

Fraud Risk Management

Deterrence, Prevention, Detection, Investigation

Cotton &
Company

Answers Questioned

What Is Fraud?

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

Who Are We?

Cotton & Company LLP is a diversified professional services partnership headquartered in historic Old Town Alexandria, Virginia.

Our founder, David Cotton, is nationally recognized as a fraud expert through his publications, presentations, and participation on standards-setting bodies. Mr. Cotton co-authored ***Managing the Business Risk of Fraud — A Practical Guide***, a joint publication of the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the Association of Certified Fraud Examiners (ACFE). Mr. Cotton also co-authored ***Management Override of Internal Controls — The Achilles' Heel of Fraud Prevention***, an AICPA publication developed with IIA and ACFE support.

Why Is Fraud Risk Management So Important?

Fraud occurs everywhere. No organization is immune from the damage caused by fraud. Research shows that perpetrators of fraud are usually insiders and are normally well-respected, highly placed, experienced, tenured, and good performers. Fraud can happen anywhere, regardless of size or industry.

The cost of fraud is enormous. In its 2012 *Report to the Nations*, the Association of Certified Fraud Examiners found that a typical organization loses approximately 5 percent of its revenue each year to fraud. Such losses can be catastrophic for the organization's finances and reputation. The Washington Post recently cited one global health fund that had lost \$43 million to fraud as of 2012.

Improving transparency and auditability benefits organizations. By implementing and maintaining defined policies, procedures, and controls, as well as an annual fraud assessment process, organizations can increase their transparency to stakeholders and decrease audit risk, saving time and money.

What Can We Offer You?

Cotton & Company offers comprehensive, cost-effective solutions tailored to help your organization reduce the risk of fraud to an acceptable level. Since every organization is unique, we can work with you to provide the right mix of services, such as:

- Providing fraud awareness training.
- Developing fraud policies and procedures to help set the “tone at the top,” reduce the risk of fraud, and address any potential fraud occurrences.
- Assessing the strength of your fraud prevention and detection profile, using nationally recognized scorecards.
- Identifying specific fraud risks and the associated preventative and detective controls, including identifying any internal control gaps.
- Testing the operating effectiveness of fraud prevention and detection controls.
- Performing ongoing or periodic maintenance to help you ensure that your fraud prevention and detection programs are up-to-date.
- Investigating potential occurrences of fraud.
- Facilitating your existing staff’s implementation of the above-mentioned services.



Our Experience

Cotton & Company has over 30 years of experience finding and investigating fraud; assessing fraud risk; and helping governmental, commercial, and not-for-profit organizations establish and maintain programs that meet and exceed applicable internal control requirements and fraud management best practices.

In addition to internal control assessments performed in relation to our financial statement audit services, Cotton & Company offers internal control and fraud risk assessment services.

We're Here To Help

While anyone can be the target of fraud, no two organizations are alike. Cotton & Company's risk-based approach can be readily customized to meet your specific needs.

Email us at fraud@cottoncpa.com or call us at 703.836.6701 to arrange a meeting to discuss a fraud risk management solution that's right for you. Based on your specific risks, size, and budget, we can put together an affordable program of services to help you address the fraud risks facing your organization.

