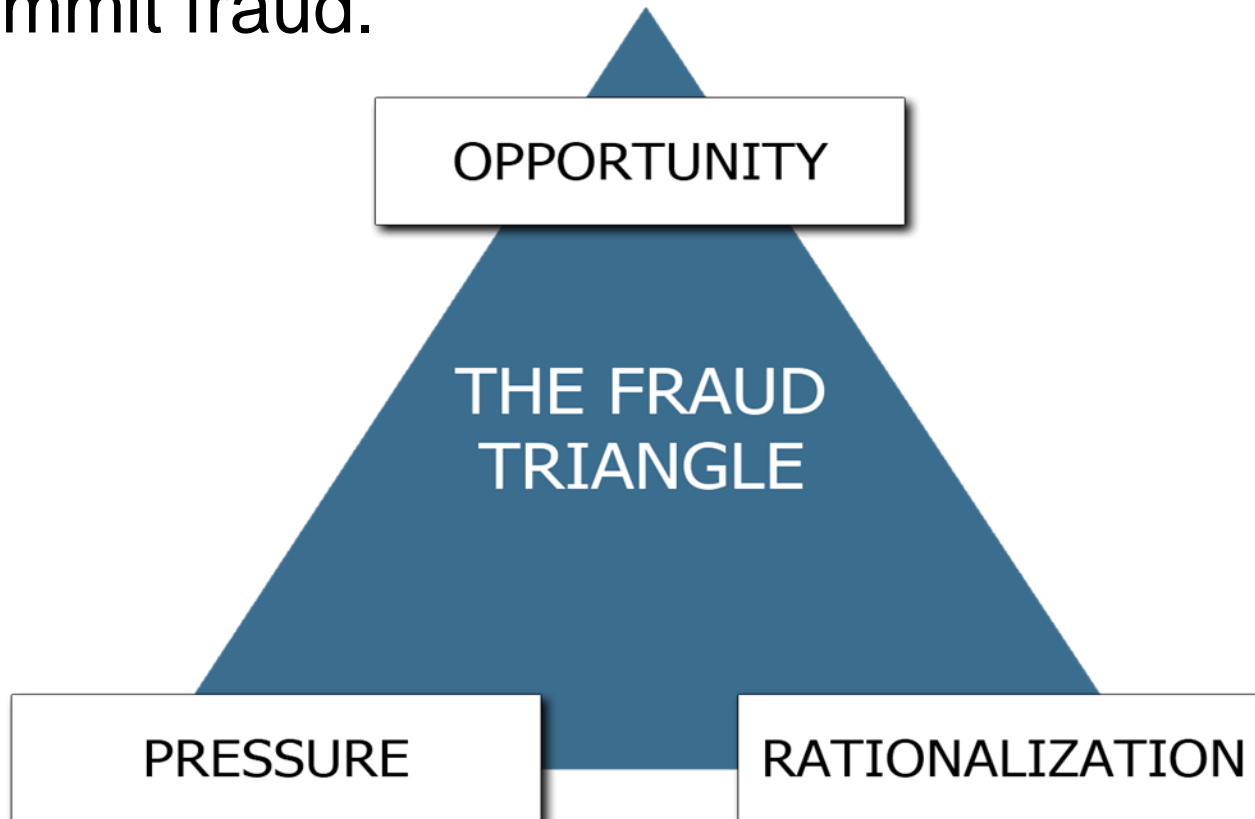


Interviewing Essentials and the Mindset of a Fraudster

*Pressures, Opportunities, and
Rationalizations for Fraud*

Introduction

- The Fraud Triangle posits three factors that must be present for an ordinary person to commit fraud.



Pressure

- Personal financial pressures
 - Living beyond one's means
 - Family problems (e.g., affairs and divorces)
 - Health issues
 - Reductions in resources
 - Addictions
- Can also be the result of a fraud

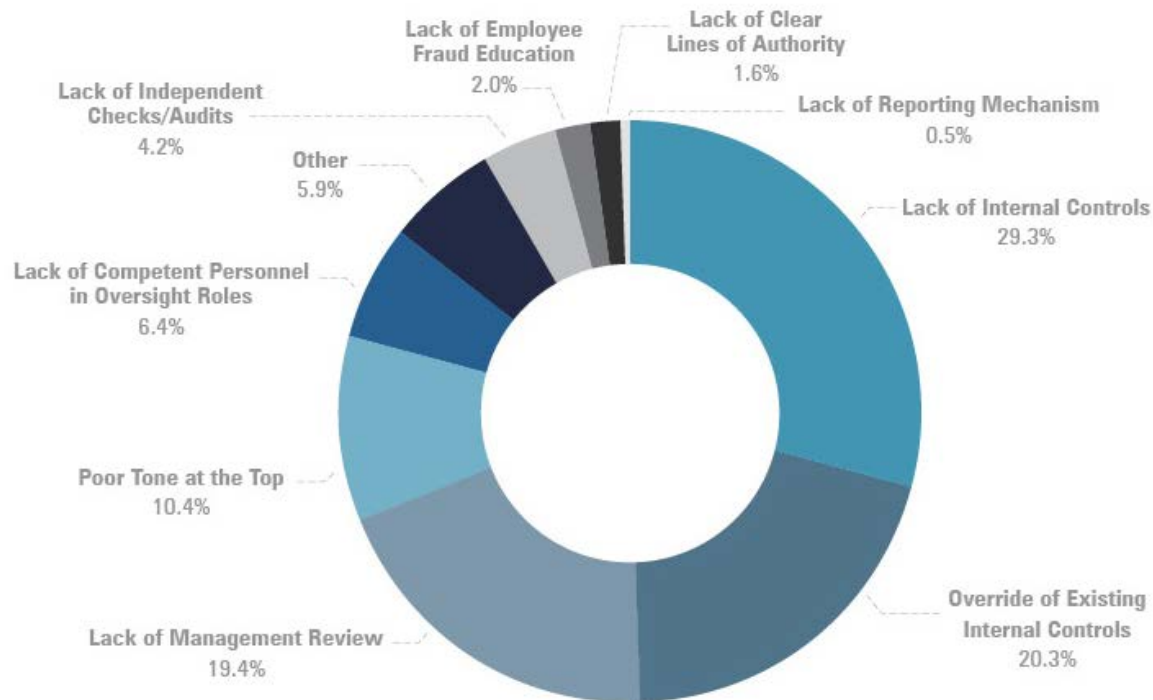


Perceived Opportunity

- Poor internal controls
 - Lack of separation of duties
 - Inadequate policies
 - Weak or nonexistent change controls
 - Lack of education and awareness
 - Lack of independent checks on performance
 - Lack of proper authorization and documentation
 - Ineffective accounting system

Internal Control Weaknesses That Contributed to Fraud

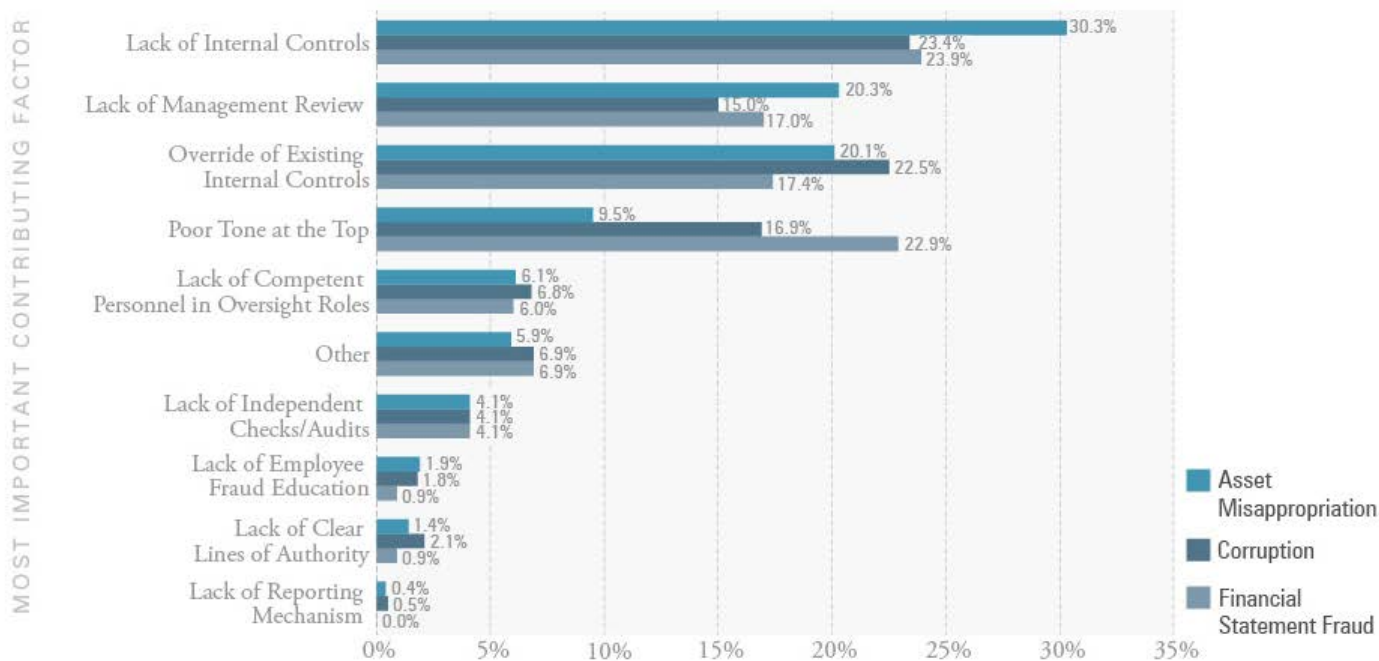
Figure 63: Primary Internal Control Weakness Observed by CFE



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Internal Control Weaknesses That Contributed to Fraud

Figure 64: Primary Internal Control Weakness by Scheme Type



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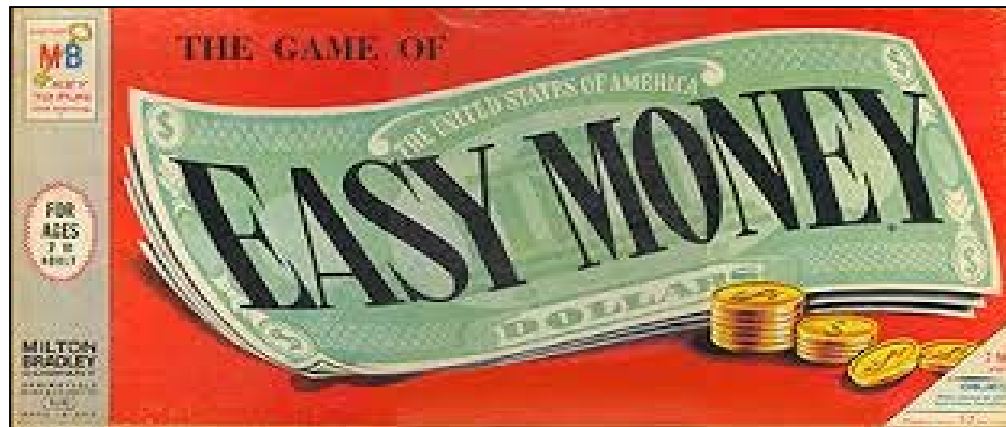
Perceived Opportunity

- Ineffective anti-fraud programs, policies, and procedures
- Poor training
- Poor supervision
- Lack of punishment for perpetrators
- Weak ethical culture



Perceived Opportunity

- Availability of suitable targets
 - Value (monetary and symbolic) for potential offenders
 - Visibility to potential offenders
 - Accessibility to potential offenders
 - Lack of physical factors that prevent their taking by fraudulent means



Rationalization

- Won't engage in illegal conduct unless they can justify the morality of their actions
- *Cognitive dissonance*—psychological discomfort of having two conflicting thoughts at the same time or engaging in behavior that goes against one's beliefs
- Many fraudsters adept at explaining their illegal actions in a way that makes them seem morally acceptable

Rationalization

- Blaming the victim
- Dehumanizing the victim
- Denying the existence of injury



Rationalization

- Appealing to higher loyalties
- Posturing as a victim of circumstance
- Making advantageous comparisons
- Normalizing the deviance
- Diffusing responsibility
- Incrementalism
 - Most fraudsters start gradually and move progressively into egregious behavior

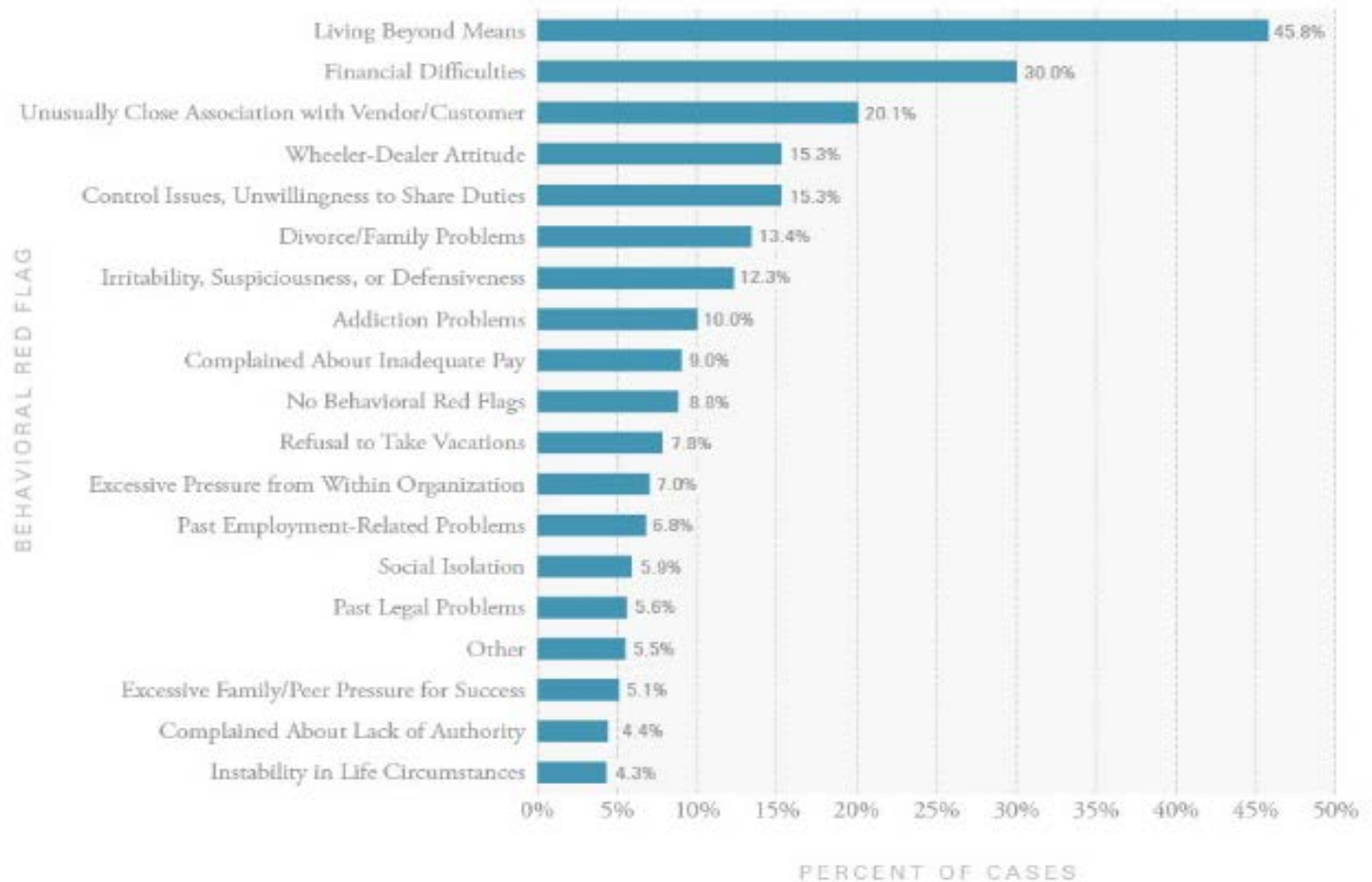
When Does the Fraud Triangle Not Apply?

- *Predatory employees*—individuals who take jobs with a premeditated intent of stealing from employers



Negative Behavioral Traits

Figure 94: Behavioral Red Flags Displayed by Perpetrators



Emotions in Fraud

- Rationalization
- Emotional manipulation
 - Tendency to Trust
 - Want to be cooperative, nice
 - Obey authority
 - Social engineering
 - IRS phone scam cases
 - MD nurse scam for elderly
 - ID thieves of foster children
- Fear

Emotions in Fraud

- Anger
 - Undercompensated
 - Underappreciated
 - Wronged
- Revenge
- Anxiety
- Envy
- Feeling overwhelmed