

CEP Magazine – September 2019 The 'seduction' of fraud

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For decades, the anti-fraud profession has relied on the Fraud Triangle^[1] to explain white collar crimes such as embezzlement. With its key attributes of pressure, opportunity and rationalization, the fraud triangle, attributed to Dr. Donald Cressey, was first introduced in the 1950s. He used it to explain the mind-set of persons committing embezzlement and similar breaches of trust. Since then, many professional organizations, such as the Association of Certified Fraud Examiners (ACFE), the American Institute of Certified Public Accountants (AICPA), and the Institute of Internal Auditors (IIA), have embedded the Fraud Triangle into their professional education as a cornerstone to understanding fraud.

However, many of the largest scandals we have seen in recent years (e.g., Wells Fargo, Volkswagen, Toshiba, Theranos) no longer fit nicely into the Fraud Triangle. Moreover, many of these scandals share a number of the same characteristics. These are not traditional “trusted bookkeeper” embezzlements of yesteryear, but global scandals carried out by some of the world’s most renowned and respected companies and business leaders. What is going on? Why are we as anti-fraud, ethics, and compliance professionals being caught off guard by these events? The answer is because we are framing these scandals and frauds using an outdated lens. We have relied on tools from the past to explain current events that no longer fit into the previous models. We need to fundamentally change the way we look at human behavior and ethics if we want to become better at fraud prevention, detection, and investigation. How do we do this? By using a new tool developed to address many of today’s issues: the Seduction of Fraud Diamond (SoF Diamond, see Figure 1).

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