



## Uncovering fraud in the workplace

- **Three conditions are generally present when an employee commits fraud: financial or lifestyle pressures, justification or rationalization, and opportunity.**
- **The most common fraud detection method is a tip from another employee or a customer.**

Times are tough. Personal and financial pressures are mounting. Employees might have unpaid medical bills. They might be under water in their mortgages or have other burdensome debt. Perhaps they have lifestyle problems, such as addictions to drugs or gambling, which causes them to spend beyond their means. These or other pressures could entice a person to commit fraud.

Fraudulent behavior might start by taking small things from work, such as inventory, supplies, or stamps. The employee may justify these small thefts by thinking that everyone goes home with supplies in their pockets occasionally.

Perhaps the employee has moved from small scale pilfering to a much larger theft or embezzlement, such as falsifying timesheets or expense claims, stealing receipts or equipment, or generating inappropriate payments to themselves or others.

Fraudsters may feel justified in their actions. They may have stumbled upon or might have intentionally looked for a loophole in the organization's internal control structure and intend to profit from it. They may believe that they deserve more than what they are currently being paid. On the other hand, the person may feel guilty and uncomfortable, or even intend to repay the state sometime in the future.

All of these potential scenarios highlight the three conditions that are generally present when fraud occurs. First, the employee has financial or lifestyle

pressures to commit the fraud. Second, the employee can justify or rationalize the fraud in his or her mind. Finally, the employee is able to exploit a flaw in the internal controls that allows the fraud to occur.

The longer a person perpetrates a fraud, the greater the chance of getting caught. The person may think he or she is "getting away with it" in the short run, but the ongoing stress of concealing the fraud, not to mention the ultimate jail time and the loss of respect from friends and family if caught and convicted, are simply not worth it.

Employees understand their obligation to report evidence of control weaknesses or potential wrongdoing under the state's code of conduct policy. If an employee openly lives beyond their means, coworkers notice. Transactions that do not follow established policies are flagged for review. The state is committed to sound internal controls. It has numerous control activities in place to limit opportunities for fraud.

*Suggested Action Steps:* The most common fraud detection method is a tip from another employee or from a customer, so take reported concerns and complaints seriously. If you see employees who are struggling, provide them with sources of professional help, before they resort to unethical or illegal behavior.

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