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Fraudsters Busted For Stealing \$1 Million Through T&E Card, Expense Processes

By David Jonas | June 29, 2018

A Connecticut woman this week pleaded guilty to embezzling more than \$1 million from her company during a three-year period to 2016 by exploiting payment and expense reimbursement processes. As much as business leaders would like to trust employees, preventing them from stealing is a big reason to have travel and expense management. Despite corporate efforts to reduce fraud, many [thieves try anyway](#).

In January, a grand jury in New Haven, Conn., indicted Candace Rispoli for charging more than \$250,000 worth of personal expenses to an American Express card meant for business travel and other business purposes. According to the U.S. Department of Justice, those personal expenses included airline tickets, car rentals, hotel reservations and meals. Rispoli's employer was Lodestone Management Consultants, now known as Infosys Consulting.

Rispoli also admitted to transferring more than \$800,000 from the Amex card to PayPal and Venmo accounts owned by herself and then-boyfriend Michael Miano. Rispoli also used a PayPal account in the name of an unknowing co-worker, according to the indictment.

To cover her tracks, Rispoli altered Amex statements and “created false billing summaries, which she emailed to the company’s accounting firm,” according to DOJ.

Miano’s indictment described how he was part of the scheme to abuse Rispoli’s access to the corporate Amex card. Between December 2013 and August 2016, Miano made 683 cash withdrawals at ATMs and a grocery store totaling nearly \$165,000, “thereby converting company funds received by Miano from [Rispoli] into cash.”



Image: Thinkstock

Rispoli agreed to pay almost \$1.1 million in restitution and awaits sentencing. The maximum imprisonment term for wire fraud is 20 years. Miano in September 2017 pleaded guilty to one count of conspiracy to commit wire fraud. He, too, awaits sentencing.

Expense management automation might have caught Rispoli, but not necessarily right away.

“Apparently, there was no functioning dual control over expenditures and no meaningful review of transactions,” according to [Alan Tyson](#), CEO of expense management firm Databasics. “Would an automated expense reporting system have prevented fraud in this instance? Not by itself.”

Tyson said expense reporting systems were best built into a “larger control structure.” Bells and whistles are nice, but proper system configuration is a must.

Alan Rich, CEO of expense system provider Chrome River, had a similar take. “Clearly they violated an array of best practices,” he said.

One apparent deficiency was using paper processes rather than data feeds from credit card companies. “Every day we get transactions that cannot be modified, edited or deleted by the user,” Rich said.

According to a Coupa Software official, reimbursement claims for personal expenses represent “the most common fraud scheme in expenses.” One reason they are hard to spot is that a single expense claim “may look good at first glance,” the official explained. “Fraud may only become apparent when you observe patterns of spend collectively over time.” Another reason is that data is generated in multiple places — credit cards, expense claims, receipts, etc. — some of which provide only “unstructured” data.

As such, Coupa argued that companies need a “single view” into all transactions, allowing for reconciliation.

To effectively flag personal charges, “the secret sauce is robotic audit controls,” said GoldSpring Consulting partner Will Tate. Such audits can automatically detect suspicious trends and highlight expense reports with above-average values. Several systems offer that as a standard feature, as well as a variety of other controls and analytical capabilities.

That’s why Acquis Consulting Group managing director Debra Moss said she recommends expense automation. “For those companies that are still on a manual process,” she added, “the detailed review of an expense report by someone familiar with the person’s travels, generally a direct manager, as well as someone responsible for the business, such as a cost center owner, can mitigate much of the risk.”

Tate found it mysterious that Rispoli transferred \$800,000 over three years from the Amex card. Though he said he saw such activity when he was an auditor, he was taken aback by the amount. “Corporate cards usually don’t allow that much in terms of transfers,” Tate said. “There are usually tight limits. In the last bid we did, all card vendors had strict cash controls.”

“It is unusual to see cash transfers like that,” Rich said. With proper processes in place, such a transfer would come through electronically and be accounted for.

PayPal and Venmo are not normally considered business platforms. Those looking to disallow payments through those channels, Moss said, can run expense audits based

on Merchant Category Code (MCC) or vendor, “and at a minimum utilize reporting to identify potential employee abuse.”

Oversight Systems VP of solution consulting Nathanael L’Heureux claimed his company’s artificial intelligence would have noticed Rispoli’s fraudulent activity immediately. Oversight uses AI to identify personal charges submitted as business expenses and compare transactions to those of all other employees to flag abnormalities. It also analyzes detailed Level 3 card data. “Large transfers from credit cards to PayPal and Venmo accounts also would be a major red flag,” L’Heureux pointed out.

Coupa similarly uses AI to analyze employee spending. It looks for unusual behavior and watches employees rather than just individual transactions. That, according to the official, lets finance teams “detect and tie fraudulent behaviors across multiple areas of spend.”

AppZen is another company that applies artificial intelligence to analyze expense reports. Inputs include credit card data, as well various internal and external data sources examined “to understand the intent and context behind every receipt, ticket or document,” according to CEO [Anant Kale](#). The company created a behavioral index that tracks spending patterns to determine an employee’s risk score.

AppZen has been lining up with expense players. In March, SAP Concur announced it began working with AppZen to uncover fraud and errors. Concur Expense users for an additional fee get Concur Detect, an automated service that audits all expense reports. AppZen joined Concur’s App Center in 2016. In December 2017, Kale described [deeper integration](#) with Concur than others. Last month, AppZen announced an “end-to-end solution” as part of Coupa’s partner platform.

Additional info: In the United States last year, about 17 percent of occupational fraud cases related to expense reimbursement, according to an Association of Certified Fraud Examiners survey based on 2,690 cases. That’s up from 14 percent in ACFE’s report on 2016 fraud cases.

In the newer study, ACFE found that expense reimbursement fraud schemes on average lasted 24 months. They accounted for 30 percent of all occupational fraud cases at professional services firms, the highest of any industry vertical. By department, such cases were most prevalent in the executive/upper management area (30 percent of all occupational fraud cases). Small businesses (less than 100 employees) suffered a greater percentage of fraud cases involving expense reimbursement (21 percent of the total) compared with larger firms (11 percent).

According to an April-May 2018 Chrome River survey of 1,216 business travelers in Australia, the United Kingdom and the United States, those under age 44 committed 83 percent of expense fraud. “Employees who submit expenses using hard-copy receipts and spreadsheets are more than twice as likely to commit fraud than employees using automated expense management solutions,” Chrome River noted.

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Author: David Jonas

David Jonas in 2006 co-founded business media firm ProMedia.travel after ten years as a journalist with *Business Travel News*. David rejoined *BTN* in 2010 as executive editor when its parent company acquired ProMedia, and in 2014 co-created *The Company Dime*. David has a bachelor's degree in communications from Cornell University.

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