

LICENSE TO STEAL

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CASE DESCRIPTION

The primary subject matter of this case concerns employee fraud. Secondary issues examined include risk assessments and internal controls over cash. The case has a difficulty level of four or five, appropriate for senior level or first year graduate level. The case is designed to be taught in one or two class hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

License to Steal provides an engaging scenario based on a familiar activity: obtaining car license plates. The case is based on a real-world fraud in which a cashier in a state revenue office embezzled approximately \$360,000, mostly \$24 at a time. The case emphasizes the importance of fraud risk assessment and internal controls over cash. Case questions begin by asking students to identify fraud risk factors and then consider various alternatives employees have for reporting suspected ethical violations. Since ineffective controls contributed to the fraud, students are asked to consider management culpability for institutional fraud by their staff. These questions are followed by a summative assignment to prepare a control assessment worksheet (template provided) in which students identify control objectives, as well as associated risks and control activities for each objective.

The case is ideal for Auditing, Accounting Information Systems, or Forensic Accounting students at the graduate or undergraduate level, since it focuses primarily on the development of good internal controls and the consequences of poor controls. In addition, the state government setting highlights the need for controls in all types of entities. The case offers a wealth of information on the internal processes of the state offices involved, the background of the fraudster, and results of the forensic investigation. License to Steal should be assigned after students have been introduced to the concepts of fraud and internal control over cash.

INSTRUCTORS' NOTES

RECOMMENDATIONS FOR TEACHING APPROACHES

OVERVIEW

Many students express an interest in fraud cases, and assigning License to Steal allows instructors to take advantage of that curiosity in order to teach students about fraud risks, controls over cash receipts, and supervisor responsibility. The case can be completed

individually, or students can work in groups. The authors prefer that students work in groups, because the case questions are best explored through discussion and consideration of different views. A combined approach of individual answers followed by a team response has been very effective, particularly for the risk assessment worksheet in question 4. In addition, professional audit standards require brainstorming about internal control weaknesses and possible fraud that might result. For this reason, the group aspect to the risk assessment seems especially well suited to mimic participation on a real audit. License to Steal has been used successfully in face-to-face, hybrid, and fully online formats in courses on fraud examination, graduate auditing, and undergraduate auditing.

ASSIGNMENT QUESTIONS AND ANSWERS

Question 1:

A. Consider the conditions that may have elevated the risk of fraud in the personalized license plate area by documenting fraud risks relative to the function's policies, procedures, and personnel. Use the fraud triangle to structure your response. What additional element would you include if using the fraud diamond to structure your response?

B. In addition to the items identified, comment on why you believe the fraud was not discovered sooner.

Answer:

A. The fraud triangle was first proposed by Cressy (1953) based on his study of 250 criminals. Cressey (1953) asserted that committing fraud relies on the co-existence of three elements that comprise the "fraud triangle." These elements include pressure/motive, opportunity, and rationalization (Albrecht 2014). In addition, the "fraud diamond" first introduced by Wolfe & Hermanson (2004) adds the element of *capability*. Each element is briefly described below.

1. **Pressure / Motive** – Why did the employee seek to engage in the fraudulent activity? The perpetrators perceive pressures that could include: enjoying an extravagant lifestyle beyond their means, funding gambling or other addictions, paying for unexpected personal expenses, achieving career milestones such as quarterly sales orders, or settling a vendetta against their employer. Cressey describes these pressures as non-shareable, meaning the perpetrator bears this burden alone due to shame, desire to continue the addiction, and/or need to keep their social or employment position.
2. **Opportunity** – Why was the employee able to commit the fraud? In addition to pressure to commit fraud, the perpetrator needs a chance to enact the fraud. These opportunities usually relate to poor internal controls and/or collusion or management override. For example, a lack of segregation of duties gives the employee incompatible duties which allow fraud to occur. Similarly, lack of management oversight means employees can skirt stated procedures without fear of being caught or reprimanded. As the risk of being caught decreases, the frequency of fraud will increase. Elimination of control weaknesses is the fraud element most controllable by the organization.

3. **Rationalization** – On what basis does the employee justify their actions? Once fraudsters experience pressure and notice an opportunity, they must be able to defend their immoral actions in order follow through with the fraud. While it is impossible to read another’s thoughts, rationalization include statements such as: “I am only borrowing the money.” “My bookie will harm my family if I do not pay my debt.” “The boss did not give me the promotion I deserved, so I will just pay myself.” “If I don’t make my sales quota, I will be fired. The sales quota is set way too high anyway.”
4. **Capability** – Does a potential perpetrator have the skills and ability to enable them to perpetrate the fraud? Organizational position or function allows the perpetrator access or authority to commit the fraud through abuse of valid duties, ability to override controls, and intimidation of lower-level employees. The fraudster also must possess a requisite level of intelligence and creativity to understand the internal control system and its weaknesses. In this way, they can deduce a fraud opportunity as well as estimate the likelihood of detection. Generally, fraudsters also must have the arrogance and self-confidence to believe the chance of getting caught is low, or that they could easily bypass any consequences if they were caught. Finally, fraudsters must be capable of lying to others convincingly, manipulating others into helping with the fraud (often unwittingly), and handling the stress of concealment and the pressures of possibly being caught.

Below is an illustration of the fraud triangle obtained from the Georgia Government Finance Officers Association (<https://ggfoa.org/press-releases/the-fraud-triangle>)

Exhibit 1: The Fraud Triangle



Karen's motives were likely financial and related to:

- A child with health issues,
- Another child with an expensive equestrian hobby,
- Keeping up with her sister's lifestyle, including expensive vacations, and/or
- Paying off a bankruptcy settlement.

Karen had the opportunity to commit fraud due to poor internal controls, including:

- The receipt of cash and the responsibility of making out deposits and recording transactions in the accounting system (lack of segregation of duties).
- The ability to designate plates as "issued for free" in the accounting system without supervisory approval.
- A private office where she could easily hide cash.
- The ignorance of other cashiers regarding Karen's duties, which enabled her to cash checks without raising much suspicion.
- Supervisors did not fully understand Karen's duties and processes, which made effective supervision impossible.
- Reports of personalized plate transactions that could have identified the large number of free plates were not prepared.
- Office cashiers and supervisors trusted Karen due to her competence and length of her employment.

It is unknown how Karen rationalized her actions, but possibilities include thoughts such as:

- "I developed this whole process. If it weren't for me, nobody would know what to do. I deserve this money."
- "After 20 years of dedicated service, I am only making \$31,500. Anywhere else, I would be making much more, so this is just helping to make up for what I *should* be paid."
- "These are tax dollars that come from my paycheck, anyway, so I'm just taking back what is mine."
- "These are public funds that don't really belong to anybody, so I'm not hurting anyone."
- "I can't help it that my son is sick. And, the state has such poor insurance, I need the money to pay my son's doctor bills."

Karen was capable of committing the fraud, because she possessed both the position and necessary personal characteristics. She was intelligent and confident, apparently persuasive, had the ability to lie effectively, and did so for a long time. Karen also seemed to handle the stress of her fraud and personal problems well. Even when confronted with evidence, Karen did not break down.

B. There could be several reasons the fraud was not discovered sooner. The authors believe that the small-office environment where everyone knew everyone else, trusting supervisors that may not have been properly trained to review work with sufficient skepticism, and Karen's long tenure with the division were likely contributing factors. In addition, there were no policies regarding forced vacations or rotation of duties.

Question 2:

It is a disturbing fact that, several years prior to the fraud's discovery, an employee questioned the propriety of cashing Karen's checks.

A. What alternatives were available when communication with the superior was not effective? B. What factors would you consider when deciding which alternative to choose? Select and defend a course of action.

C. Do employees have an obligation to report suspicious activity? What are the consequences of reporting as well as not reporting?

Answer:

A. It is not clear to which supervisor the employee complained, but pursuing the matter with the next level of management would be a possibility. A more senior manager might have been more familiar with department policies about cash refunds and may have better recognized the need to address the issue. Similarly, when Marla, Division Administrator, walked around visiting with employees, the propriety of cashing checks could have been raised. Employees can also report suspicious activity to Human Resources or use the DFA-Internal Audit fraud hotline. Therefore, alternatives include:

1. Report at a level higher than the supervisor, including Marla, Division Administrator.
2. Report to Human Resources.
3. Report to DFA-Internal Audit via the Fraud Hotline.
4. Do nothing.

B. Factors to consider when deciding which alternative to choose include: the probability that something illegal and/or unethical is going on, the possible financial effect of the inappropriate behavior on the organization, the possible loss of credibility and damage to the reputation of the division, the impact on Karen if suspicions are or are not true, the impact on the relationship of the reporting employee and Karen, and the impact on the reputation of the reporting employee regardless of whether Karen is, in fact, engaged in inappropriate behavior.

The best course of action depends heavily on the division culture and the employee's relationship with management. Ideally, reporting one level up should yield satisfactory results. However, if that is ineffective, or if the employee is uncomfortable discussing the situation with higher management, the authors feel that reporting via the Internal Audit hotline would be the best choice. If the hotline did not exist, Human Resources should be the next choice. Doing nothing is not a good alternative.

C. In most cases, employees have an implicit or explicit (Code of Conduct) obligation to report suspicious behavior. By reporting, employees protect not only their organizations, but themselves. If an employee is aware of a suspected irregularity and fails to report it, they may be implicated along with the perpetrator. Furthermore, failing to report suspected irregularities can result in more damage to the organization, because the fraud is allowed to continue longer than it would have if the behavior had been reported and investigated when first noticed.

Consequences of reporting suspected irregularities can be positive or negative. If an employee reports seemingly trivial things, or too frequently, they may not be taken seriously and may become known as a tattletale. However, most organizations have policies that protect whistleblowers from retaliation, and some even offer rewards for reporting suspected ethical

violations. For example, federal statutes offer up to 30% of the total monetary recovery as a reward to whistleblowers whose report uncovers fraud related to government programs (Zuckerman and Stock 2020).

Question 3:

Although managers are ultimately responsible for actions of their subordinates, it is impossible to prevent all fraud.

A. Regarding Karen's fraud, do you think Marla bears any responsibility for not preventing or quickly detecting Karen's fraud?

B. Should senior administration discipline Marla in any way? Explain.

Answer:

A. While answers may differ, Marla should bear some responsibility for Karen's fraud. While internal controls, even when properly designed and implemented, can fail to prevent and/or detect fraud, especially when controls are overridden or employees collude, this was not the case relative to Karen's fraud. Many controls were simply lacking and/or not operating effectively. Basic segregation of duties was lacking, proper management oversight was lacking, employee concerns were ignored, system edits and authorizations were improper, necessary system reports were not generated, and related reconciliations were not performed. Some of the steps taken to understand the magnitude of the fraud after it was discovered could have been performed earlier and used as detective controls. Therefore, it appears that Marla did not perform due diligence when it comes to creating an environment that would prevent or detect fraud in the normal course of operations.

B. The authors believe that, at a minimum, a memo should have been placed in Marla's personnel file, and her annual evaluation should have been negatively impacted.

Question 4:

Based on the information provided in the case and your analysis of previous questions, what input would you provide Marla with respect to control objectives of cash handling procedures in the license plate division, risks to meeting those objectives, and appropriate controls to mitigate those risks? Use the model of internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission, called the COSO model, and the template provided below to document your response. Your goal should be six to eight objectives with related risks and controls. Indicate which component of the COSO model is addressed by the control in the column labeled "COSO" and ensure that every COSO component is included in your answers. Expand the risk assessment template as needed to provide space for additional objectives:

Table 1: Risk Assessment and Control Activities Worksheet				
Agency:				
Department:			Prepared by:	
Activity:			Date prepared:	
Objectives and Associated Risks				
Objective 1:				
Risks	Impact	Likelihood	Control Activities	COSO
Objective 2:				
Risks	Impact	Likelihood	Control Activities	COSO
Objective 3:				
Risks	Impact	Likelihood	Control Activities	COSO
Impact: H=High, M=Moderate, L=Low Likelihood: H=High, M=Moderate, L=Low COSO: CE=Control Environment, RA=Risk Assessment, CA=Control Activity, IC=Information & Communication; M=Monitoring				

Answer: There are many appropriate solutions to this question. A good solution addresses all COSO components. Additionally, the risks and controls should be appropriate for the stated objective. Impact and likelihood are extremely subjective; however, the pattern of responses should be reasonable. Instructors should keep in mind that there may be multiple risks to each objective and multiple controls to address a given risk. A sample solution is presented in Table 2.

Table 2: Completed Risk Assessment and Control Activities Worksheet					
Agency: Department of Finance and Administration					
Department: Office of State Revenue			Prepared by:		
Activity: License Plate Division			Date prepared:		
Objectives and Associated Risks					
Objective 1:					
Ensure customers are charged proper amounts for services.					
Risks	Impact	Likelihood	Control Activities	COSO	
If customers are accidentally charged too much or too little, either customers will be disadvantaged or the state will lose revenue it is rightly due.	M	L	Train employees on charges associated with each service. Post charges where customers can see what they should be paying.	CE	IC
Customers could purposely be told to pay more than the state requires, with the employee pocketing the difference.	M	L	Post charges where customers can see what they should be paying and add a statement: "If asked to pay a different amount, contact: 555.555.5555."	IC	
Objective 2:					
Ensure all cash is secured and deposited, intact, daily.					
Risks	Impact	Likelihood	Control Activities	COSO	
If cash is not properly secured from the time it is received until it is deposited, it is prone to theft. Likewise, if cash is left on premises longer than it needs to be, there is a greater chance of theft.	H	M	All checks should be restrictively endorsed immediately upon receipt. All cash (and checks) should be stored in a locked cash register during business hours. After business hours, all cash should be stored in a locked safe with limited access until the deposit is completed the next day. Cash should be deposited daily, without removing any money (i.e., for petty cash), or cashing any checks out of it, etc.	CA	CA CA
Objective 3:					
Ensure all cash collections are accounted for and recorded in the system in a timely fashion.					
Risks	Impact	Likelihood	Control Activities	COSO	
Employee could steal cash before it was recorded and leave that transaction off the books, or mark it as a "free" service.	M	M	Have cashiers count money in their possession at the end of their shift. Have someone else receive the system report of cash intake and compare the amount	CA	

				per the report to the amount of cash per the cashier.	
	If the amount of cash was more than the amount reported via the system, just through mistakes, the cashier could steal the amount of the overage to make their cash balance to the books.	M	M	<p>Have system generate, and management review, routine reports profiling activities, by cashier, including “free” transactions, number of transactions processed by type, etc.</p> <p>Require supervisory approval for all “free” transactions, for adjustments to established charges, and for voided transactions.</p> <p>Ensure video cameras of cashier operations are operable and that video is viewed periodically by an independent party.</p>	M CA M
Objective 4:					
Ensure cash transactions are posted to the proper accounts.					
	Risks	Impact	Likelihood	Control Activities	COSO
	If not posted properly, reports used to monitor activities will be erroneous, making it difficult to spot anomalies.	M	L	Have supervisors or internal audit periodically reperform a sample of transactions completed by cashiers to determine if recorded/posting was proper.	M
Objective 5:					
Ensure all refunds or discounts to customers are properly authorized and follow DFA policies.					
	Risks	Impact	Likelihood	Control Activities	COSO
	If refunds and discounts are not authorized, they could be used to cover up employee theft or incompetence, depending on whether the refund went in the employee’s pocket or went to a customer to keep them from complaining about poor service.	M	L	<p>Provide periodic training on refund policies.</p> <p>Management or internal audit should sample refunds and verify they were authorized.</p> <p>Periodically, customers who are shown to have received a refund should be contacted to verify that they received a refund.</p>	CE/IC M M
Objective 6:					
Ensure that all persons handling cash know and understand agency cash-handling policies.					
	Risks	Impact	Likelihood	Control Activities	COSO
	Employees could violate policies without knowing it. Policy violations could weaken internal controls and allow improper activities to occur.	M	M	<p>Provide initial training to new employees and refresher training to all employees periodically.</p> <p>Discuss how the policies apply to each employee’s job in department meetings or other</p>	CE CE/IC

				appropriate times. Require employees to sign statements certifying they have read and understand the policies.	IC
Objective 7: Ensure all employees understand the code of conduct and how it applies to their jobs.					
	Risks	Impact	Likelihood	Control Activities	COSO
	Employees could violate the code of conduct without knowing it. Policy violations could weaken internal controls and allow improper activities to occur.	L	L	Provide initial training to new employees and refresher training to all employees periodically. Discuss how the policies apply to each employee’s job in department meetings or other appropriate times.	CE CE/IC
Objective 8: Ensure all employees understand the importance of reporting suspected violations of the code, including fraud, and how to accomplish that. Ensure there is no retaliation for reporting suspected violations.					
	Risks	Impact	Likelihood	Control Activities	COSO
	If employees do not understand the reporting process or are afraid of retaliation, fraud could continue longer than necessary, resulting in a greater loss of state assets.	M	M	Include methods of reporting in the regular training about the code. Communicate with employees about the fraud hotline and state whistle-blower protection. When reports are received, management should not only ensure proper follow up, but should communicate the violations and outcomes to all employees, omitting names, as appropriate.	CE M/IC
Objective 9: Ensure proper response to reports of suspected code violations, including fraud.					
	Risks	Impact	Likelihood	Control Activities	COSO
	If reports do not receive proper attention, the suspicious activity will continue and employees will lose faith in the reporting system and management, thereby reducing the likelihood of future reports.	M	L	Develop a system to document reports, even if they are originally oral. Include in the documentation: a place to record ultimate resolution, date of resolution, and person responsible for resolution. Appoint a member of management to oversee the process and “close” cases timely. Periodically update the reporter as to the status of the internal investigation.	M IC

Objective 10:					
Ensure the appropriate employees are included in discussions to identify risks to proper cash collection and recording.					
Risks	Impact	Likelihood	Control Activities	COSO	
Significant risks may go unidentified and unassessed, resulting in loss to the organization. All perspectives are important in conducting risk assessments because no one person understands all aspects of an organization's operations.	M	M	Regularly schedule meetings to discuss process risks, potential for fraud, and suggested improvements. Ensure cross-functional participation and participation from all levels in the organization.	RA	
Objective 11:					
Ensure all employees' system access and permissions are appropriate for their job duties.					
Risks	Impact	Likelihood	Control Activities	COSO	
If employees have inappropriate/incompatible access, they can more easily perpetrate and conceal wrongdoing.	H	H	Document job duties and develop a system profile to determine appropriate system access and permissions for all employees/positions. Review these periodically. When employees transfer or otherwise change positions, terminate their system profile related to their old job/department and ensure only access necessary for their new position is granted. Ensure all system access is terminated as soon as an employee leaves the organization for any reason.	IC CA CA	
Objective 12:					
Ensure proper system edits and reports are implemented to validate transactions and require proper approvals, as designed.					
Risks	Impact	Likelihood	Control Activities	COSO	
If system does not implement internal controls as designed, those controls will fail, possibly resulting in the ability of employees to engage in wrongdoing without it being detected.	H	H	Work with IT to develop and test needed system edits and reports. Review and follow up on reports that show anomalies.	IC/M	
Objective 13:					
Ensure proper documentation of all transactions is obtained (or developed) and retained for an appropriate period of time.					
Risks	Impact	Likelihood	Control Activities	COSO	
Without the ability to review appropriate documentation of	M	M	Develop procedural manuals that describe what documentation	IC	

<p>transactions, monitoring by management is difficult and assigning accountability to the right employee is difficult or impossible.</p>			<p>should exist for each type of transaction and how long each document should be retained.</p> <p>Implement a document management system that involves imaging and tagging for easy retrieval.</p> <p>Management or internal audit should periodically verify that documentation policies are being followed.</p>	<p>IC</p> <p>M</p>
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OPTIONAL DISCUSSION POINTS AND QUESTION MODIFICATIONS

Question 1

If desired, Question 1 can be rewritten to focus only on the fraud triangle, excluding the fraud diamond entirely or saving it for class discussion without making it part of the written assignment. This question provides a good opportunity to introduce students to the Association of Certified Fraud Examiners’ global fraud study *Report to the Nations*. For example, the 2020 report states that the median duration of a fraud is 14 months, with the subset of cases involving cash on hand being 15 months. No category of fraud had a median duration of over 24 months (ACFE 2020). The median duration of fraud per the Report to the Nations compared to Karen’s fraud would be a good classroom discussion.

Question 2

Instructors can ask students to what degree they hold the employee accountable for not reporting Karen’s behavior elsewhere, since the fraud might have been detected several years earlier if the employee had pursued an alternate means of reporting. Students can be asked the same question about the supervisor who failed to follow up. A discussion about an employee’s duty to disclose raises awareness of corporate responsibilities, codes of conduct, and ethical standards in other organizations.

Question 3

Question 3 can lead to a robust discussion of who is responsible for fraud in an organization. Instructors can use this question to discuss management responsibilities for internal controls, limitations of those controls, and due diligence on the part of management. Question 3 provides a good segue into a discussion of management’s responsibility for internal control under the Sarbanes-Oxley Act. In addition, Question 3 provides an opportunity to explore the options available to management for training, disciplining, or reprimanding an employee.

Question 4

Question 4 is certainly the most difficult case question for students and could be reserved for a graduate class. Alternately, instructors can shorten the question by providing the objectives and risks to students, and requiring them to design appropriate controls only. If the question is used in its entirety, the authors make the following recommendations.

Provide students the sample template (Table 1) to document their solution to this question. Also, if not provided in the related course material, give students information about the COSO model. The illustration at the end of the teaching notes is shared for this purpose. Finally, provide the additional guidance listed below to help students complete the matrix.

- a. Your response should begin with objectives, followed by a description of related risks that flow from the objective, and end with the identification of controls to address those risks.
- b. Use financial statement assertions to help think of objectives, i.e. Occurrence, Completeness, Rights/Obligations, Presentation, Valuation, Accuracy, etc.
- c. Be sure to address the internal control weaknesses found in the investigative report and summarized in Table 1 of the case.
- d. Consider both fraud and error when identifying risks.
- e. Label your controls by COSO control component. COSO Categories: Control Environment (CE), Risk Assessment (RA), Control Activities (CA), Information and Communication (IC), Monitoring (M). The point of labeling controls is to make sure there is coverage in all areas.

EPILOGUE

Four months after being fired, Karen entered a negotiated plea of guilty to one Class B Felony count of Theft of Property. She was sentenced to 216 months (18 years) incarceration with 24 months suspended. Karen was ordered to make restitution of \$190,000 by paying \$1,000 per month beginning 30 days after release. Karen was released from state custody six years after incarceration and must report to her probation officer every February. State records show that she has been making restitution in the amount of \$50 monthly.

Stunned by the long-running theft, the division took immediate steps to improve internal controls and restore the trust of the public and legislature. Marla and the other managers:

- Disabled the ability for clerks to issue any product at no charge. That capability had originally been given to allow flexibility for nonroutine transactions and keep customer lines moving efficiently.
- Trained several other cashiers to issue personalized plates, and those cashiers rotated the position.
- Moved personalized plate issuance to the main cashier counter and repurposed Karen's private office as storage.
- Made site visits all around the state to train employees and to reinforce the division policy of never giving cash refunds.
- Reevaluated and rewrote the cash-handling manual.

- Required each cashier to sign a document during their annual review indicating they understood the manual.

State revenue offices continue to have many walk-in customers, but customers also have the option of renewing their vehicle registrations online and via self-service kiosks. Transactions made online or at the kiosks deter fraud because the human element is removed, and amounts due and received are logged by the system.

Marla retired as Head Administrator for the Office of State Revenue in 2016 and returned six months later. She now serves as Assistant Administrator for the Office of State Revenue where she uses her expertise to advise the office and improve efficiencies and effectiveness of revenue office operations.

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COSO Internal Control — Integrated Framework Principles



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Control Environment

- 1 The organization demonstrates a commitment to integrity and ethical values.
- 2 The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
- 3 Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- 4 The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- 5 The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Risk Assessment

- 6 The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
- 7 The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
- 8 The organization considers the potential for fraud in assessing risks to the achievement of objectives.
- 9 The organization identifies and assesses changes that could significantly affect the system of internal control.

Control Activities

- 10 The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- 11 The organization selects and develops general control activities over technology to support the achievement of objectives.
- 12 The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Information & Communication

- 13 The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
- 14 The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
- 15 The organization communicates with external parties regarding matters affecting the functioning of internal control.

Monitoring Activities

- 16 The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
- 17 The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

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