



## Happy Holidays?

- **A 2012 survey suggests employee fraud can increase by nearly 20% during the holidays.**
- **Pressure, opportunity and rationalization generally must be present for fraud to occur.**
- **Increased financial pressure is the biggest contributing factor to perpetrating a fraud during the holidays.**

For many of us, holidays conjure up pleasant images, such as being with family and friends, exchanging gifts, planning special events, or going to festive parties.

However, for some, thoughts of upcoming holidays can be overshadowed by increased financial pressure to overspend. An employee may already be experiencing financial pressure, such as high personal debts. With the added burden of holiday spending, an otherwise honest employee might consider doing something he or she would not otherwise consider, to alleviate the pressure.

According to a 2012 survey of certified fraud examiners conducted by the Association of Certified Fraud Examiners, respondents reported fraud losses, mainly embezzlement, increase during the holiday season by nearly 20%. Financial **pressure** was believed to be the biggest contributing factor to perpetuating a fraud, followed by increased **opportunity** and increased **rationalization**. All three of these factors generally must be present for a fraud to occur, according to the fraud triangle developed by criminologist Donald R. Cressey.

Below are some reminders on reducing the risk of fraud, not only during the holiday season, but also throughout the year.

People who commit fraud are frequently trusted and well-liked employees. Often, something in a person's life, such as increased financial **pressure** from holiday spending, provides the circumstances for employees to be tempted to commit fraud. Agencies can help these individuals indirectly by communicating the existence and link to the state's employee assistance program (EAP) website. The EAP offers employees who may not want others to know about their situation a means to talk with a third party in a

confidential and non-judgmental manner.

Supervisors are in a unique position to protect employees from making poor decisions during stressful times. An open-door policy gives employees an opportunity to speak freely and gives supervisors a chance to help alleviate work-related pressures, or to advise the employee to seek help through the EAP before work or personal pressures turn into something more serious.

During the holiday season, managers can also inadvertently let internal controls take a *vacation*, thus providing an **opportunity** for an employee or outsider to commit fraud. More so than any other time of the year, managers are inclined to grant vacation time for a larger number of employees. Left with only a skeleton crew, essential internal controls intended to prevent or detect fraud can become lax or non-existent, providing unintended opportunities.

People typically rationalize their fraudulent actions. **Rationalization**, such as, "I'll pay the money back," alleviate guilt over the wrongdoing or violation of a person's personal ethics. Employees may think twice about perpetrating a fraud where the agency regularly communicates its expectations for ethical behavior and disciplinary/legal actions that have been, and will be, taken against exposed perpetrators. Fear of detection is a strong deterrent to committing fraud.

*Suggested action steps:* Does your agency management promote a culture of openness and trust with employees? Make sure you routinely communicate the availability of EAP resources, as well as the agency's ethical behavior expectations, to employees. Also, ensure that internal control coverage remains sufficient, especially during the holidays.

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