



Whistleblower Program

Office of the Controller - City Services Auditor

Fraud Awareness and Prevention

December 2016

WHAT IS A MISCHARACTERIZED EXPENSE?

Mischaracterized expense reimbursement schemes are occupational frauds. They occur when an employee submits a false claim to the employer for a business expense reimbursement. The claim is false usually because the employee mischaracterizes a personal expense as a business or work-related expense.

MISCHARACTERIZED EXPENSE RED FLAGS

Knowledge of “red flags,” or indicators of possible fraud, can help you detect improper conduct. If you suspect possible misconduct, look for several (or a pattern of) red flags, rather than one red flag, before drawing firm conclusions.

Some of the most common red flags associated with mischaracterized expenses include:

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| Employee fails to submit detailed expense reports or any expense reports at all. | Employee submits altered or fabricated support documents. | Expense was not pre-approved. | Expense reimbursement approver provides “rubber stamp” approval. |

PREVENTING MISCHARACTERIZED EXPENSE SCHEMES

A program designed to prevent and detect mischaracterized expenses should:

- Require supporting documentation to substantiate an expense report.
- Compare employees’ expense reports to their work schedules.
- Ensure that employees do not approve their own expense reports.
- Randomly monitor employee expense reports.

Employees should report suspected mischaracterized expense schemes to the Whistleblower Program. To report suspected improper activities, go to www.sfgov.org/whistleblower.