<ul style="list-style-type: none"> • Employee steals cash from a company vault
Non-Cash Misappropriations	Any scheme in which an employee steals or misuses non-cash assets of the victim organization	<ul style="list-style-type: none"> • Employee steals inventory from a warehouse or storeroom • Employee steals or misuses confidential customer financial information

¹ Source: Report to the Nations on Occupational Fraud and Abuse, 2010 Global Fraud Study, Association of Certified Fraud Examiners, Inc.