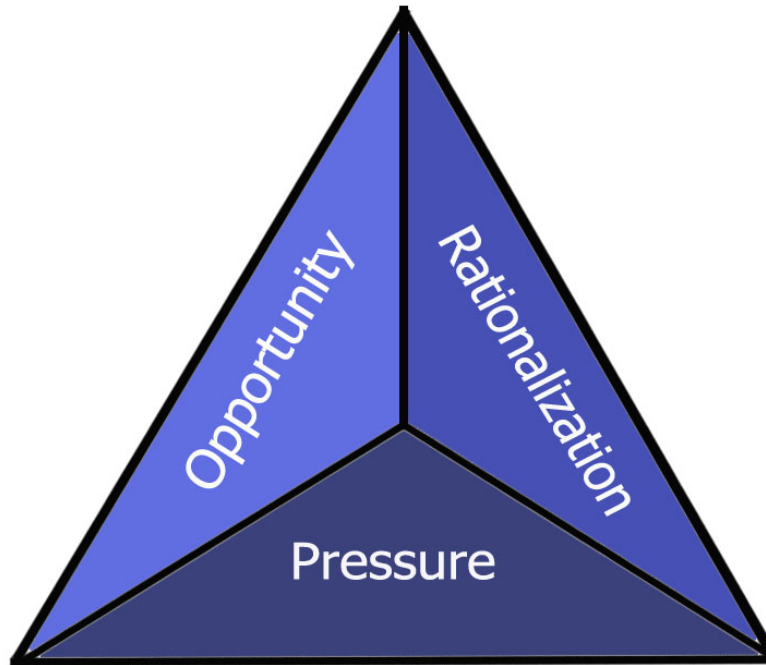


The Fraud Triangle



According to Donald R. Cressey, a noted criminologist, there are three factors that must be simultaneously present in order for an ordinary person to commit fraud. Those three factors, commonly referred to as the “Fraud Triangle”, include the concepts of Pressure, Opportunity and Rationalization.

1. **Pressure**

Pressure is what motivates an individual to commit fraud. Pressure can include almost anything: unforeseen medical expenses, lavish lifestyles, occupational goals, struggles with addiction, etc. Pressure can be personal or professional, but stems from a significant financial problem the individual is unable to solve through legitimate means.

2. **Opportunity**

Opportunity is the method an individual uses to commit fraud. Opportunity is typically created by weak internal controls, poor management oversight, or through the misuse of authority. Failure to establish adequate procedures to detect fraudulent activity also increases the opportunity for fraud to occur. This part of the Fraud Triangle is the *easiest to control* as you can create measures that would deter fraud.

3. **Rationalization**

Rationalization is the justification an individual uses to commit fraud. The vast majority of individuals committing frauds are first time offenders, and don't view themselves as criminals, but rather ordinary, honest people who are just the victims of unfortunate circumstances.

The key to deterring fraud is breaking this Fraud Triangle.