

INTERNAL CONTROLS COMMUNIQUÉ

Div. of Military &
Naval Affairs

Internal Control
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Preventing & Detecting Fraud

In this newsletter I will discuss the prevention and detection of fraud. Prevention focuses on the *OPPORTUNITY* leg of the fraud triangle. While detection focuses on *REPORTING* fraud.

All **three** elements in the fraud triangle have to be present for a fraud to take place:

- **OPPORTUNITY,**
- **MOTIVATION** and
- **RATIONALIZATION**



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The best way to combat fraud is by eliminating opportunities

 Strong internal controls minimize potential opportunities in the fraud triangle.

 Weak internal controls open the door for opportunities of fraud risk to occur.



Don't gamble with opportunity of fraud risk; prevent it...

- ***Use proper approvals and authorizations
- ***Limit your access controls to essential employees
- ***Separate duties and have checks and balances
- ***Monitor transactions, reports and information
- ***Update written policies and procedures
- ***Account for assets on a regular basis
- ***Provide adequate oversight of employees

◀◀◀ **Fraud Detection – Reporting** ▶▶▶

According to the 2010 Association of Certified Fraud Examiners' Report to the Nations on Occupational Fraud and Abuse, the number one source of fraud detection is "tips." Employees are the most common generator of fraud tips.

NYS Executive Law requires State employees to report corruption, **fraud**, criminal activity, and conflicts of interest to the State Inspector General.

What to do if you suspect fraud:

- Do not confront the individual
- Work within your chain of command
- Report it to the NYS Office of Inspector General

 www.ig.state.ny.us

 1-800-DO-RIGHT

If you have comments, suggestions or questions, please contact the Internal Control Officer, Jennifer Winters, at jennifer.winters1@us.army.mil or at 518.786.4673