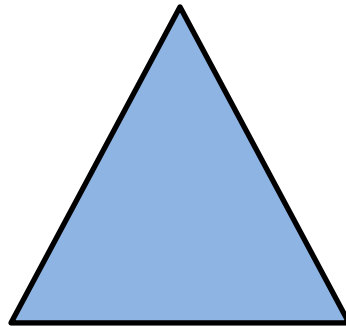


## CONCEPT: FRAUD AND THE FRAUD TRIANGLE

- **Fraud** – a dishonest act by an employee for personal benefit at the cost of the employer

- ☐ Stealing money from the cash register
- ☐ Stealing Inventory from the warehouse
- ☐ Creating fake invoices paid by the company



- **Opportunity** – the workplace environment must provide an opportunity to commit fraud

- ☐ The most important element of the fraud triangle
- ☐ Example: Cash registers are not counted at the end of the day

- **Incentive (or Financial Pressure)** – the reason the employee wants to commit fraud

- ☐ Example: The employee is behind on bill payments.
- ☐ Example: The employee wants to live a lavish life.

- **Personality to Rationalize** – the employee must feel OK with the dishonest behavior

- ☐ Example: The employee believes they are underpaid and deserve more money.

- To minimize the opportunity to commit fraud, companies use **internal controls**

- ☐ **Internal Controls** safeguard assets, make financial information more reliable, and ensure compliance with laws