

The image features three overlapping silhouettes of human heads in profile, facing right. The leftmost silhouette is blue, the middle one is white, and the rightmost one is red. They are set against a solid black background. Overlaid across the center of these silhouettes is the text "The Many Faces of Fraud" in a bold, sans-serif font. The word "The" is white, "Many Faces of" is red, and "Fraud" is white. The text has a slight drop shadow, making it stand out against the silhouettes.

The Many Faces of Fraud

1 IDENTIFY FRAUD

WHAT DOES FRAUD LOOK LIKE



2 FRAUD MOTIVATION

WHAT MOTIVATES INDIVIDUALS OR ORGANIZATIONS
TO COMMIT FRAUD

3 FRAUD PREVENTION

UNDERSTANDING FRAUD PREVENTION METHODS

EVERY CHOICE HAS A CONSEQUENCE



CHUCK GALLAGHER


ethics resource group







**CERTIFIED
PUBLIC
ACCOUNTANT**



23 STEPS





INMATE
ACCOUNT
CARD

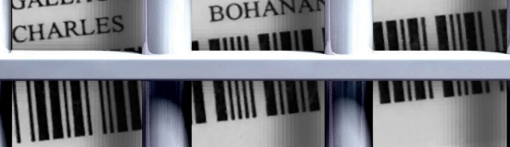
[Handwritten Signature]
SIGNATURE

OCT 1995
GALLAGHER
CHARLES

BOHANAN

OCT 2, 1995

642-05



EVERY CHOICE HAS A

CONSEQUENCE

**How many of
you would
voluntarily
make an
unethical choice?**



Question 1:

**How many of
you think
voluntarily
breaking the
law is unethical?**



Question 2:

**How many of
you have driven
on an Interstate
Highway over the
past two weeks?**



Question 3:

**How many of
you have
exceeded the
speed limit when
driving on the
Interstate by at
least 5-10 mph?**



Question 4:

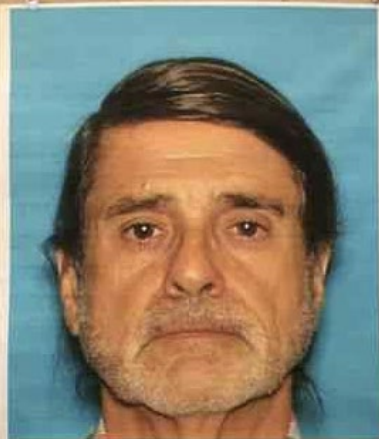


It's Easy to make
Unethical Choices
when they seem socially
acceptable.

unethical



Francis Coe



Joseph Aklufi



William Aylward



Ernest Egger



Deepak Moorjani



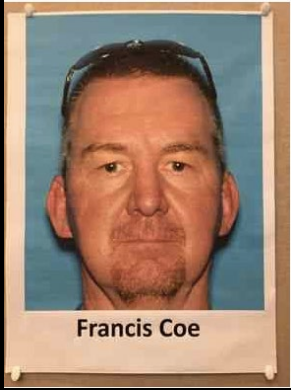
David Dillon



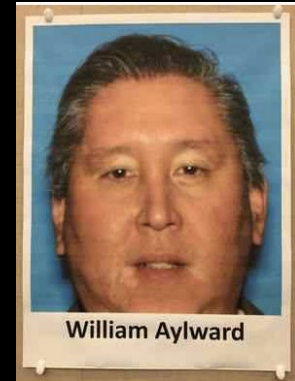
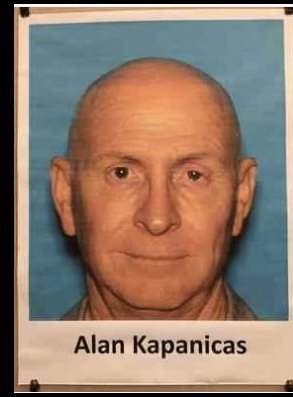
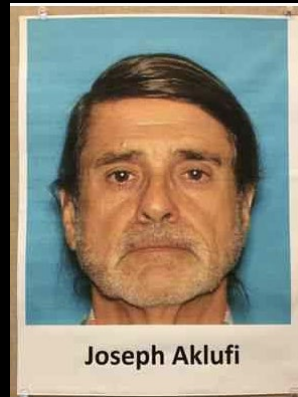
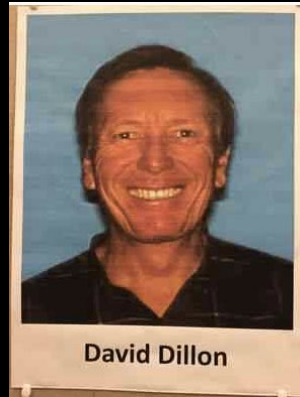
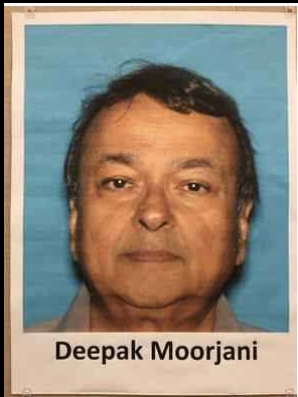
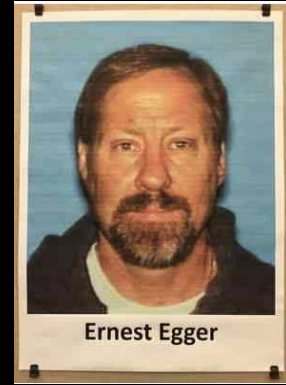
Alan Kapanicas

Beaumont City Hall Corruption Scandal

A \$43 Million Fraud



Indicted: City Manager, Police Chief, Public Works Director, City Attorney, Economic Development Director, Finance Director and City Planner.



SUBJECTIVE

OBJECTIVE

I
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INTENTIONS:

Values
Attitudes
Commitment
Responsibility
Experience
Mood

BEHAVIOR:

Plans
Actions
Observations
Facts
Performance

CULTURE:

Shared Values
Ethics
Morals
Myths & Legends
Justice
Fairness
Covenants

SYSTEMS:

Organizational
Structures
Work Processes
Policies & Procedures
Economics
Contracts

Tactics



\$\$\$ SUCCESS
WEB INCOME €
Business IDEA

WORKING WEB

2010 30
1000 40
500 70
400 80



Motivation



**What causes an otherwise “honest”
person to do dishonest things?**



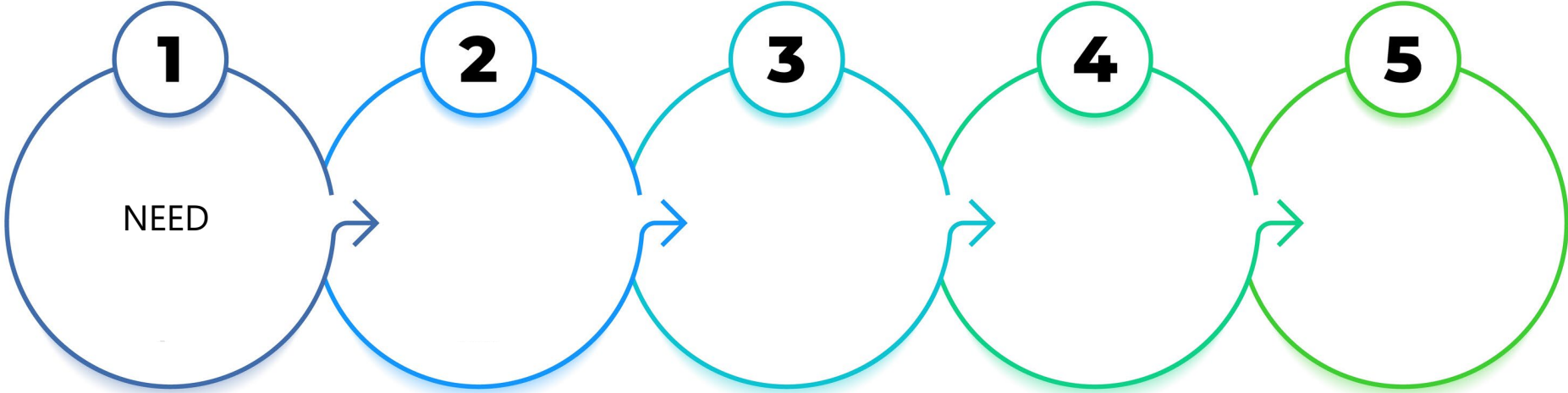
1

9

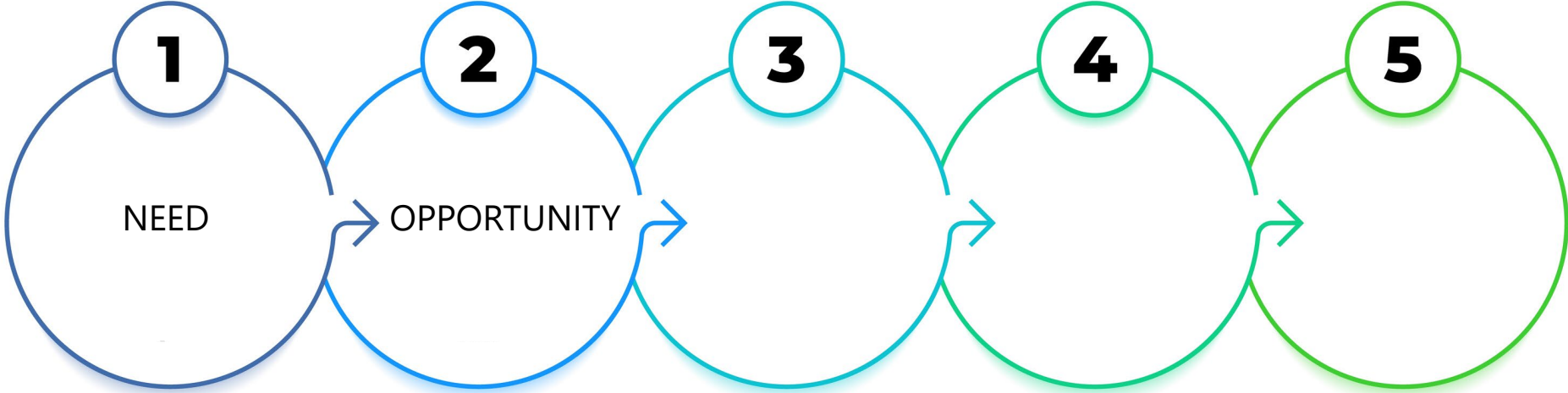
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7

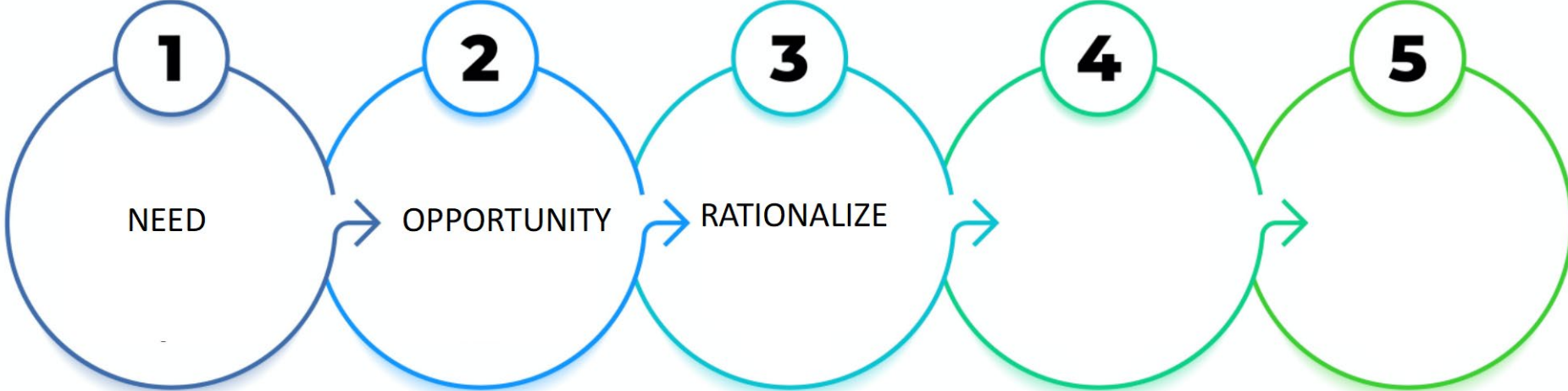
DECISION CYCLE



DECISION CYCLE



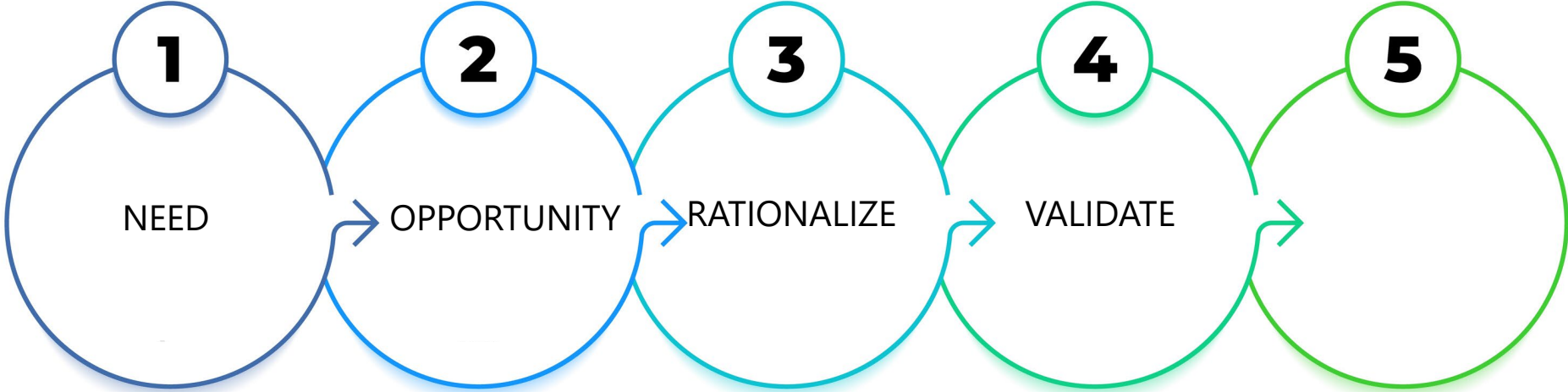
DECISION CYCLE



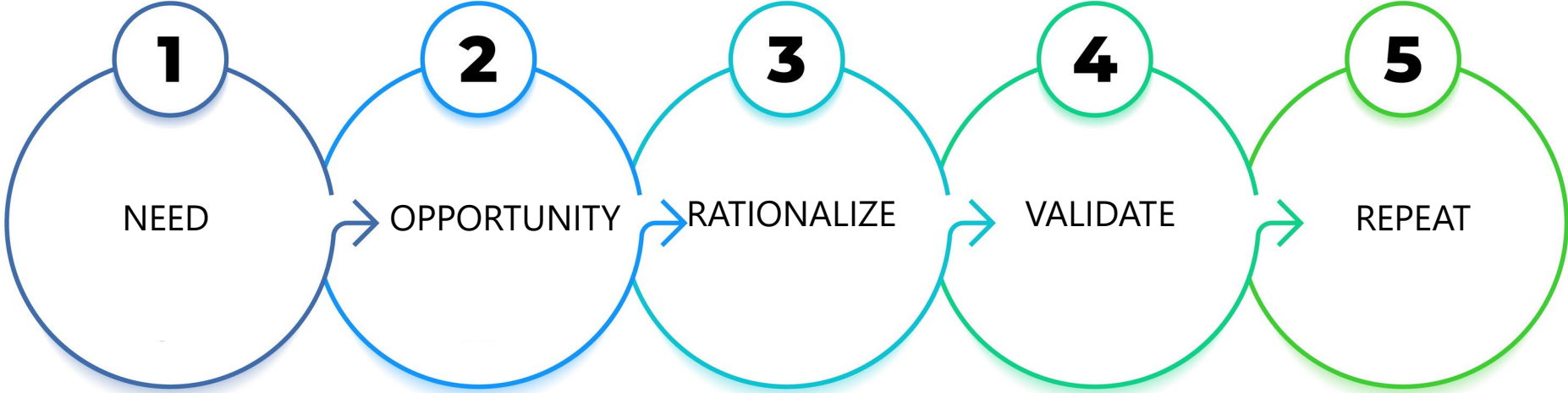


**Did I pay
it back?**

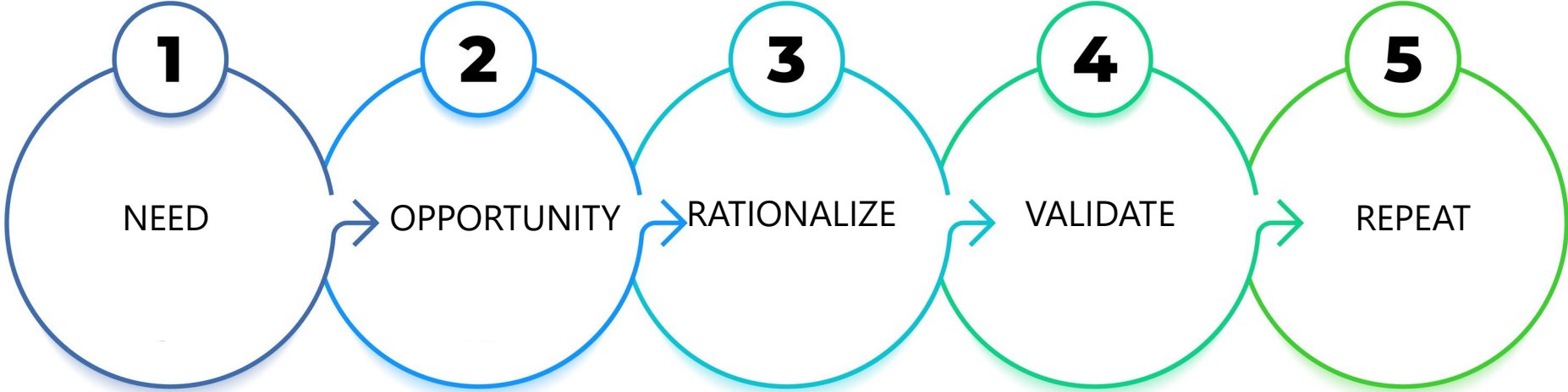
DECISION CYCLE



DECISION CYCLE



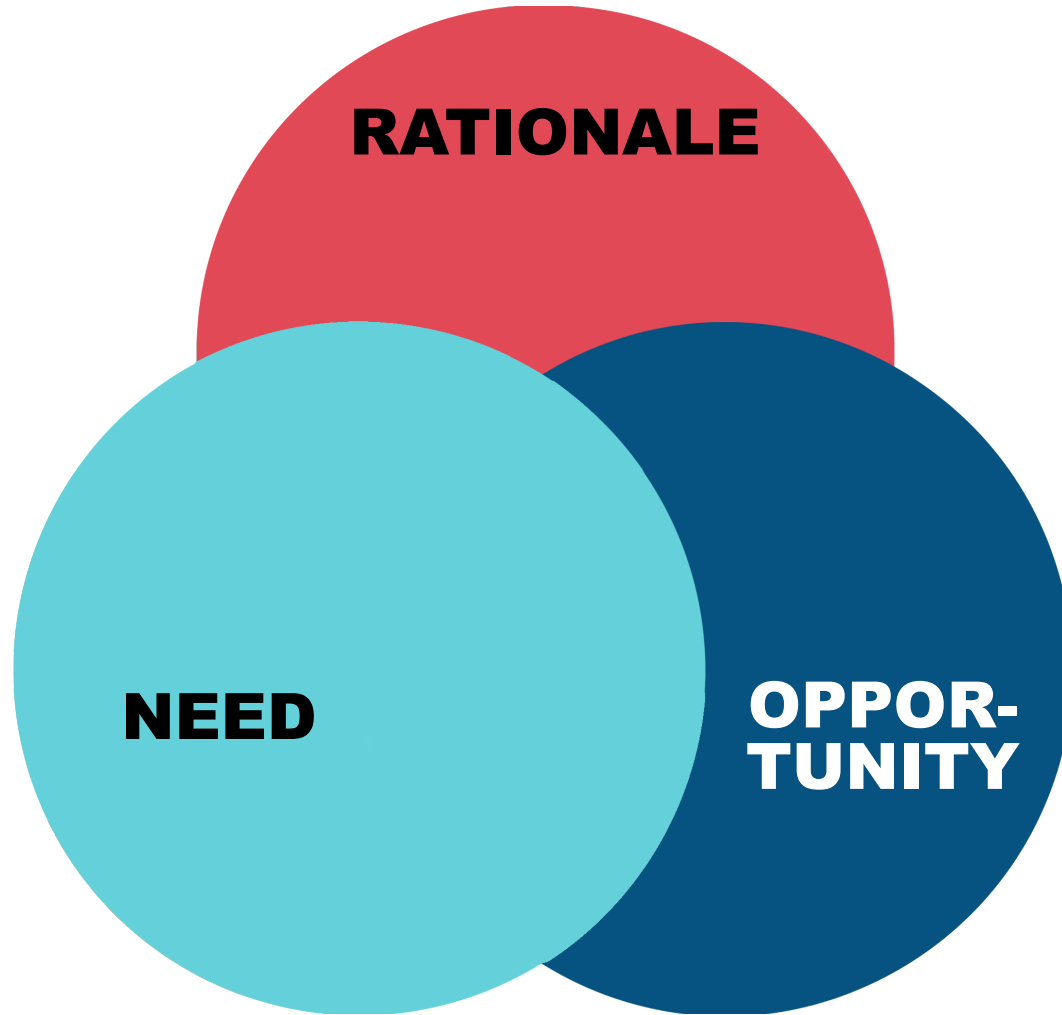
DECISION CYCLE



STRATEGIZE



Rationalization



What Does This Look Like

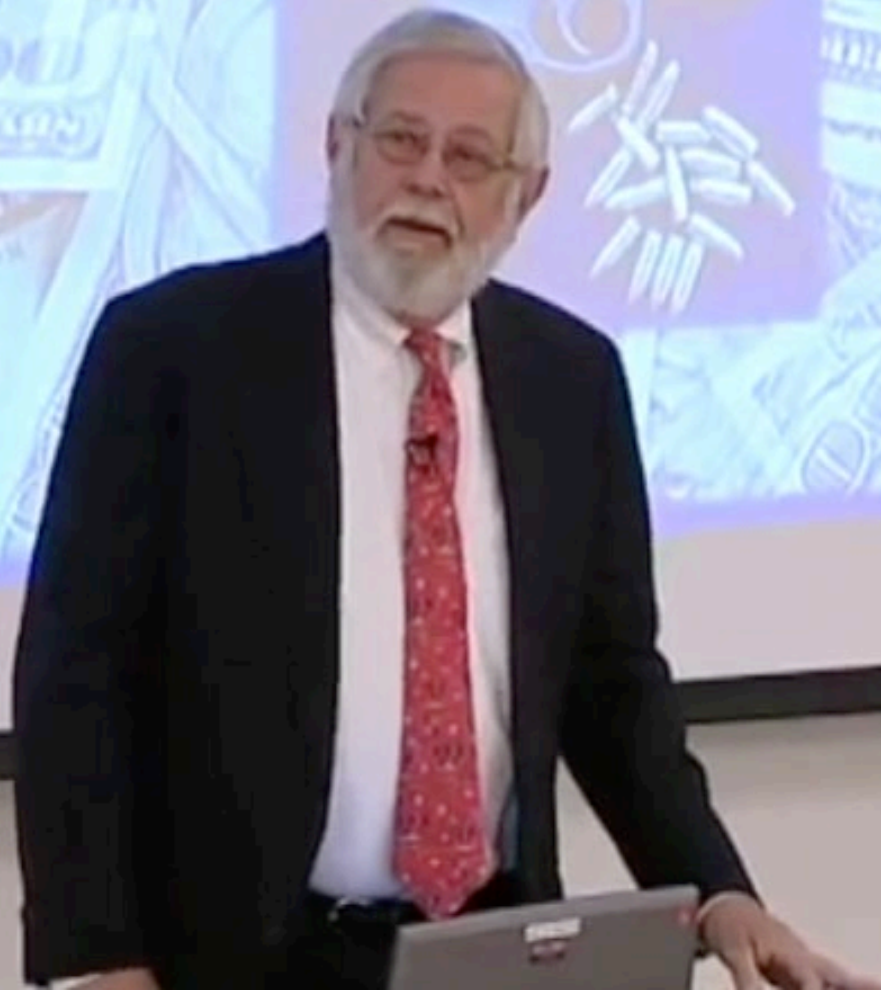




**Scott
London**

HEALTHSOUTH®

AARON BEAM



**It's time to
"Sharpen Your
Pencil"**



**What
was the
Need?**

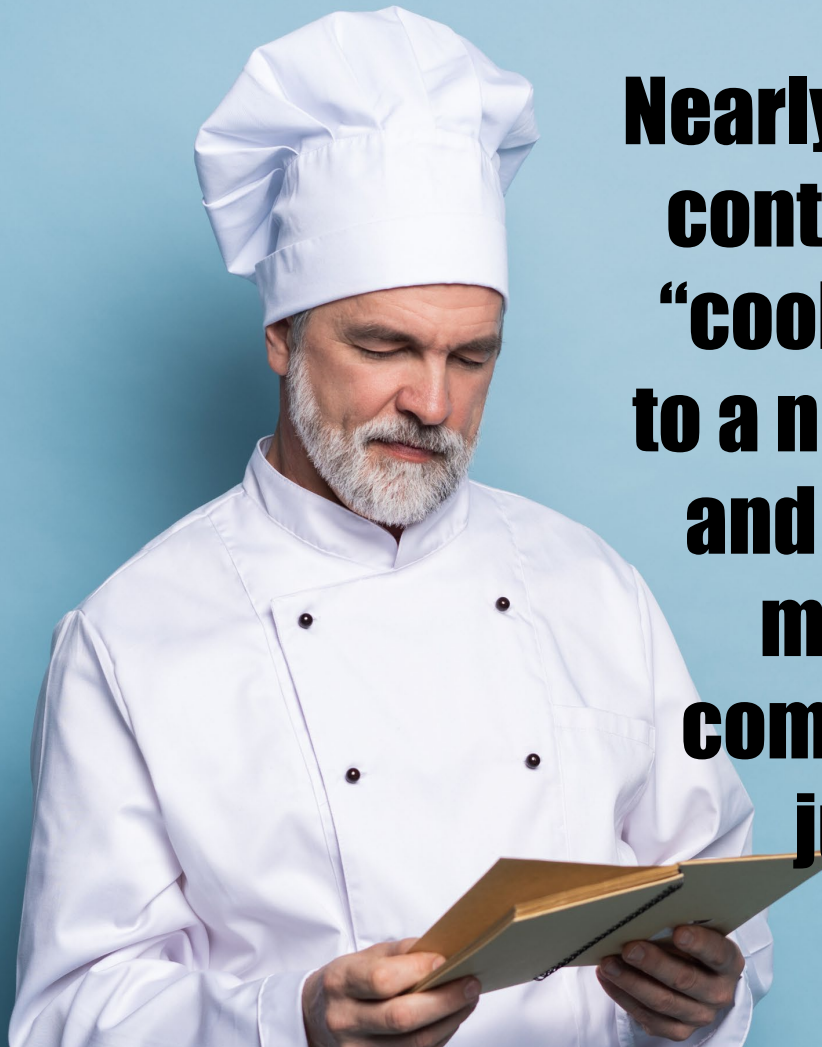


**Where was
the
Opportunity**





**How
Rationalized?**



Nearly two-thirds of corporate controllers feel pressure to “cook the books,” according to a new international survey, and many of them feel that misrepresenting their company's performance is just part of their job.



Lance Armstrong

agreed to pay \$5 million to settle claims that he defrauded the federal government

A photograph of Allen H. Loughry II, the Chief Justice of the West Virginia Supreme Court. He is wearing a black judicial robe over a blue and white striped shirt and a gold tie. He has short dark hair and is wearing glasses. He is looking directly at the camera with a neutral expression. In the background, there is a wooden panel wall and a portion of a flag with red, white, and blue stripes. A microphone and a water bottle are visible on the table in front of him.

**WV Supreme Court Chief Justice
Allen H. Loughry II**

hit with a 22-count indictment for numerous charges of fraud and corruption faces 395 years in prison – He got 24 months!

**Are Unethical Choices
or **Frauds** Limited to
People?**

Enron's Timeline... Stock Prices vs. Peer Index



Baruch
COLLEGE

Baruch
COLLEGE

Sherron Watkins
Whistleblower
Former Vice President of Enron Corporation

German prosecutors charged former Volkswagen CEO Martin Winterkorn and four others with fraud in the emissions cheating scandal that has helped turn many Europeans against diesel engines and accelerated the push toward electric cars.



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EXIT

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STAMPING AND
SPRINKLER
CONTROL VALVE
LOCATED BY
OPPOSITE THIS SIGN



**WELLS
FARGO**



**PRODUCE OR
ELSE!**

Fined \$5.4 million for Failure to Audit Properly

Deloitte.

Finced \$5.8 million for Failure to Audit Properly



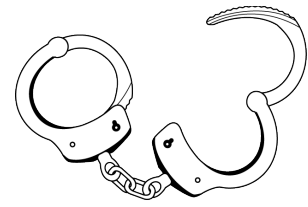
A low-angle shot of a modern glass skyscraper with the EY logo on its facade. The building is set against a clear blue sky. The EY logo is white with a yellow swoosh underneath. The text 'FINED \$100 MILLION FOR CHEATING ON ETHICS EXAMS' is overlaid in large white font across the center of the image.

EY

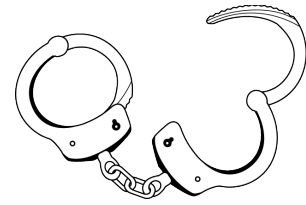
FINED \$100 MILLION FOR CHEATING ON ETHICS EXAMS

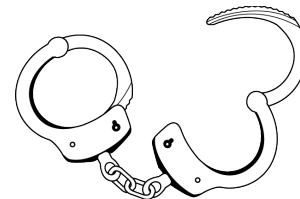
THE THREE COMPONENTS OF A FRAUD SCHEME





PROMISE



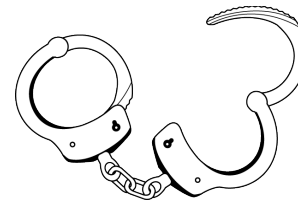


PROMISE



ILLUSION





PROMISE



ILLUSION



TRUST





PIT





Let's Connect the Dots

A close-up photograph of a person in a dark blue suit jacket and tie. The person's right hand is holding a magnifying glass with a silver rim, positioned over a white tablet held in their left hand. The background is dark with some blurred light streaks. The text "What to Look For" is overlaid in the center in a large, white, bold font.

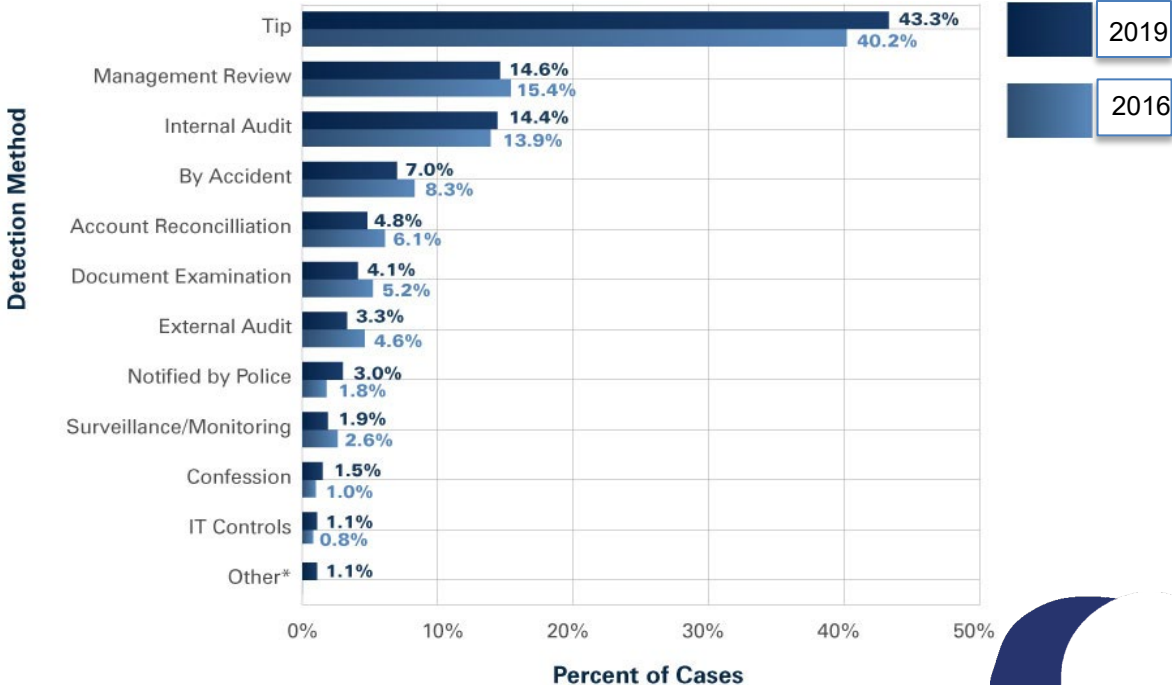
What to Look For

- **High Personal Debts**
- **Living Beyond Means**
- **Excessive Speculation**
- **Substance Abuse**
- **Extra-marital Affairs**
- **Job Frustration**
- **Resentment of Superiors**

- **Inadequate controls**
- **Too “cozy” with Suppliers**
- **No Vacation or Sick Days**
- **No Internal Audit**
- **No Rotation of Job Duties**
- **Weak Management**
- **Excessive Cash**

- **Not Compensated Fairly**
- **No Recent Raises**
- **Everyone Else Does It**
- **Intended to Pay Back**
- **Needed the Money**
- **Revenge**
- **Bribe/Kickback Tempting**

Initial Detection of Unethical Practices and Frauds



Reality Check

REASON FOR 81% OF ETHICS LAPSES



+36%

Living Beyond Means



+27%

Financial Difficulties



+19%

Close Assoc with Vendors/Customers



+18%

Excessive Control Issues



FRAUD

BUSINESS

ANALYSIS



What Can Be Done to Prevent Fraud?

YOU DON'T WANNA BE

Or find yourself facing the



JUDGE

US sentencing guidelines state:

You cannot be held criminally liable for an unethical/illegal action of an employee if you have provided employees comprehensive ethical training.



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CONSEQUENCE

Questions?



CHUCK GALLAGHER

 ethics resource group

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The Many Faces of Fraud