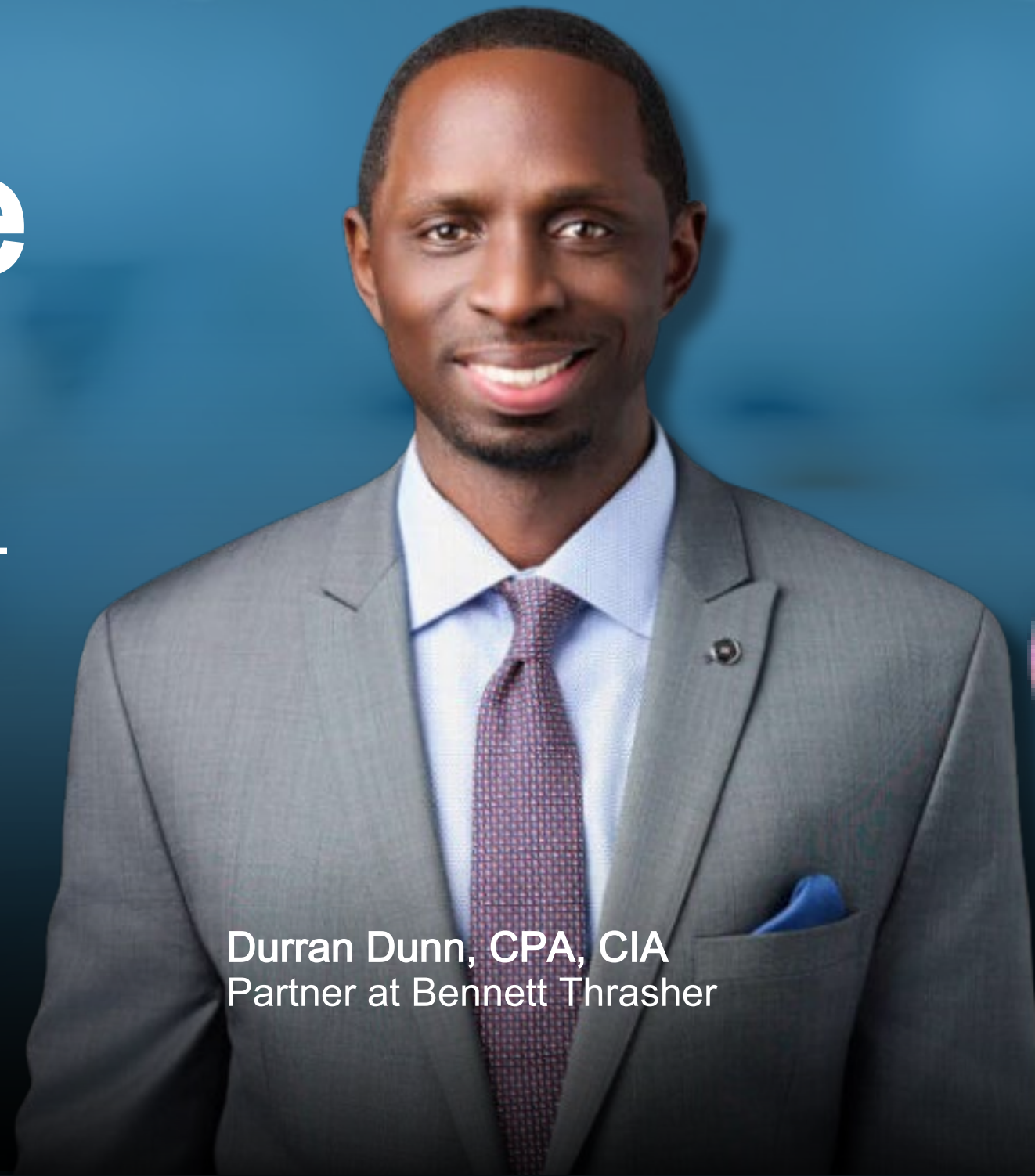Atlanta Chapter Meeting

Are Internal Auditors Responsible for Fraud?

APRIL 24 | 9AM -10AM ET

BT

The Institute of Internal Auditors

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Case Study

I asked ChatGPT to generate a restaurant receipt that could pass as a valid supporting document in a company's Travel & Entertainment (T&E) expense report. Within minutes, using AI tools, I had a realistic image of a receipt—complete with a vendor name, tax number, itemized list, KDV (VAT), and total amount. You can see the result below.

At a glance, this could easily be submitted during an employee's domestic business travel claim. But it's 100% fabricated. This exercise illustrates a growing threat in the realm of occupational fraud—specifically expense reimbursement fraud, a classic example of asset misappropriation under the ACFE's Fraud Tree.

According to the 2024 ACFE Report to the Nations:
Asset misappropriation accounts for 89% of occupational fraud cases globally. 11% of these involve expense reimbursement fraud. The median loss from expense schemes is $40,000. These schemes typically last 18 months before detection.
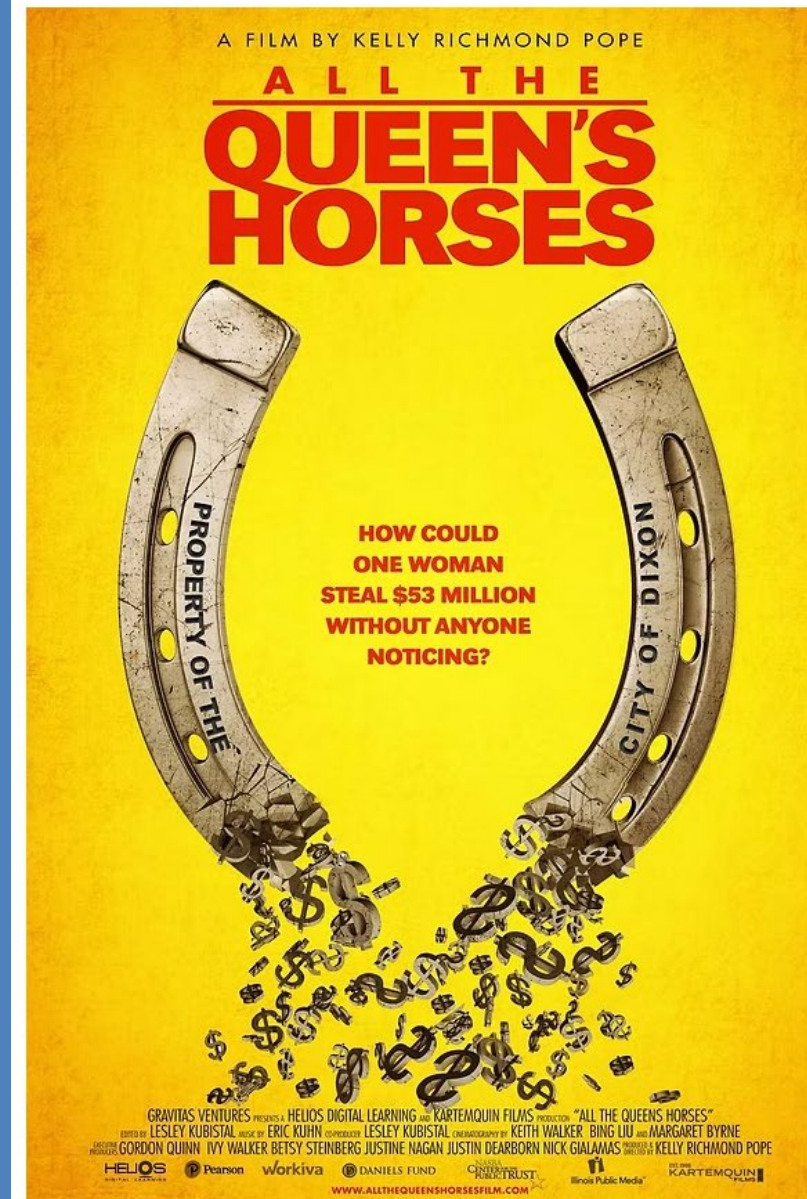
💡 Why does this matter?
With generative AI becoming more accessible, the manipulation of receipts has never been easier—and more convincing. This is no longer just a theoretical risk. Companies that rely on manual documentation review or assume authenticity without verification are exposed.

💼 As risk and audit professionals, we should be asking:
Are our T&E controls designed to detect fabricated documentation?
Can we identify duplicate submissions or non-existent vendors?
Are we using external validation tools or only relying on appearance?

🔒 Takeaway: This was just a test. But in the real world, weak controls combined with new tech can lead to real losses. It's time to rethink how we audit expenses and reinforce our defenses before fraud happens—not after.

AILA RESTAURANT
Vergi No: 1234567890
Büyükdere Cad, No:76 B,
Mecidiyeköy, Şişli, İstanbul, Türkiye

FİŞ NO: 001259   02,04,2025
SAAT: 13:17

ÜRÜN	ADET	TUTAR
Kebap Tabağı	2	460,00
Ayran (Büyük)	2	60,00
Salata (Çoban)	1	45,00
Tatlı (Künefe)	1	55,00
Su	2	20,00
ARA TOPLAM		640,00 T
KOV (%10)		64,00 T
GENEL TOPLAM		704,00 T

ÖDEME ŞEKLİ: Nakit

Teşekkür ederiz!

BT

ALL THE QUEEN'S HORSES

DIRECTED BY
KELLY RICHMOND POPE

About the Film

As city comptroller of Dixon, IL, Rita Crundwell stole $53 million of public funds across 20 years—–making her the perpetrator of the largest case of municipal fraud in American history. She used the funds to build one of the nation's leading quarter horse breeding empires, all while forcing staff cuts, police budget slashing, and neglect of public infrastructure. *ALL THE QUEEN'S HORSES* investigates her crime, her lavish lifestyle and the small town she left in her wake.

Polling Questions – for CPEs

1. To what degree are internal auditors responsible for detecting fraud within an organization?
- Primarily responsible
- Jointly responsible with management and other functions
- Minimally responsible
- Not responsible

2. Should internal auditors be held accountable if a significant fraud scheme is not identified during their audit activities?
- Yes, in all cases.
- Yes, depending on the scope of the audit and access to information
- No, responsibility lies elsewhere.
- Unsure

3. What do you see as the internal auditor's *most appropriate* role regarding fraud?
- Proactively detecting and investigating fraud
- Evaluating and improving the effectiveness of fraud risk management and controls
- Reporting red flags or suspicious activity for further investigation
- Providing assurance that controls are in place, but not directly addressing fraud.
- Other