The Expense Reports That Hid a $60,000 Fraud

How unchecked expense reimbursements created an opening for fraud, and the simple review steps that would have caught it.

$60,400	26 months	1 approver
in false reimbursements	before it was detected	reviewed every claim

Expense Fraud · Approval Controls · Fraud Detection · Internal Controls

The situation

A regional services company with 45 employees reimbursed travel and client-entertainment expenses through a simple spreadsheet process. Employees emailed a form and scanned receipts to the operations manager, who approved each claim and forwarded it for payment. Because the operations manager was trusted and busy, no one else ever looked at the claims, including the manager's own.

What happened

Over 26 months the operations manager submitted his own reimbursements and approved them himself. The scheme grew slowly:

- **Duplicate claims** — the same hotel and meal receipts were submitted twice, months apart, as both a scan and a credit-card statement line.
- **Altered receipts** — restaurant receipts were edited to add a digit or change the date.
- **Personal expenses** — family meals, weekend travel and electronics were labeled "client development."
- **Fictitious mileage** — trips to client sites that calendars show never happened.

How it was discovered

A new controller noticed that the operations manager's reimbursements were three times higher than any sales representative's, even though he rarely traveled. A sample review of 40 claims found duplicates, round-number mileage and receipts with mismatched fonts. A forensic review of the full period quantified the loss at $60,400.

Red flags that were missed

Red flag	Why it mattered
Self-approval of expenses	No independent review of the approver's own claims.
Claims just under the receipt threshold	Many items were $74 when receipts were required at $75.
Spending out of line with role	Reimbursements far exceeded peers with more travel.
Weekend and holiday "client" meals	Timing didn't match business activity.
Scans instead of original receipts	Made duplication and editing easy.

Controls that would have prevented it

- No one approves their own expenses. Route the approver's claims to their supervisor, the owner or a board member.
- Require itemized receipts for every claim and match card statements to receipts.
- Run a simple duplicate check each month (same amount, vendor and date range).
- Compare spending by person quarterly against role and travel calendars.
- Use a written expense policy with clear limits, a business-purpose field and consequences.

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- Spot-audit a random sample of claims every quarter.

The outcome

The company recovered part of the loss through an insurance claim, moved to an expense app with built-in duplicate detection and a two-level approval chain, and now reviews a monthly expense report by employee. The cost of the new controls was less than one month of the fraud.

Self-check: could this happen to you?

- ☐ Does anyone approve their own expense reports?
- ☐ Are receipts required and matched to card statements?
- ☐ Do you compare expense totals by employee at least quarterly?
- ☐ Is there a written expense policy everyone has signed?
- ☐ Has anyone outside the approval chain reviewed claims this year?

Want to talk through what this means for you?

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