

FRAUD TRIANGLE

By Julia A. Walker, CPA

• **Julia A. Walker, CPA**

- Graduate of University of South Carolina:

- Bachelor of Science in BA – Magna Cum Laude
 - International Business & Accounting, Spanish
- Masters in Accountancy
 - Business Measurement & Assurance

- BlueCross BlueShield of SC

- Health Care Providers Audit

- Public Accounting

- - Audit Department

- Estimated 5% of total GDP in the USA is lost due to fraud
- Big fraud cases of 21st Century are: Enron, WorldCom, Bernie Madoff
- Small fraud cases are mostly go through the news in few days and are not well remembered
- A \$5,000 cash shortage can destroy a business with \$100,000 annual revenue

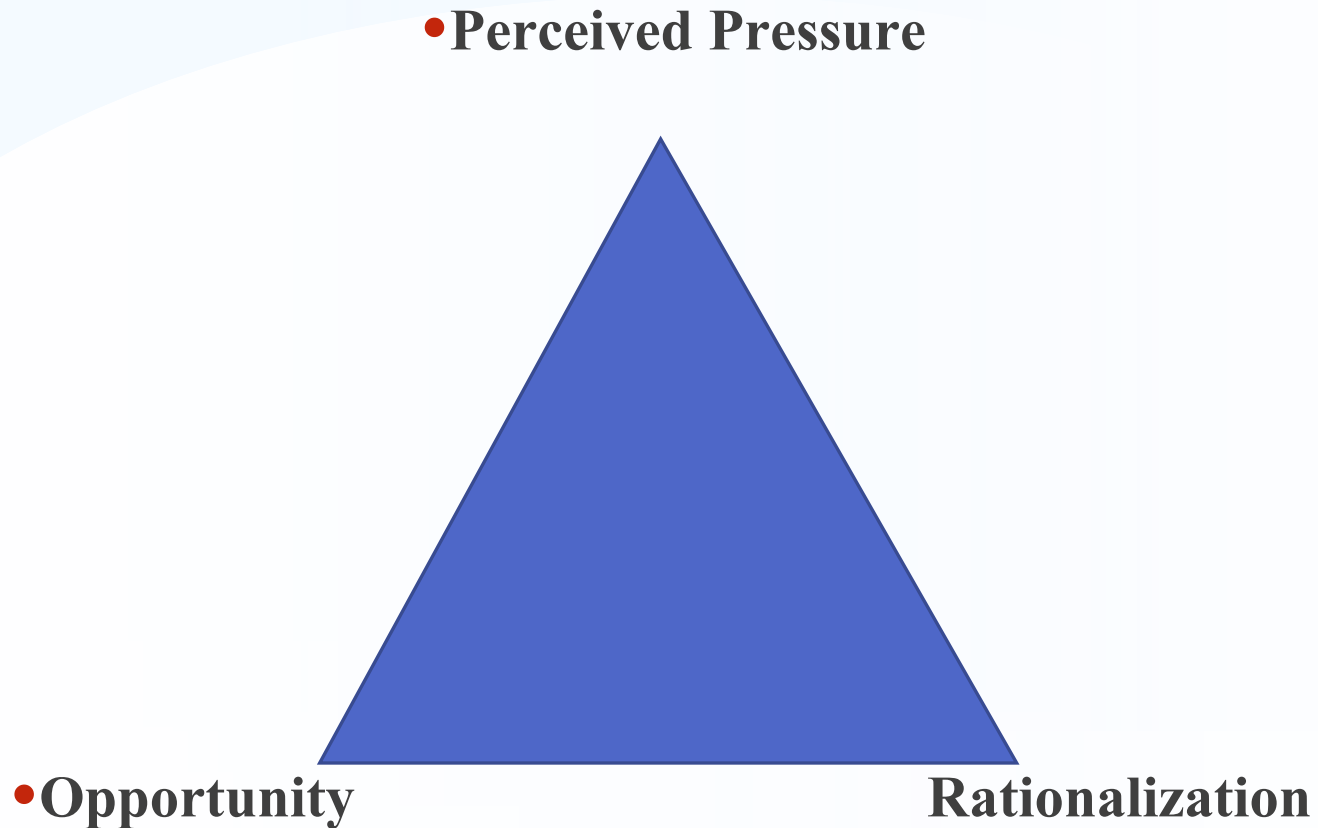
- **Who Commits Fraud:**

- **“Trust Violators”**

- Common to be well-respected member of community, regularly attend church, have spouse and children
- Often had been working for the organization for more than a year
- No prior criminal record (89%)

- Donald R. Cressey wrote : “Other People’s Money: A Study in the Social Psychology of Embezzlement”
- Interview of 200 incarcerated inmates
- Following research confirmed his findings and the theory became known as a “Fraud Triangle”
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Fraud Triangle



• **What can we do to prevent fraud?**

- Tone at the top
- Surprise audits
- Job rotation/ mandatory vacation policy
- Hotline
- Code of conduct

• Sources:

- Association of Certified Fraud Examiners
- Forensic Accounting and Fraud Examination by M. Kranacher, R. Riley, Jr, and J. Wells.

• Questions?