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FREE RESOURCE · FOR LEGAL PROFESSIONALS

Fraud Red Flags for Attorneys

Financial warning signs in litigation, divorce and business disputes, employment and nonprofit matters, and when to engage a forensic accountant.

ABOUT THIS RESOURCE

Financial misconduct often hides in plain sight inside the documents and testimony you already have. This guide summarizes warning signs that suggest a closer financial look is warranted in litigation, divorce and business disputes, employment matters and nonprofit cases, and explains when a forensic accountant can strengthen your case.

INSIDE

- Behavioral, document and transaction red flags
- Accounting anomalies and common vendor, payroll and expense schemes
- Indicators of concealed income or assets
- When to engage a forensic accountant and how IAG supports counsel

WHO IT IS FOR

Litigators, family law attorneys, employment counsel, business and nonprofit counsel, and in-house legal teams.

SECTION 1

Behavioral Red Flags

Behavior alone does not prove wrongdoing, but certain patterns frequently appear alongside financial misconduct and are worth noting in discovery and interviews.

Behavior	Why it matters
Living beyond apparent means	Lifestyle that outpaces reported income may point to undisclosed funds.
Refusal to take vacation or share duties	May indicate a need to maintain control over records or transactions.
Unusually close relationships with a vendor or customer	Can signal kickbacks, conflicts of interest or fictitious billing.
Defensiveness or delay when asked for records	Producing records slowly or in fragments can mask gaps or alterations.
Sole control over the books, banking or a key system	Lack of oversight is the condition that allows most schemes to persist.
Recent financial pressure (debts, divorce, business setbacks)	Pressure is a common motivator in fraud cases.

SECTION 2

Document & Transaction Red Flags

- Missing, altered or photocopied-only documents where originals should exist.
- Round-dollar or just-below-approval-limit transactions repeated over time.
- Gaps in check sequences, voided checks or manual checks without support.
- Transfers between related accounts or entities with no clear business purpose.
- Large or unusual transactions near the end of a period or shortly before a separation or filing.
- Bank statements that do not match the accounting records or tax filings produced in discovery.
- Handwritten or spreadsheet records used instead of the normal accounting system.
- Frequent changes to vendor, payee or bank account information.

SECTION 3

Accounting Anomalies

Unexplained journal entries
Manual adjustments, entries posted by unusual users, or entries without supporting documentation.

Shifts in margins or ratios
Gross margin, expense ratios or receivable days that change without an operational explanation.

Suspense and clearing accounts
Balances that grow or are cleared with large, unexplained entries.

Revenue timing issues
Income recognized early, deferred, or recorded in the wrong period or entity.

Inventory or asset discrepancies
Write-downs, shrinkage or missing assets that are not investigated.

Inconsistent reconciliations
Reconciling items that carry forward month after month, or reconciliations that are not done at all.

SECTION 4

Vendor, Payroll & Expense Schemes

Scheme	What to look for
Fictitious or shell vendors	Vendors with P.O. box or residential addresses, no web presence, or an address or bank account that matches an employee.
Kickbacks and inflated invoices	Prices above market, a single favored vendor, split purchases to avoid approval limits.
Ghost employees	Payees with no personnel file, no tax withholding changes, shared bank accounts or addresses.
Unauthorized pay changes	Pay rate increases, overtime or bonuses without written approval.
Expense reimbursement abuse	Duplicate claims, personal items, missing receipts, or the same receipt submitted on a card and as a reimbursement.
Credit card misuse	Personal purchases, cash advances, gift cards or charges by a leader with no independent review.

SECTION 5

Asset Concealment Indicators

Particularly relevant in divorce, partnership and business valuation disputes.

- Income declining sharply around the time a dispute begins.
- Deferred bonuses, delayed contracts or unbilled receivables in a closely held business.
- Payments to new or unfamiliar entities, family members or friends.
- Personal expenses run through a business, or business income deposited to personal accounts.
- Cash-intensive business activity with deposits that do not match sales levels.
- Overpayment of taxes or liabilities that may later be refunded.
- Accounts, safe deposit boxes or digital assets referenced in records but not disclosed.

SECTION 6

When to Engage a Forensic Accountant

1. **Early, when financial questions are central.** Involvement before discovery requests are drafted helps target the right records.
2. **When records are voluminous or complex** and need to be organized, traced and summarized.
3. **When numbers do not reconcile** between bank records, accounting records and sworn disclosures.
4. **When you need an independent, documented analysis** to support settlement discussions, mediation or trial.
5. **When an internal investigation is needed** before deciding whether to pursue claims or report a matter.

> ### Preserving privilege
> Discuss with your client how the forensic accountant will be engaged and how work product will be shared. Many attorneys prefer to engage the forensic accountant directly to support the legal advice they provide.

SECTION 7

How IAG Supports Counsel

- **Litigation support:** document review, transaction tracing and loss analysis, plus impartial HR investigations when financial issues overlap with workplace conduct.
- **Clear, documented analysis:** findings in plain language, with schedules and support that show how conclusions were reached.
- **Respect for the attorney-client relationship:** we work at your direction, communicate through counsel as agreed and respect your relationship with your client.

NEXT STEPS

How IAG Can Help

For counsel, IAG offers forensic accounting and investigations, litigation support, impartial workplace investigations, and mediation for disputes that are better resolved outside the courtroom.

Forensic Accounting & Investigations

Independent fact-finding into suspected fraud, misconduct and unexplained losses, with clear, documented analysis and litigation support.

HR Investigations & HR Advisory

Impartial workplace investigations, HR advisory and HR retainer support, policy & handbook review, and HR compliance audits.

Mediation, Arbitration & Conflict Resolution

Neutral, confidential processes for workplace, board, ministry and business partner disputes, including post-investigation repair.

Internal Controls, Risk & Compliance

Internal control reviews, fraud risk assessments, and compliance & policy reviews that turn findings into working controls.

Training & Leadership Development

Workshops, keynotes, executive coaching and compliance training that build ethical, capable leaders and teams.

Serving Illinois & California

Engagements are delivered through secure virtual meetings. Other states by arrangement.

Schedule a confidential consultation at integrityadvisorygroup.org

Start with a confidential conversation about your situation. We will listen, clarify what you need and explain options before any work begins.

Email: jeremy@integrityadvisorygroup.org **Meetings:** Virtual **Service area:** Illinois & California (other states by arrangement)

Integrity Advisory Group opens for client engagements in January 2028.

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