



The Threat Within

Risk, Controls and Executive Oversight

North Dakota Bankers Association – October 13, 2026

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About Me



Chase Davis

Director – Fraud & Forensic Advisory

- Education & Credentials
 - BS, Criminal Justice — North Dakota State University
 - MS, Financial Crime and Compliance Management — Utica University
- Credentials
 - Certified Fraud Examiner (CFE), ACFE
 - Certified Crypto Asset Anti-Financial Crime Specialist (CCAS), ACAMS
 - Cryptocurrency Tracing Certified Examiner (CTCE), CipherTrace



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THE THREAT WITHIN

Agenda

Fraud benchmarks and detection

Industry context, reporting trends and the role of tips

Fraud risk and internal controls

The fraud triangle, evidence standards and independent oversight

Three anonymized case studies

Prepaid debit cards, lending and unauthorized customer withdrawals

Lessons and discussion

Case comparisons, control implications and questions



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STATISTICS | ALL INDUSTRIES | ACFE 2026

Case Studies from the ACFE

2,402

Qualifying investigated
cases
143 countries / territories

\$104,000

Median reported loss
All industries, global

12 months

Median duration
Before detection

CFEs reported their largest qualifying case.



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STATISTICS | BANKING AND FINANCIAL SERVICES | 2026

Industry Metrics

\$100,000

Median loss per reported
banking / financial-services case

40%

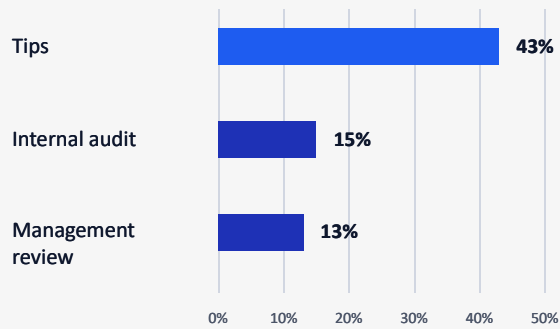
Initial discovery by tip
in that industry category



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STATISTICS | ALL INDUSTRIES | ACFE 2026

Tips lead the detection mix



55%

Of tips came
from employees

Give tips an independent route and a documented response.

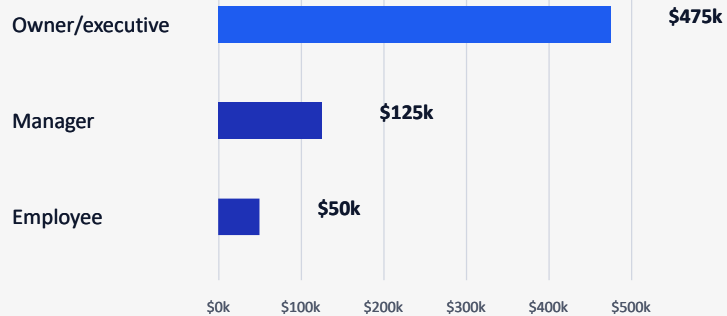


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STATISTICS | ALL INDUSTRIES | ACFE 2026

Authority raises the stakes

Median reported loss, USD



23 / 14 / 8

Median duration
Executive: 23 mo
Manager: 14 mo
Employee: 8 mo

More than half: lack of controls or override of existing controls.



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FRAUD TRIANGLE

The triangle organizes risk questions



Pressure

A financial need the person feels unable to share.

Opportunity

Perceived access and a belief detection can be avoided.

Rationalization

A justification that makes the act seem acceptable.

An explanatory model, not evidence of intent or guilt.



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FRAUD TRIANGLE | INVESTIGATION DISCIPLINE

Evidence before explanations

Documented

Transaction records
Approval evidence
Attributed findings

Hypothesis

Possible pressure
Possible justification
Needs corroboration

Recommendation

Independent review
Restricted privileges
Exception escalation

A record that does not describe a control does not prove the control was absent.



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Controls need operating evidence



Reasonable, not absolute, assurance. Retain the evidence that review occurred.

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Independence must include insiders

Segregate and authorize

Separate originator, approver, disburser and reconciler.

Review sensitive changes

Limits, maturities, addresses and suppression flags need independent review.

Safeguard insider reviews

Limit employee-account access, purpose, retention and conflicts.

Challenge senior authority

Audit / supervisory committee receives independent escalation.

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CONTENT ROADMAP

Three cases. One evidence standard.

Each case: summary → red flags → findings → controls + fraud triangle

Case	Control question
A · Prepaid Cards	Does every load match collected funding?
B · Lending Overrides	Who challenges senior approval bypass?
C · Withdrawals	Can the authorization trail be verified?

Case amounts and certain operational details have been rounded or generalized to protect confidentiality. Figures are illustrative approximations of the reported findings and are not a substitute for the underlying records.



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CASE A | SUMMARY / INTRO

Case A: Prepaid Debit Cards

CREDIT UNION · PREPAID CARDS

Employee-related cards

Funding under review.
Exact duties and permissions
not fully documented.

Individual/Position

Credit Union CEO

Scheme

Abused reloadable debit cards; distributed numerous cards and loaded them without payment

How the concern surfaced

Management questioned funding. The employee was placed on leave while a broad-period review proceeded.



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CASE A | RED FLAGS / CONCERNS

Case A: test the warning signs

One person responsible for reconciliations

Reconciliations never shown to anyone else.
Excuses provided when requested.

Balances Increasing

Increasing balance in corresponding GL account

Recurring negative balances

Overdrawn balances on suspect's account

Cash movement

Large cash deposits – claimed to be from gambling

Which independent records would you match first?



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Case A | Cash deposits and prepaid card funding

Both increased sharply in later periods



Consecutive full-year periods; amounts rounded and year labels generalized for confidentiality.

Trend comparison does not establish that cash deposits came from prepaid cards.

Source: Case A report, Table 2 and Schedule 3.

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CASE A | FINDINGS

Case A: quantify unmatched funding

\$150,000

Net funding with no identified or traced payment

Funding evidence

Repeated loads on employee-related cards; traced payments from suspect's account

Accounting evidence

Increasing account balance resulted from lack of payment

Cash activity

Matched card withdrawals to deposits into suspect's account

Loss recovered through insurance/bonds



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CASE A | CONTROLS + FRAUD TRIANGLE

Case A: tie controls to evidence

ELEMENT	AVAILABLE EVIDENCE / LIMITS
PRESSURE	Possible financial pressure;. Negative balances multiple months for suspect's account.
RATIONALIZATION	Internal rationalization is not established.
OPPORTUNITY	Permissions, approvals and reviewer independence unclear.



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CASE B | SUMMARY / INTRO

Case B: challenge senior authority

BANK · LENDING + MANAGEMENT OVERRIDE

Lending

Lending activity, disbursements and system changes were reviewed against approval requirements.

Individual/Position
Executive

Scheme / responsibilities

Unauthorized funding of loans through money orders and cashier's checks. No collateral or required documentation; falsified customer information

How the concern surfaced

Money order left on suspect's desk



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CASE B | RED FLAGS / CONCERNS

Case B: test the warning signs

Funding before records

Disbursements preceded completed loan documentation and recording.

Unapproved changes

Amount / limit and maturity changes lacked required authorization.

Approval-limit bypass

Insider-related lending and delegated limits required independent challenge.

Unfunded money orders

Issue, collected funds and GL required item-level reconciliation.

Who can challenge an executive override independently?



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CASE B | FINDINGS

Case B: classify separate measures

about \$450,000

Specific fraudulent loan obligations

about \$1 million

Expected-loss provision

about \$725,000

Money-order funds returned

Not additional unrecovered loss

Patterns: incomplete records, unapproved changes and approval bypass; unaware borrowers received no funds.

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CASE B | CONTROLS + FRAUD TRIANGLE

Case B: tie controls to evidence

ELEMENT

AVAILABLE EVIDENCE / LIMITS

PRESSURE

Potential funding for lavish lifestyle

RATIONALIZATION

Intended to pay them back, but amounts increased beyond repair

OPPORTUNITY

System access, funding before records and approval bypass documented.
Review & approvals not required.

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Case C: verify customer authorization

COMMUNITY BANK • CUSTOMER WITHDRAWALS

Long-tenured teller

Customer withdrawals and authorization support under review.

Individual/Position

Head Teller

Scheme / responsibilities

Falsified and pocketed customer withdrawals;
Unsigned or reused copied WD slips; falsified signatures

How the concern surfaced

A customer complaint exposed unauthorized withdrawals.
Internal records connected activity to employee processing.

Case C: test the warning signs

Unsigned / reused tickets

Identical withdrawal tickets along with withdrawals when no customers were present

Signature variances

Compare originals and customer authorization; variation alone is not proven forgery.

Customer Complaints

Customers complained there were withdrawals they did not authorize; they were ignored by management due or turned away by the suspect

Drawer Codes

Anomalies related to the drawer codes were detected after review

Does your institution have a tip line? Who is responsible for the review and response?

CASE C | FINDINGS

Case C: establish reviewed scope

about \$375,000

**Customer-confirmed unauthorized /
questionable withdrawals in review scope**

Supporting patterns

Customer confirmations, original tickets,
reused / unsigned support and linked cash-out
entries.

More than 1,000

Withdrawals; dozens of customers.

Scope and exclusions

Reviewed 50+ individual's accounts; excluded
non-high-risk accounts after activity review

Not lifetime / court-established loss or restitution. Processing does not establish intent.

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CASE C | CONTROLS + FRAUD TRIANGLE

Case C: tie controls to evidence

ELEMENT	AVAILABLE EVIDENCE / LIMITS	PRACTICAL CONTROL RESPONSE
PRESSURE	No clear pressure beyond financial gain	
RATIONALIZATION	No clear rationalization	
OPPORTUNITY	Access to customer information; Knew customers well enough to know they won't check their statements. Access and prior review effectiveness unclear.	

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THREE-CASE COMPARISON | NO COMBINED LOSS

Different measures. The same discipline.

Case / measure	Independent evidence	Executive question
A - Unsupported funding	Load / collected-funds / settlement / GL match	Who owns unresolved funding? Who reviews reconciliations?
B - Separate obligations / provision / returned funds	Documents, limits, approval and change logs	Who challenges senior override?
C - Customer-confirmed unauthorized / questionable withdrawals	Authorization, original tickets and linked entries	How are exceptions and complaints reviewed then closed?

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CONTROLS | ACCESS + AUTHORITY

Independence must include insiders

Segregate and authorize

Separate originator, approver, disburser and reconciler.

Review sensitive changes

Limits, maturities, addresses and suppression flags need independent review.

Safeguard insider reviews

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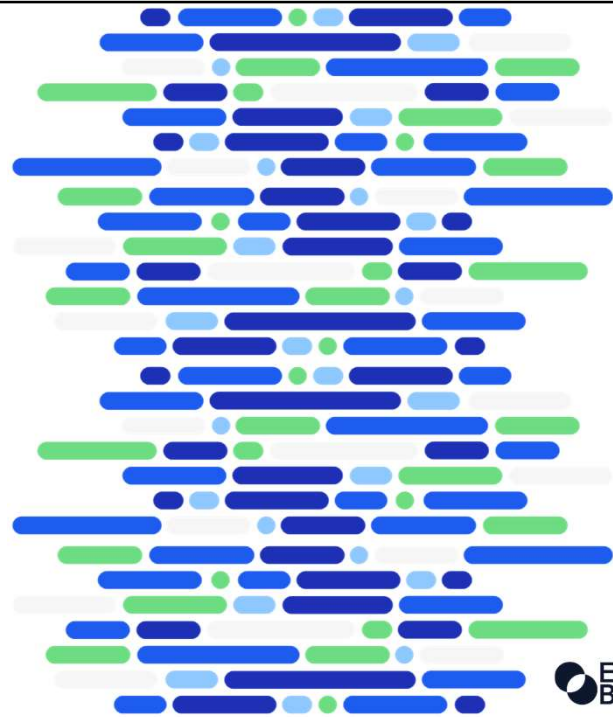
NCUA, Governance / Fraud Prevention Resources; FDIC, Insider Fraud and Abuse, steps 17, 24, 27, 30.

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Questions?

Chase Davis

cdavis@eidebailly.com



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APPENDIX | REFERENCE



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