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The Trusted Advisors, Vol. I



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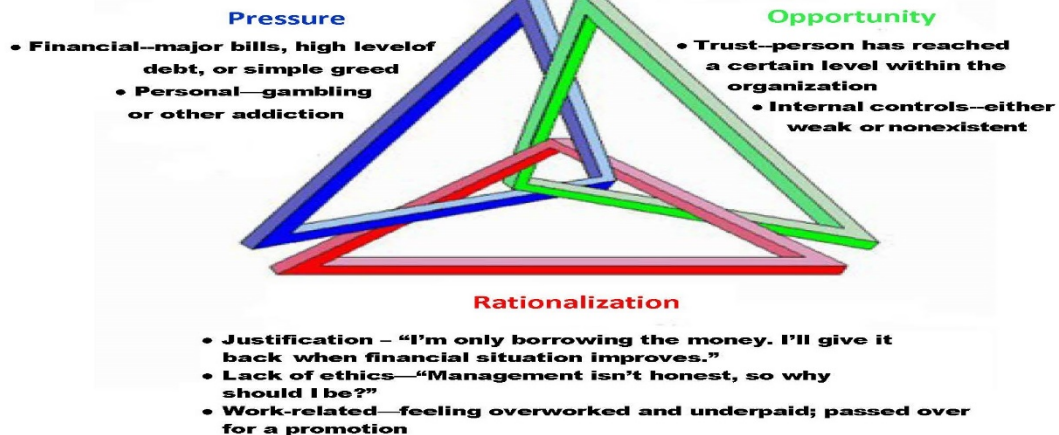
Fraud & Abuse Awareness

According to the IIA, AICPA, & ACFE fraud can be defined as **"Any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain."**

Source: The Institute of Internal Auditors (IIA), American Institute of Certified Public Accountants (AICPA), & The Association of Certified Fraud Examiners (ACFE), *Managing the Business Risk of Fraud: A Practical Guide*

The Fraud Triangle

When all three components are present – there is a red flag for possible fraud



Similar to the way a fire can result from a chemical chain reaction with heat, fuel and oxygen; a fraud can result from the mixture of opportunity, pressure and rationalization. The existence of these three elements at the same time should trigger a red flag alert for a possible fraud.

Easy Ways to Reduce Fraud Risk

1. Review the following key management controls for adequacy and make improvements as needed to strengthen the control environment:

- Segregation of duties
- Physical and IT access
- Management oversight - required reviews, approvals, and reconciliations
- Update policies and procedures
- Change management



2. Perform periodic fraud risk assessments on processes following these tips:

- Ask how would I commit the fraud?
- Document the controls in place to prevent this fraud from happening
- Determine whether the control environment is adequate to prevent the fraud
- Add practical procedures to bring the control environment to an acceptable level if needed

Need help performing a risk assessment? Contact Internal Audit @ 713-718-7278.



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