

Reducing the High Pressure: Using the Fraud Triangle to Manage Culture, Risks

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Who is this guy?

- Writing, blogging independently at www.RadicalCompliance.Com
- Previously editor at Compliance Week, 2006-2016
- Doing various research, writing projects for private clients

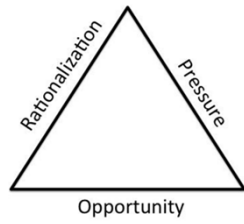


Yes, we all worry about culture

- Boards and CEOs worry about culture nonstop
- Corporate values, mission statements—they're everywhere
- Policy proliferation happening every day
- **So why are employees still so cynical, and why do they struggle to know what to do?**

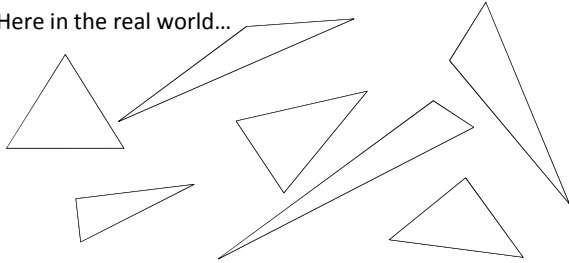


The Fraud Triangle:



RC RADICAL COMPLIANCE
SHARP THINKING ABOUT COMPLIANCE, AUDIT AND RISK

Here in the real world...



RC RADICAL COMPLIANCE
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The triangle must fit your risks

Imagine...

- Global corporation
- Overseas sales agent
- Emerging market
- Tough sales quotas

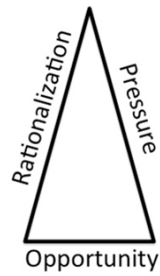


What would that look like?

RC RADICAL COMPLIANCE
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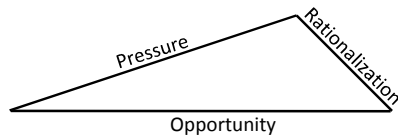
It might look like this:

- Lots of pressure ('No sales, means no job, means no food on table')
- Lots of rationalization ('They will never notice')
- Low opportunity (tight controls)



A real-world example: Sales quotas

- More opportunity
- Lots of pressure
- Less rationalization



One risk can have *multiple* triangles within the same organization.

Consider embezzlement risk...



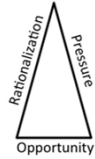
For a low-level employee...

- Lots of pressure
- Easy rationalization
- Little opportunity



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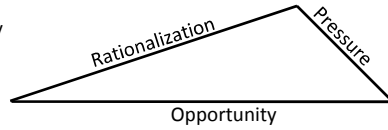
For the CFO...

- No pressure
- Mixed rationalization
- Easy opportunity



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- No pressure
- Mixed rationalization
- Easy opportunity



So how do you take
a measurement, exactly?



Whatever criteria make sense...

- Risk library
- Risk tolerances from the board
- Workforce surveys



Whatever criteria make sense

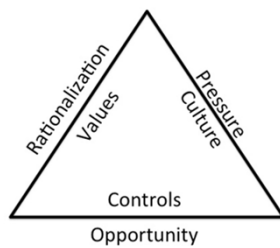
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And my favorite...





The Anti-Fraud Triangle



Design the Right Anti-Fraud Triangle

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- If you have strong culture, people can withstand more pressure
- If you have good values, people will say, 'That's something I just won't do.'
- If you have strong controls, policies, people have less opportunity

The final takeaways...

- Misconduct comes in many forms. So do its causes.
- Designing the right fraud triangle depends on risk assessment, control environment.
- From your fraud triangle, reverse-engineer your anti-fraud triangle.
- 'A problem in your control environment should be a full-stop moment.'



Recommended reading...

- [Fitting the Fraud Triangle to Wells Fargo](#)
- [Ideas on Auditing Organizational Culture](#)
- [Lessons on Institutional Lying From the Army](#)
- [COSO Fraud Risk Guidance](#)

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Thank you

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