

## ***Treasury Fraud – Transfer of Funds for Personal Use***

### **Background**

The Treasurer of one of The Brink's Company subsidiaries fraudulently transferred funds from the Company bank account to his personal bank account and used company funds to pay for personal expenses, including utility bills and traffic fines. The amount of fraudulent transactions made by this Treasurer totaled approximately \$80,000 US.

To conceal this fraudulent activity, the Treasurer independently ran the bank transaction summary file provided to Accounting for bank reconciliation purposes and modified the description of these transactions to "bank charges" so that the activity could not be traced through the Accounts Payable approval system.

There were two primary control breakdowns that allowed this activity to go undetected: (1) a lack of segregation of duties and (2) the summary file was not reconciled to the bank statement or payment report to ensure accuracy.

*Segregation of Duties:* The treasurer had the ability to initiate and change online payment transactions and could execute payments and then run (and modify) the bank transaction summary file provided to Accounting. Additionally, two signatures were not required to execute online payment transactions, so he was able to make payments to himself without additional authorizations.

*Reconciliations:* When the Accounting group received the bank transaction summary file from the Treasurer, they did not reconcile the summary file to the original bank statement to ensure the accuracy of the summary file. Additionally, the bank transaction summary file was not reconciled to the system generated "Approved for Payment Report" to ensure only authorized payments were made.

As a result of these control breakdowns, the Treasurer was able to execute payments to his personal account without additional authorizations and modify the bank transaction summary file to conceal this activity.

### **Lesson Learned**

As a result of the identification of this fraudulent activity, Management has dismissed the Treasurer and has filed criminal charges against him. Management has implemented additional controls to include more segregation of duties and reconciliations, including the following:

- Two signatures are required to execute online banking transactions.



## MEMORANDUM

- The bank transaction summary file must be reconciled to both the original bank account statement and the system generated “Approved for Payment Report”.
- The following segregation of duties were implemented:
  - (a) Payment Approval
  - (b) Payment Execution
  - (c) Download of bank transaction summary file
  - (d) Reconciliation of the bank transaction summary file to the original bank statement
  - (e) Reconciliation of the bank transaction summary file to the “Approved for Payment Report”