# The Secret Revealed:
The True Grounds for our Duty to Detect and Deter Occupational Fraud

Lunch talk, dinner talk, or conference session

Nigrini first presented this talk at the 23rd World Continuous Auditing & Reporting Symposium, at Rutgers Business School, Newark, NJ, in November, 2011 http://raw.rutgers.edu/23wcars. Since that time the talk has become a formal book proposal and has gone through a few title changes. The talk has been presented about ten times since the debut and it has intrigued audiences and stimulated lively discussions at each delivery.

In an engaging, intriguing, and entertaining style Nigrini reviews four fraud case studies and concludes each episode with the sober and practical lessons that can be learned from each case. Each event and misfortune has been thoroughly researched and Nigrini brings much more than just court documents, exhibits, and transcripts to the table.
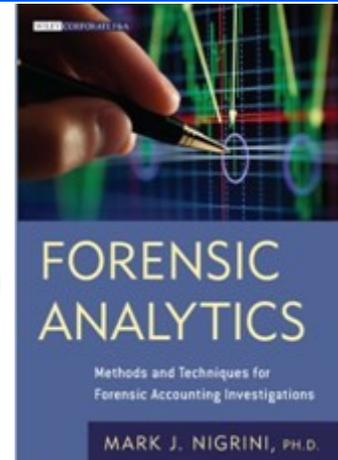
Nigrini then changes gears and in a more pensive and reflective style he presents a careful, comprehensive, and detailed argument showing that both the legal systems are the penal systems are overloaded. Supporting evidence is drawn from American Bar Association and U.S. Department of Justice publications, and original empirical research on incarceration data. The research shows that relatively few fraudsters are committed to correctional centers and that the light sentences handed out for fraud and embezzlement are not much of a deterrent. The research also shows that fraud cases are inevitably stayed, delayed, or reduced to a plea agreement because of the high caseloads from violent crimes and major thefts.

Nigrini concludes the legal section with a quick look at the Federal Sentencing Guidelines Manual (see http://www.ussc.gov/Guidelines/Organizational_Guidelines/index.cfm) and the seven key criteria needed for a company to claim that it has an effective compliance program with standards and procedures reasonably capable of reducing the prospect of criminal activity.

On a bright and optimistic note he concludes that organizations have an obligation to secure a reliable suite of internal controls, and to regularly employ effective and efficient proactive fraud detection programs. The courts cannot be relied upon to punish or deter fraudsters.

Nigrini is the author of *Forensic Analytics* (Wiley, 2011) which describes analytic tests to detect fraud, errors, estimates, and biases in financial data.   He is also the author of *Benford's Law* (Wiley, 2012) which is the seminal work on applications of Benford's Law.