

# Contents

Foreword		xv
Preface		xvii
Acknowledgments		xxiii
	<b>Introduction</b>	<b>1</b>
	The Human Factor	2
	Trust Violation and Its Consequences	4
	This Book's Approach: The A.B.C.'s of Behavioral Forensics	4
	An Interdisciplinary Approach	6
<b>PART I</b>	<b>When Fraud Is Committed</b>	<b>9</b>
Chapter 1	<b>Fraud Is Everywhere</b>	<b>13</b>
	The Pervasiveness of Fraud	14
	On Making (Up) the Numbers	16
	A Slippery Slope	19
	From Slippery Slope to Broken Windows	21
	Fraud Is a Human Act	23
	Conclusion	24
Chapter 2	<b>The Sins of Quantification and Other Mind-Set Impediments</b>	<b>27</b>
	The Danger of Numbers	29
	Data Analysis Is Not Enough	31
	Hard Numbers versus Reality	33
	Conclusion	37

Chapter 3	<b>Beyond the Fraud Triangle: Toward an Outline of A.B.C. Theory</b>	<b>41</b>
	The Relevance of Behavioral Approaches	41
	Understanding White-Collar Crime	43
	The Fraud Triangle and Other Theories of Causation	45
	A.B.C. Theory: A New Fraud Taxonomy	49
	Conclusion	53
<b>PART II</b>	<b>The Foundations of Behavioral Forensics: Why Good People Do Bad Things</b>	<b>55</b>
Chapter 4	<b>Beyond the Fraud Triangle and into the Mind: The Building Blocks of Behavioral Forensics— Understanding How the Basics of Human Behavior Tie into Fraud</b>	<b>59</b>
	Deception Is a Natural Phenomenon	59
	The Mind and the Fraud Triangle	60
	Emotions: The Power behind Psychological Defenses	67
	Affect's Two Ties to Fraud: Motivation and Communication	73
	Conclusion	76
Chapter 5	<b>“Said the Spider to the Fly . . .”: The Predator-Prey Dance— Putting Behavioral Science Fundamentals into Motion</b>	<b>81</b>
	Emotions, Unconscious, Defenses—Oh My!	82
	Relationships: Where Fraud Is Set in Motion	82
	The Relationship as an End in Itself: Bernie Madoff	87
	Lance Armstrong and His Accomplices	91
	Where Is the Humility?	93
	The Power of Shame	94
	Good to Evil: How a Hardwired Emotion Is Ignored and Manipulated	99
	When Shame Is Maladaptive at Work	104
	False Pride: With the Threat of Shame Comes Hubris	107
	The Predator Bullies the Professionals	108
	The Role of Mental Illness	111
	Conclusion	116
Chapter 6	<b>The Accidental Fraudster (Bad Apple): When the Apple Turns and Honesty Reverses Course</b>	<b>121</b>
	Committing the Crime	121
	Beyond Greed	122

	Exploiting a Weakness: A Motivational Theory of the Accidental Fraudster (Bad Apple)	123
	New Insights in Behavioral Forensics	127
	Disregarding Risk: The Thrill of Being Close to, but Not in, Danger	133
	Why Now? Understanding Life-Span Issues in Fraud Reversals	137
	Lessons from Executives and Managers on the Couch	139
	Conclusion	139
Chapter 7	<b>The Bad Bushel and Beyond: Seeing the Larger Context of the C-Suite</b>	<b>143</b>
	Luck and Effort Distinguish Senior Executives	144
	Life as an Executive: Excitement, Vigilance, and Caution	147
	Trouble in the C-Suite: Overwhelmed, Overpaid, and Overconfident—Narcissism and Beyond	148
	The Individual and the Group: Bad Bushels Arise	153
	The Science of Persuasion	158
	Conclusion	161
<b>PART III</b>	<b>A Call to Action</b>	<b>165</b>
Chapter 8	<b>Managing the Ecology of Fraud: What You Can Do on Monday Morning</b>	<b>171</b>
	The Financial Markets: The Moral Foundations of Capitalism	172
	Helping Senior Executives to Stay on the Right Side of the Line	176
	Piercing the Rationalizations	177
	Emotional Manipulation	179
	On Lies and Misrepresentation	181
	The Operational Fraud Triangle	183
	What You Can Do Monday Morning	185
	Recognizing Tipping Points (of the Mind)	188
	Conclusion	191
Chapter 9	<b>The Future of Behavioral Forensics: Developing Psychological Awareness to Complement Financial Fraud Suspicions</b>	<b>195</b>
	Fraud: A Global Scourge	196
	Fraud Is Not a Problem with an Easy Answer	197
	A Psychological Autopsy of Fraud	207
	The Future of Behavioral Forensics	209

xiv    **Contents**

Afterword	213
Appendix A <b>The Psychology and Sociology of Fraud: Integrating the Behavioral Sciences Component into Fraud and Forensic Accounting Curricula</b>	217
Appendix B <b>Chapter Supplements</b>	231
Bibliography	247
About the Authors	255
Index	261