Fraud 101: Techniques and Strategies for Understanding Fraud, 3rd Edition

Fraud 101: Techniques and Strategies for Understanding Fraud, 3rd Edition is a primer on how fraud works and how to prevent, detect and prosecute it. The author, Stephen Pedneault, explains fraud in a practical, easy-to-understand manner, introducing general business professionals and nonaccountants to this specialized field. Its intended audience is those with little knowledge or hands-on experience preventing, detecting or investigating fraud. Throughout the book, Pedneault provides solid evidence that fraud is a genuine issue, impacting every organization and social program in operation.

The first half of the book is devoted to providing an overall working foundation for the topic of fraud. Topics reviewed include how great the fraud problem has become, estimated fraud losses and costs associated with fraud plots, and some financial areas commonly abused by fraud. Although fraud has become a burgeoning industry, only the most heinous cases receive media and legislative attention, such as Bernard Madoff’s Ponzi plot and the underhanded plots exposed underlying the subprime mortgage-lending industry. Pedneault goes beyond the headlines to make it clear that fraud can and does occur in all organizations, in both for-profit and nonprofit organizations, and that all industries are at risk from fraud.

Major types of fraud are reviewed. Pedneault points out that fraud is not limited to white-collar crime, such as financial disclosures and reports issued to investors and lenders. Fraud also includes political malfeasance and embezzlement, and individuals invent new plots daily. Some high-level insight into why fraud occurs is offered.

The second half of the book explores the accounting and financial industry’s response to fraud, as new fraud plots are identified. Responses to fraud reviewed include US Sarbanes-Oxley legislation, the development of audit committees, the establishment of codes of ethics, internal controls and internal audits, the creation of the Public Company Accounting Oversight Board (PCAOB), new professional credentials, training, and other industry responses.

Defenses against fraud are covered next, with the primary defense being an organization’s system of internal controls, followed by education to address the increasing frequency of fraud. Pedneault provides details of different underhanded plots commonly perpetrated, plus warning signs and symptoms of each underhanded plot to increase the probability that detection will occur. Also included are recommended steps and measures an organization should take to investigate known or suspected instances of fraud.

The strength of the 234-page book is that it is both comprehensive and straightforward, providing examples of fraud plots that can be easily understood by those with different levels of accounting knowledge and experience. General concepts are enhanced with real-world case studies that illustrate the fraud issues and cases reviewed. Each case study includes realistic advice on how the fraudulent activity could have been prevented or detected earlier, thereby minimizing the financial loss experienced by each organization.

Fraud 101: Techniques and Strategies for Understanding Fraud, 3rd Edition builds on the previous editions of Fraud 101 by Howard David and Howard Silverson and is a practical reference guide for all IT and business managers. It should be a useful desktop reference for beginning readers across all industries and geographical areas.

EDITOR’S NOTE
Fraud 101: Techniques and Strategies for Understanding Fraud, 3rd Edition is available from the ISACA Bookstore. For information, see the ISACA Bookstore Supplement in this Journal, visit www.isaca.org/bookstore, e-mail bookstore@isaca.org or telephone +1.847.660.5650.