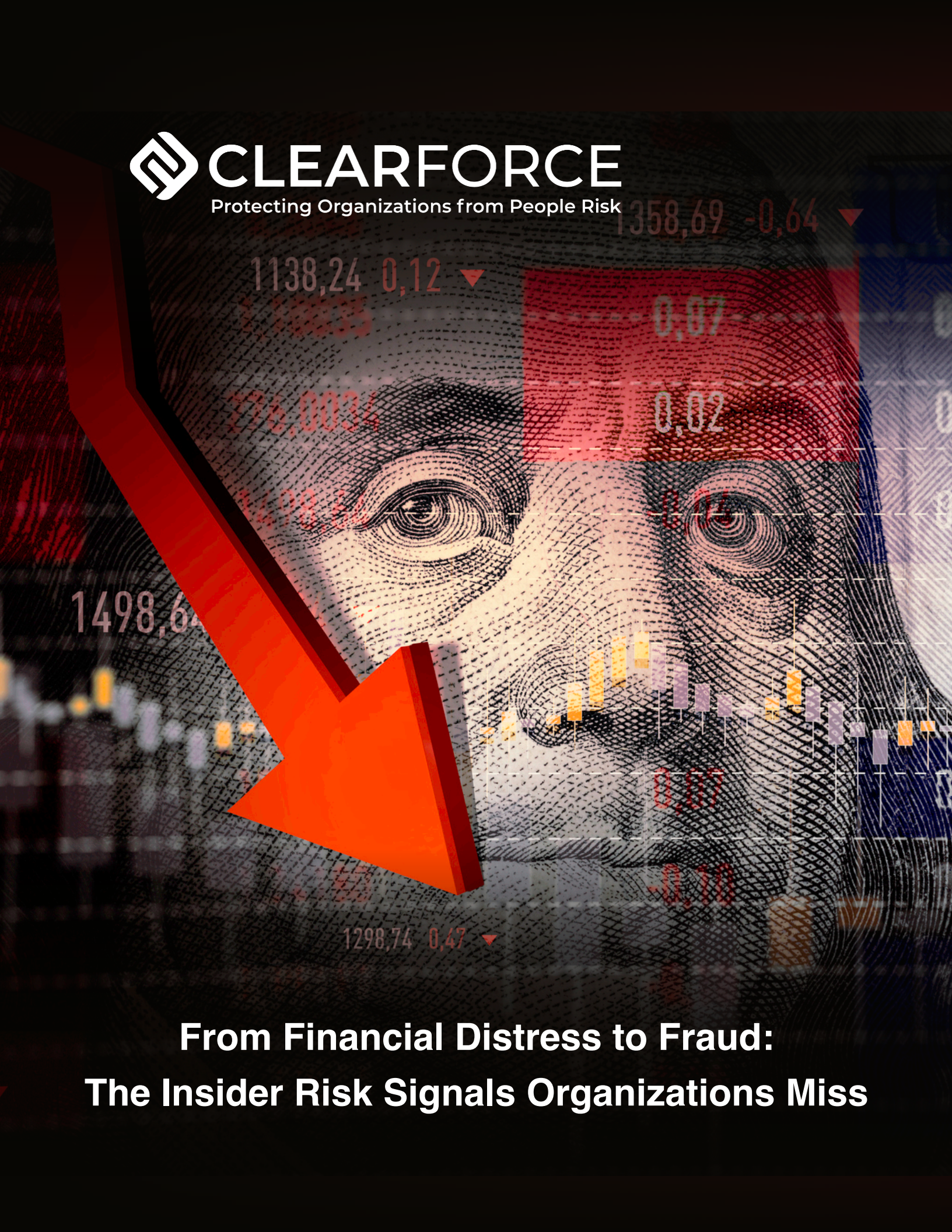




CLEARFORCE

Protecting Organizations from People Risk



**From Financial Distress to Fraud:
The Insider Risk Signals Organizations Miss**

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When \$200,000 in Fraud Isn't a Surprise—It's a Pattern

A recent case involving a nonprofit employee accused of embezzling over \$200,000 across seven years highlights a critical truth:

Most insider threats don't emerge suddenly—they evolve over time, often in plain sight.

The employee, entrusted with financial responsibilities, allegedly manipulated records, forged approvals, and diverted funds over an extended period. The fraud was only discovered after termination—long after the damage was done.

But here's what makes this case especially important for organizations:

The risk signals existed years before the fraud began.

The Overlooked Warning Signs: Financial Stress as a Leading Indicator

Public records tied to the case reveal a history of financial instability, including:

- Multiple bankruptcies over a decade
- Long-term financial distress preceding the alleged fraud period

This aligns with a well-documented pattern:

Financial stress is one of the strongest leading indicators of insider risk—including fraud, theft, and policy violations.

When individuals face sustained financial pressure, the likelihood of:

- Ethical boundary erosion
- Policy violations
- Fraudulent behavior

increases significantly.

Yet most organizations never see these signals—because they aren't looking beyond the point of hire.

The Real Problem: Static Screening in a Dynamic Risk Environment

Traditional Approach:

- Background check at hiring
- Periodic re-screening (if at all)
- Reliance on self-reporting

The Gap:

Risk doesn't stay static—but your screening process does.

Pre-employment checks provide only a **moment-in-time snapshot**, leaving organizations blind to what happens next.

In this case:

- Financial distress signals were **publicly available**
- No system existed to **monitor changes over time**
- Fraud continued undetected for **years**

The Insider Threat Lifecycle: How Risk Evolves

This case follows a familiar escalation pattern:

1. Early Indicators

- Financial distress (bankruptcies, debt, instability)

2. Mounting Pressure

- Ongoing financial strain creates vulnerability

3. Opportunity

- Role with access to funds or sensitive systems

4. Action

- Fraud, theft, or policy violations

5. Late Detection

- Discovered only after termination or audit

Why Audits and Controls Aren't Enough

Organizations often rely on:

- Internal controls
- Financial audits
- Compliance reviews

But these are designed to:

- Detect discrepancies **after they occur**
- Validate processes— not human behavior

They don't identify risk—they react to it.

And in insider threat scenarios, trusted employees often:

- Understand control gaps
- Operate within normal workflows
- Avoid triggering traditional alerts

The Shift to Continuous Risk Monitoring

Forward-looking organizations are moving beyond static checks to **continuous evaluation of human risk signals**.

This includes monitoring:

- Criminal records and legal activity
- Financial distress indicators (liens, bankruptcies, judgments)
- Behavioral and policy-related signals

As highlighted in workforce risk research:

Continuous monitoring enables organizations to identify early indicators of pressure and stress that may lead to negative actions—before incidents occur.

What Continuous Monitoring Changes

Without Continuous Monitoring:

- Risk signals go unnoticed
- Detection occurs post-incident
- Losses compound over time

With Continuous Monitoring:

- Early warning signals are identified
- Risk is evaluated in context of role and access
- Organizations can intervene before escalation

The Business Impact of Missed Signals

Cases like this don't just result in financial loss. They create:

- **Reputational damage**
- **Legal and compliance exposure**
- **Operational disruption**
- **Loss of stakeholder trust**

And in sectors serving vulnerable populations, the impact is even more severe.

A New Standard for Workforce Risk Management

Organizations are increasingly recognizing that:

Human risk is dynamic—and managing it requires continuous visibility.

Modern workforce risk programs integrate:

- Real-time data monitoring
- Cross-functional workflows (HR, Legal, Security)
- Policy-driven alerting and investigation
- Privacy-compliant processes

Platforms like ClearForce's Resolve™ unify these capabilities—turning fragmented data into **actionable, compliant insight across the employee lifecycle.**

Key Takeaways for Security and Risk Leaders

- **Insider threats rarely start as threats**—they begin as behavioral signals
- **Financial stress is a critical early indicator** that should not be ignored
- **Static background checks create dangerous visibility gaps**
- **Time-to-detection directly impacts financial and reputational loss**
- **Continuous monitoring transforms risk from reactive to proactive**

Final Thought: The Signals Were There

This wasn't just a fraud case.

It was a **missed opportunity to detect risk early.**

The warning signs were public.

The behavior evolved over time.

The system to catch it didn't exist.

Call to Action

If you'd like to see how continuous monitoring can help your organization detect insider risk earlier and reduce exposure:

- Request a demo of ClearForce Resolve™
- Explore a workforce risk assessment
- Evaluate your current post-hire risk gaps