



When Good Intentions Aren't Enough: Why Strong Controls Matter

Fraud rarely starts with bad people. It starts with weak system.

Many leaders overlook that uncomfortable truth, not because they do not care, but because they trust their teams, believe in their mission and assume their controls are “good enough.”

After years as an auditor at a Big Four firm and later as an advisory partner at a large national firm - I have worked with organizations of every size, structure, and mission. One theme remained clear: **good intentions alone do not protect an organization from fraud. Strong, well-designed internal controls do.**

Stakeholders rely on financial reports in making key decisions. When the underlying processes are well-organized, documented and consistently followed, stakeholders can be assured of their effective decision making. Yet, many organizations assume that because controls exist, they are protected. Realistically, when controls are poorly designed, inconsistently applied, or concentrated in the hands of one individual, a perfect environment for fraud is created.

Segregation of duties, transparent policies and procedures, and strong governance are not just administrative tasks – they are the backbone of integrity for every organization.

While no leader wants to believe that fraud can happen within their organization, the truth is: **no organization is immune.** Your organization is vulnerable.

Are You Aware of Your Organization's Vulnerabilities?

Here are common red flags that significantly increase fraud risk. If any of these sound familiar, your organization may be more vulnerable than you think:

1. One person has exclusive control over financial systems and accounts
2. Board meeting minutes are prepared by the CFO or are not reviewed and approved by the board
3. A single individual is authorized to open or close bank or investment accounts
4. One person can initiate and approve cash movement between banks without limits
5. One person can initiate debt or contractual obligations without oversight
6. Financial statements are consistently delayed or contain recurring errors
7. Budget shortfalls lack adequate analysis or explanation
8. The organization has never changed auditors
9. The organization operates without defined term limits for its board members
10. The organization lacks clear policies and procedures for employee termination



Each of these situations represents a failure in governance, oversight, or internal control, and each creates opportunity for fraud.

Five Steps to Reduce Fraud Risk

1. *Establish Antifraud Governance Policies*

Set a clear tone that fraudulent activity will not be tolerated. Make this expectation visible to employees, vendors, grantors, donors, board members, and other stakeholders.

2. *Perform a Fraud Risk Assessment*

A well-designed assessment identifies weaknesses in both manual and electronic internal controls. Share the results with the governing board to ensure transparency and accountability.

3. *Design and Implement Control Activities*

Strengthen or introduce additional controls that prevent and detect fraud. This may include system access controls, approval thresholds, segregation of duties, and improved oversight.

4. *Investigate Fraud*

If fraud or allegations of fraud are identified, respond immediately. Swift action reinforces a culture of integrity and indicates that improper conduct will not be disregarded.

5. *Monitor and Evaluate the Risk Management Program*

Fraud risk management is not a one-time exercise. Conduct ad hoc and ongoing evaluations to identify early warning signs and ensure controls remain effective as the organization grows.

Why Fraud Happens: The Fraud Triangle

Fraud typically occurs when three elements come together:

- **Pressure** – A personal or financial motive
- **Opportunity** - Weak or non-existent controls
- **Rationalization** – The individual justifies the behavior

Collusion between individuals can undermine strong controls, making it necessary to reduce the opportunity wherever possible and encourage employees to report concerns and suspicious activity without fear of retaliation.

Call to Action

Good intentions will not protect your organization - strong controls will. If any of the warning signs above exist within your organization, now is the time to act. Strengthening



internal controls, improving governance, and conducting a structured fraud risk assessment can dramatically reduce your exposure.

If your organization is ready to evaluate its vulnerabilities or needs guidance designing stronger controls, I'm here to help you take the next step toward a more secure and accountable future.

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