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Strengthening Data Analytics and Anti-Fraud Programs

Keynote: The current state of fraud risk and the evolving role of internal audit

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GRF CPAs & Advisors | Virtual event

Housekeeping

Additional Information

Learning Objective To provide attendees with methods to reduce tax liability for the 2026 and 2027 tax years.	**Instructional Delivery Methods** Group Internet-based
Recommended CPE 1.5 CPE Credit	**Recommended Fields of Study** Specialized Knowledge
Prerequisites None required	**Advance Preparation** None
Program Level Basic	**Course Registration Requirements** None
Refund Policy No fee is required to participate in this session.	**Cancellation Policy** In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.
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Agenda

1. The current state of fraud risk
2. The evolving role of internal audit
3. Putting data analytics to work
4. Strengthening fraud resilience

Followed by a moderated practitioner panel

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Fraud by the Numbers

ACFE Occupational Fraud 2026: A Report to the Nations — its 14th and largest global study

2,402	143	$3.4B+	$104K	12 mo.
real fraud cases analyzed	countries represented	in total losses	median loss per case	typical scheme length before detection

~90% of cases involve asset misappropriation: cash, payroll and expense reimbursement

>50% of cases involved missing or overridden internal controls

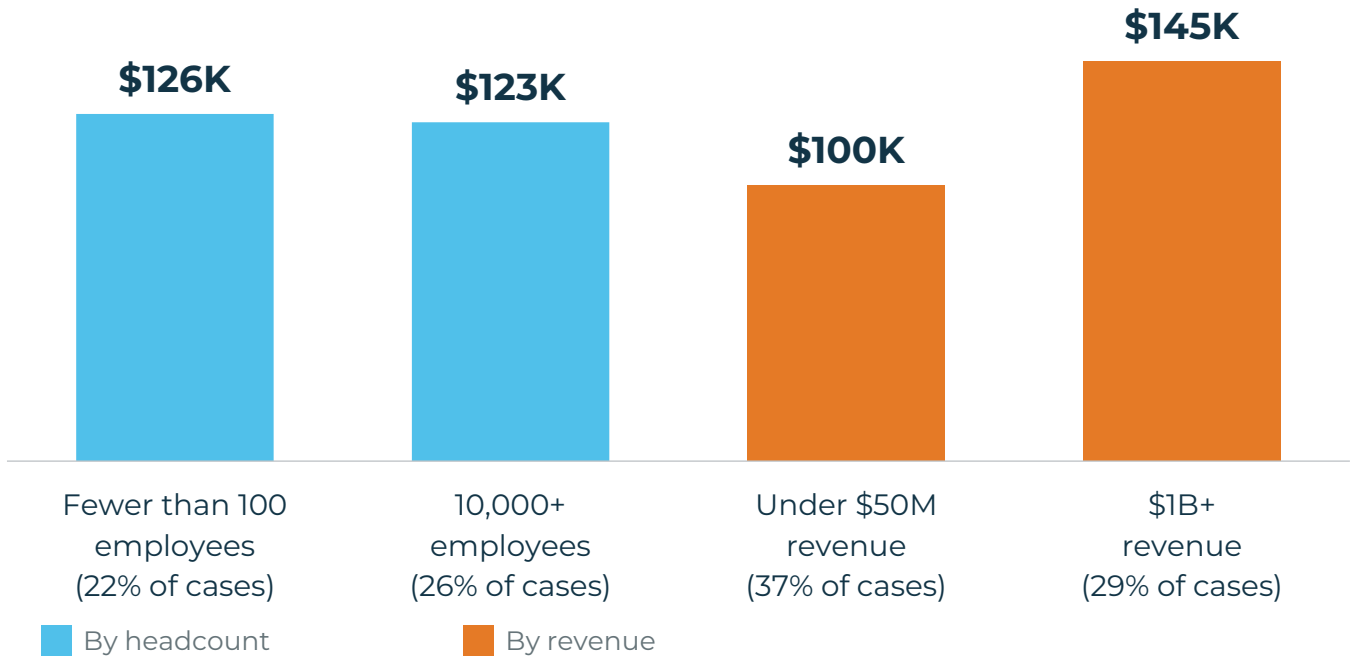
Limited size is not a shield — in several respects, it is a liability.

Source: ACFE, Occupational Fraud 2026: A Report to the Nations

Size Does Not Protect You

Small and large organizations experience fraud at comparable rates, with strikingly similar losses

Median loss per case, by organization size



Highest median loss of any size

Small businesses post the highest median losses; the largest enterprises are a close second.

Why it is structural

- Financial duties concentrated in a few trusted people
- Thin segregation of duties and fewer independent checks
- Fewer resources for preventive and detective measures

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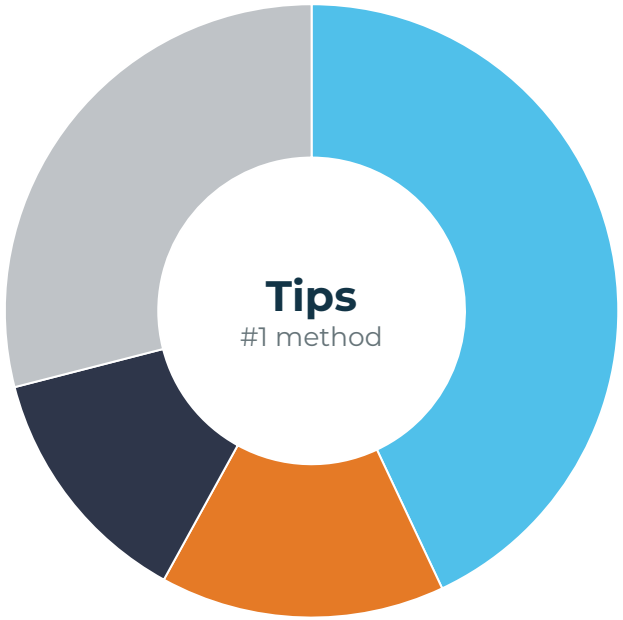
Source: ACFE Occupational Fraud 2026

The Detection Gap

Tips catch nearly three times as many schemes as the next most common method



43% Tips

15% Internal audit

13% Management review

29% All other methods

Small organizations are consistently less likely to have the controls that power these channels:

Formal reporting hotlines
The channel behind the #1 detection method

Internal audit with surprise audits
Detects 15% of cases overall

Independent management review
Detects 13% of cases overall

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Source: ACFE Occupational Fraud 2026 (Fig. 30 controls analysis
"All other methods" = remainder.

Time Is the Multiplier

A longer scheme is a costlier scheme, and awareness training shortens the clock

~$40K

median loss when fraud is caught within six months

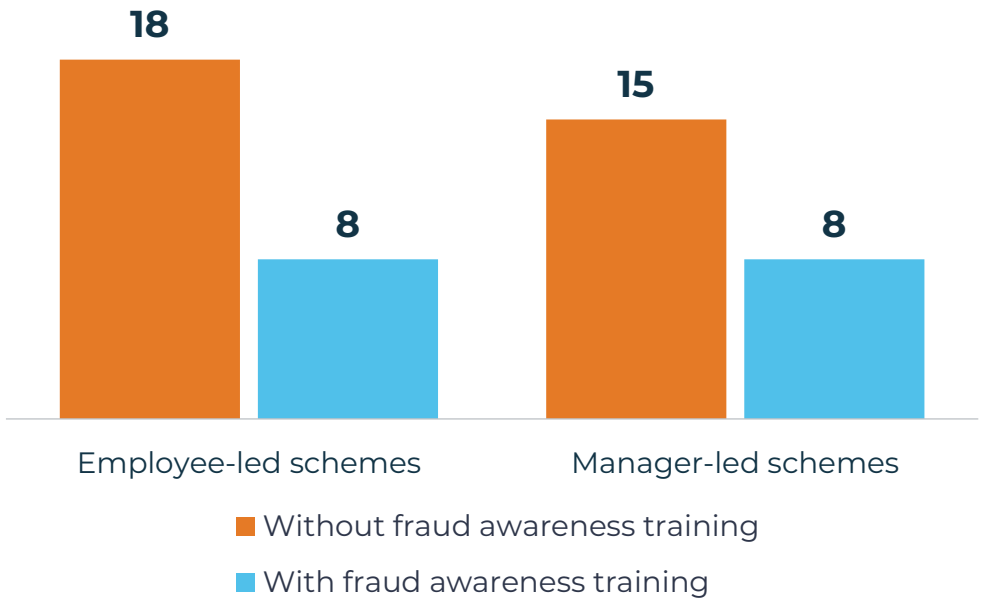
$1.1M+

median loss when a scheme runs more than five years

Anything that shortens duration directly reduces loss.

- Training turns employees into detectors who know what a red flag looks like and how to report it
- It reinforces the tips channel that already catches 43% of fraud

Median scheme duration at nonprofits (months)



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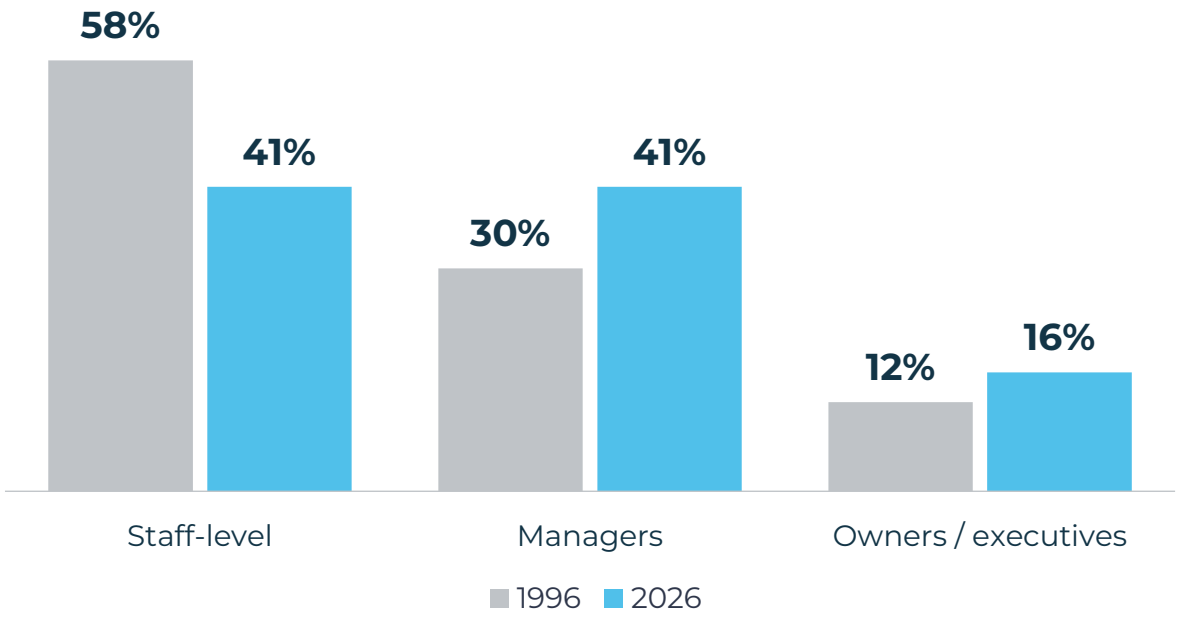
Source: ACFE Occupational Fraud 2026

The Call Is Coming from Inside the C-Suite

Who commits fraud has moved up the org chart, and severity scales with authority

Share of frauds by perpetrator level



~9x losses an executive-led scheme causes compared to employee-led schemes

>50% of cases involved missing or overridden internal controls

Tone at the top
has graduated from a soft governance idea to a measurable, top-severity risk that deserves a real control.

The takeaway is not "distrust your leaders." Those who approve transactions can also bypass the checks on them.

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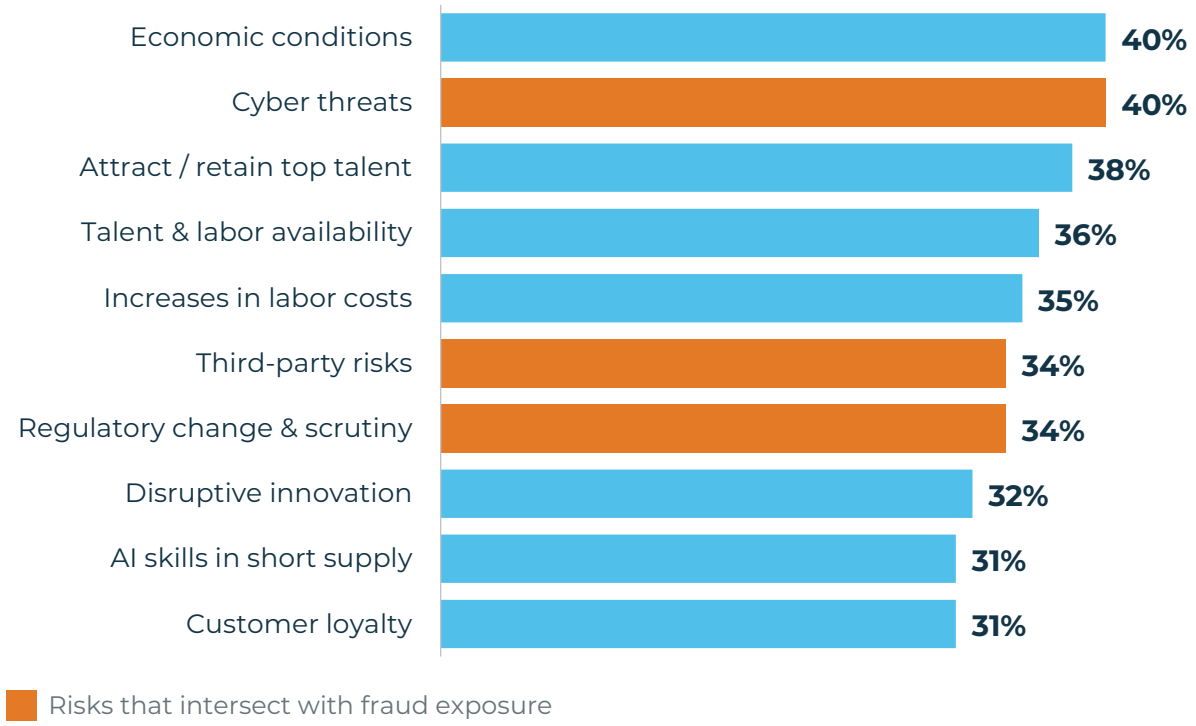
Source: ACFE Occupational Fraud 2026

What Boards and Executives Are Worried About

NC State ERM Initiative & Protiviti 2025 Top Risks Survey: 1,215 board members and C-suite executives

Top 10 near-term risks: % of executives rating impact 4 or 5 (of 5)



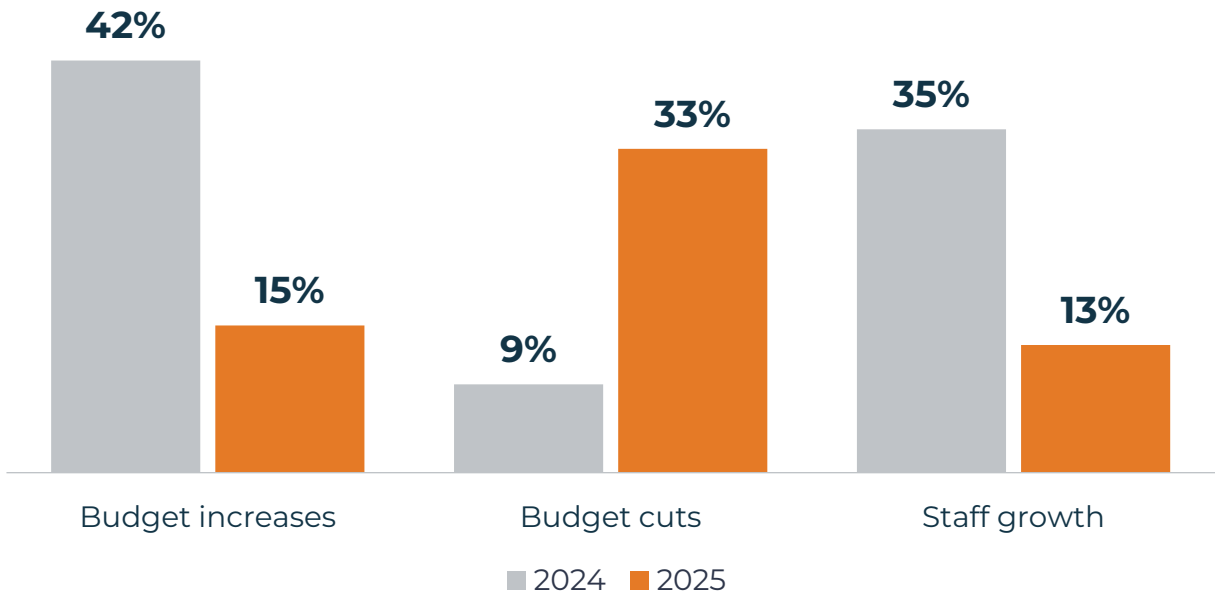
- **Cyber threats:** #2 overall and the #1 near-term concern for not-for-profits.
- **AI cuts both ways:** faster threat detection, but also exploited for more deceptive phishing schemes.
- **Third parties:** outsourcing and vendor reliance extend risk beyond your walls; a focus area for non-profits.
- **CAEs see more risk:** 11 of 32 risks rated "Significant Impact," vs. none for CFOs and CLOs.

Source: NC State ERM Initiative & Protiviti, Executive Perspectives on Top Risks 2025 (Table 2; pp. 6–8, 42)

Internal Audit Is Under Resource Pressure

2026 IIA North American Pulse of Internal Audit: 373 chief audit executives surveyed in late 2025

Nonprofit internal audit functions: % reporting, 2024 vs. 2025



45%

of CAEs say funding is mostly or completely sufficient, down from 53% in 2024

59% vs 29%

report sufficient funding: functions fully or almost fully aligned to strategy vs. only somewhat aligned

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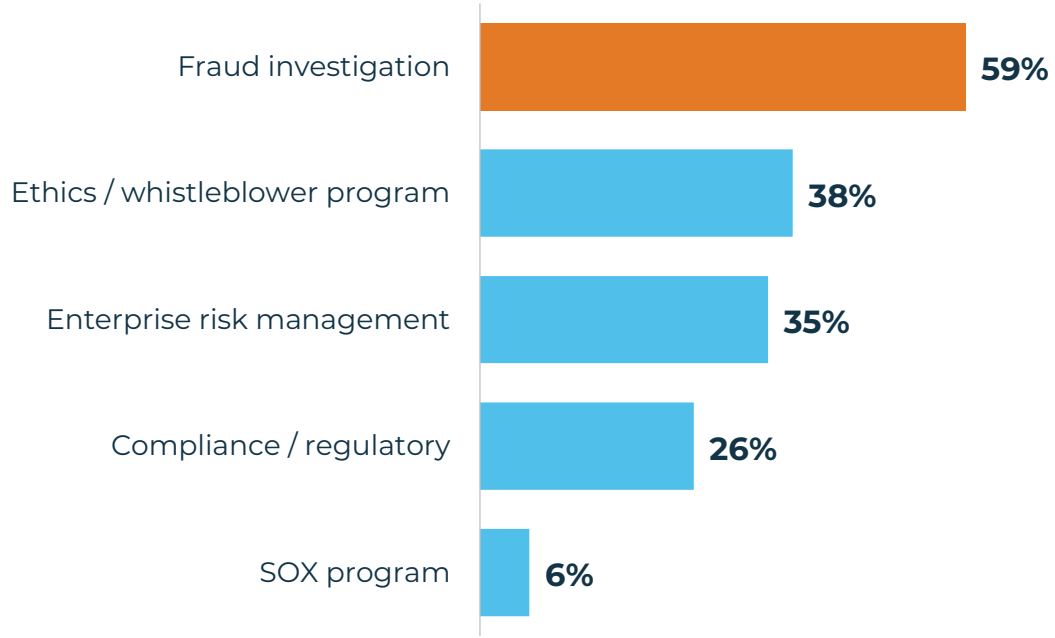
Source: IIA / Internal Audit Foundation, 2026 North American Pulse of Internal Audit (Exh. 1.1, 1.2, 1.6, 2.5). Nonprofit n=33 (budget), n=30 (staff).

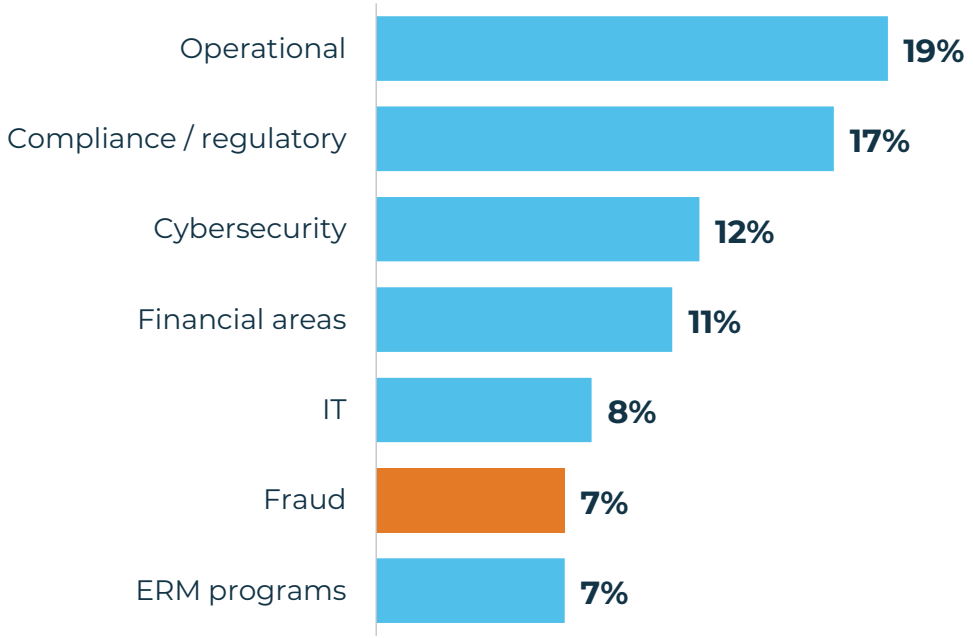
Fraud Sits on the CAE's Desk, Not on the Audit Plan

Nonprofit snapshot from the 2026 IIA Pulse of Internal Audit

CAE responsibilities outside internal audit



Share of nonprofit audit plan, by area



86% of CAEs carry duties beyond internal audit, raising questions of bandwidth, independence and role clarity.

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Source: IIA / Internal Audit Foundation, 2026 North American Pulse of Internal Audit (Exh. 3.2, 4.1, 4.2)

Who Owns What: Closing the Gap Together

Because severity scales with authority, each layer of the organization has a distinct role

C-Suite & Operations

- Set the tone at the top and strengthen the control environment
- Reinforce segregation of duties
- Back controls with clear policies and regular training so strong controls become the norm

Board & Audit Committee

- Make fraud risk management a recurring agenda item
- Integrate it with enterprise risk management reporting
- Make oversight of the highest-authority actors continuous rather than reactive

Internal Audit & Risk Management

- Fold these findings into the annual risk assessment
- Ensure audit plans cover management override, disbursements and other concentration areas
- Use analytics to test full populations, not just samples

Source: GRF article "Small Budgets, Big Targets" (ACFE Occupational Fraud 2026); IIA Pulse 2026

Start Small: Simple Analytics, Real Results

Basic monitoring can surface anomalies without a large budget

1 Duplicate-payment tests

Find the same invoice, amount or payee paid more than once across the full disbursement population.

Targets: Disbursement and billing schemes

2 Vendor / employee address matches

Compare vendor master data to employee records to surface potential conflicts of interest or fictitious vendors.

Targets: Fraudulent disbursement schemes

3 Outlier scans

Flag payments, claims and entries that fall outside normal ranges for amount, timing or frequency.

Targets: Expense reimbursement, payroll, cash

A repeatable way to begin

1 Define the risk → 2 Identify the data → 3 Run a simple test → 4 Investigate & document

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Source: GRF article "Small Budgets, Big Targets"; ACFE Free Fraud Risk Tools

Data You Already Have

Map your highest-risk processes to existing data sources and the analytics that test them

HIGH-RISK PROCESS	EXISTING DATA SOURCES (ILLUSTRATIVE)	STARTER ANALYTICS
Disbursements	AP subledger, vendor master, payment and bank files	Duplicate-payment tests; vendor/employee address matches
Payroll	Payroll register, HR / employee master, change logs	Address matches; outlier scans on payroll edits
Expense reimbursement	Expense reports, card statements, receipts	Outlier scans on amount, timing and frequency
Cash / donations	Deposit records, bank reconciliations, gift / donor system	Outlier scans; unusual refunds or adjustments
Executive & non-routine transactions	General ledger journal entries, related-party payments, manual disbursements	Independent review of every executive-initiated, non-routine item

Source: GRF article "Small Budgets, Big Targets" (ACFE Occupational Fraud 2026)

Six Low-Cost Controls That Close the Gap

Low-cost, high-leverage, and well within reach of a lean organization

Establish a reporting channel

Anonymous hotline, web platform, form or dedicated email. Tips catch 43% of fraud; more than half come from employees.

Train everyone, every year

Staff, managers and the board. The single change that roughly halves scheme duration at nonprofits.

Segregate duties

Separate who authorizes, records and reconciles. Where headcount is tight, add board or owner review.

Independent management review

A second set of eyes on bank reconciliations, vendor changes, payroll edits and expense reimbursements.

Adopt basic monitoring

Duplicate-payment tests, vendor/employee address matches and outlier scans.

Set tone at the top

Code of conduct, conflict-of-interest and whistleblower policies, annual attestations. Executives commit 16% of frauds.

Source: GRF article "Small Budgets, Big Targets" (ACFE Occupational Fraud 2026)

Your 30-60-90 Day Roadmap

Practical, sequenced steps for resource-constrained organizations

30 60 90

Next 30 days

- Launch (or publicize) a confidential reporting mechanism
- Communicate a zero-tolerance, non-retaliation stance to all staff

Next 60 days

- Run a fraud risk assessment: map disbursements, payroll, expenses and cash/donations to controls
- Cover management override: independent review of executive-initiated and non-routine entries

Next 90 days

- Roll out organization-wide fraud awareness training
- Formalize segregation of duties or compensating review controls

Ongoing

- Schedule periodic management reviews and lightweight data-monitoring routines
- Report fraud-risk status to the board or audit committee at least annually

Source: GRF article "Small Budgets, Big Targets" (ACFE Occupational Fraud 2026)

Strengthening Fraud Resilience: Looking Ahead

Five recommendations for the coming years

1

Link to strategy

Show how fraud analytics supports organizational objectives to earn resources.

IIA: 59% vs 29% sufficiently funded

2

Make analytics routine

Move from one-off tests to recurring monitoring reported to the board.

GRF: ongoing, lightweight routines

3

Aim at the top

Independently review executive-initiated and non-routine transactions.

ACFE: executive-led ≈ 9x the loss

4

Plan for new threats

Anticipate cyber-enabled and AI-driven schemes; govern AI use.

NC State: cyber #2 overall, #1 for NFPs

5

Align and build capacity

Align leaders on top risks; invest in skills to use data well.

NC State: 3 talent risks in the top 5

Sources: ACFE Occupational Fraud 2026; IIA Pulse 2026; NC State ERM / Protiviti 2025

Key Takeaways

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Size is no shield
Controls, not budget, make the difference.

Close the detection gap
Analytics strengthens tips, audit and management review.

Start small
Three simple tests on data you already have.

Earn the resources
Tie fraud work to strategy and the board agenda.

Thank You

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Sources and resources

- ACFE, Occupational Fraud 2026: A Report to the Nations; ACFE Free Fraud Risk Tools
- IIA / Internal Audit Foundation, 2026 North American Pulse of Internal Audit
- NC State ERM Initiative & Protiviti, Executive Perspectives on Top Risks 2025
- GRF whitepaper: How to Build a Worldclass Whistleblower Program

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