

# Masterclass: Inside the Fraudster's Mind

April 15, 2025

Jonathan Turner  
VP, Chief Ethics & Compliance Officer

**AVANOS**

- Fraud isn't just about detection—it's about anticipation.
- Strategy requires us to think like fraudsters to stay ahead of them.
- Successful organizations leverage behavioral insights to strengthen defenses.

# Who are Fraudsters?



# Historical View



**How much has changed?**

# Modern Iterations



# Fraud Prevention Training

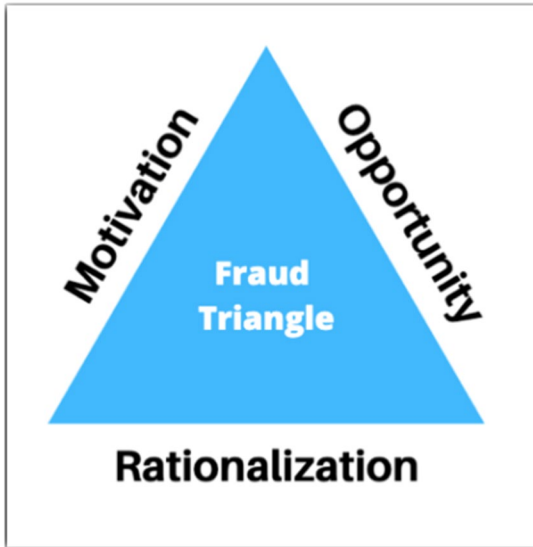
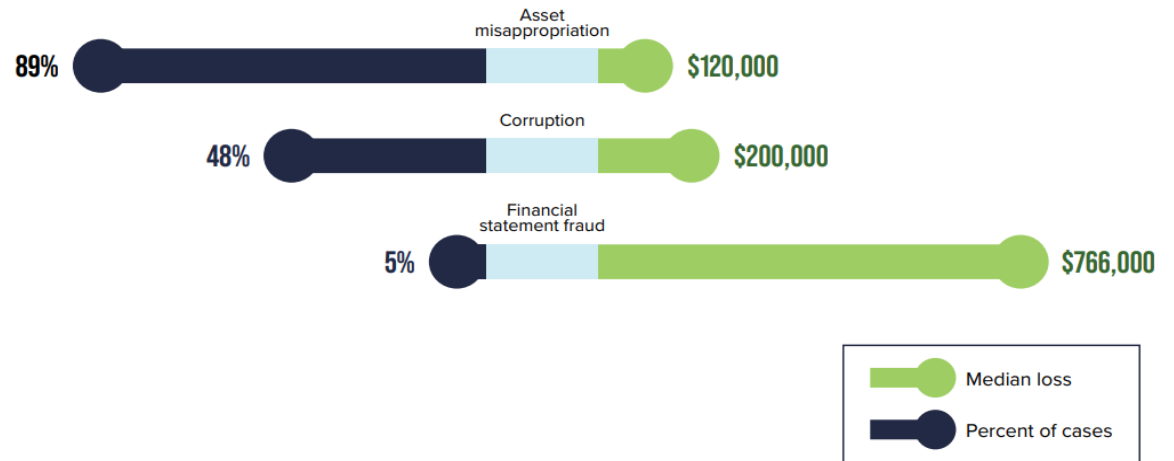
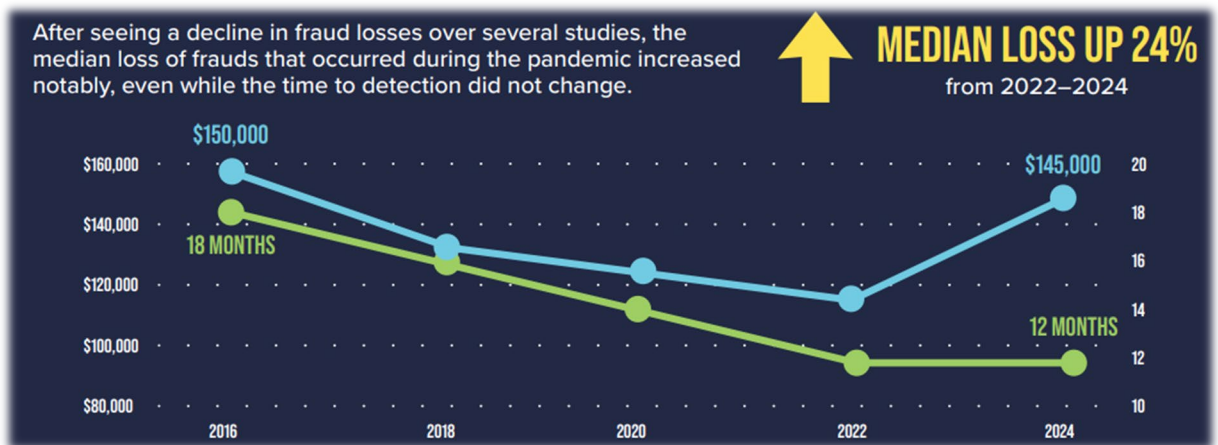


FIG. 2 HOW IS OCCUPATIONAL FRAUD COMMITTED?



**Banking and financial services**

**MEDIAN LOSS \$120,000** | **305 CASES**



\*2024 ACFE Report to the Nations

# How is Fraud Actually Found?

FIG. 13 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?

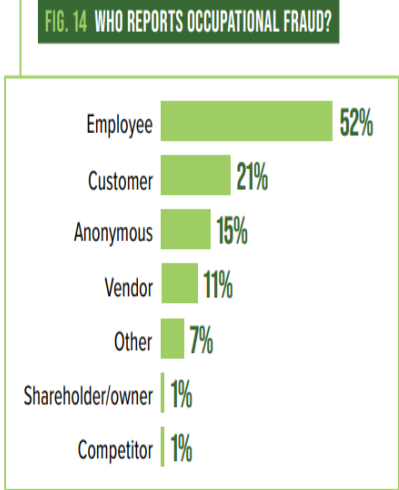
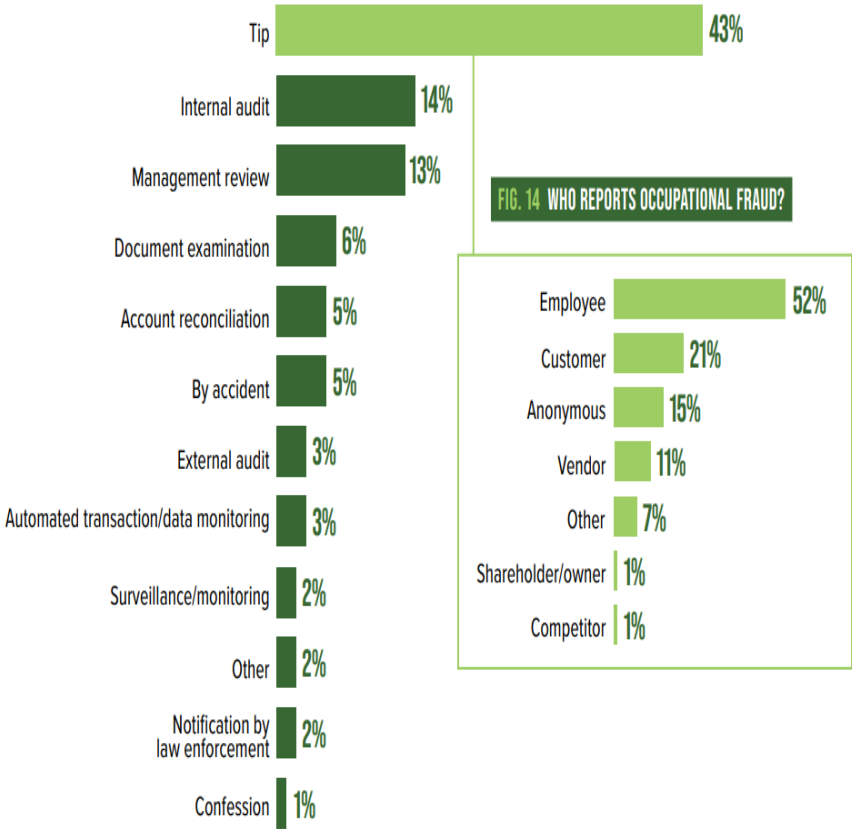
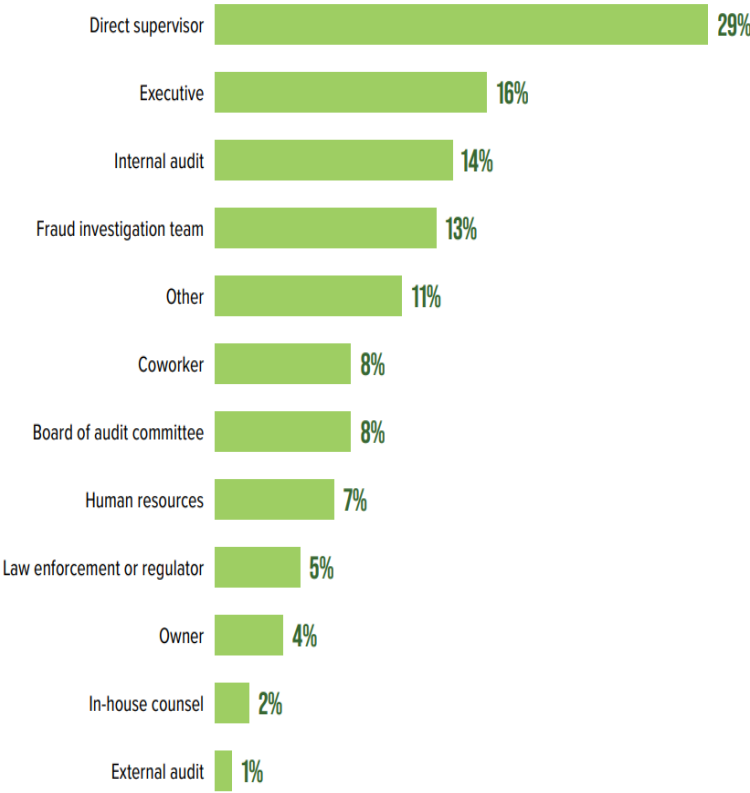


FIG. 17 TO WHOM DID WHISTLEBLOWERS INITIALLY REPORT?

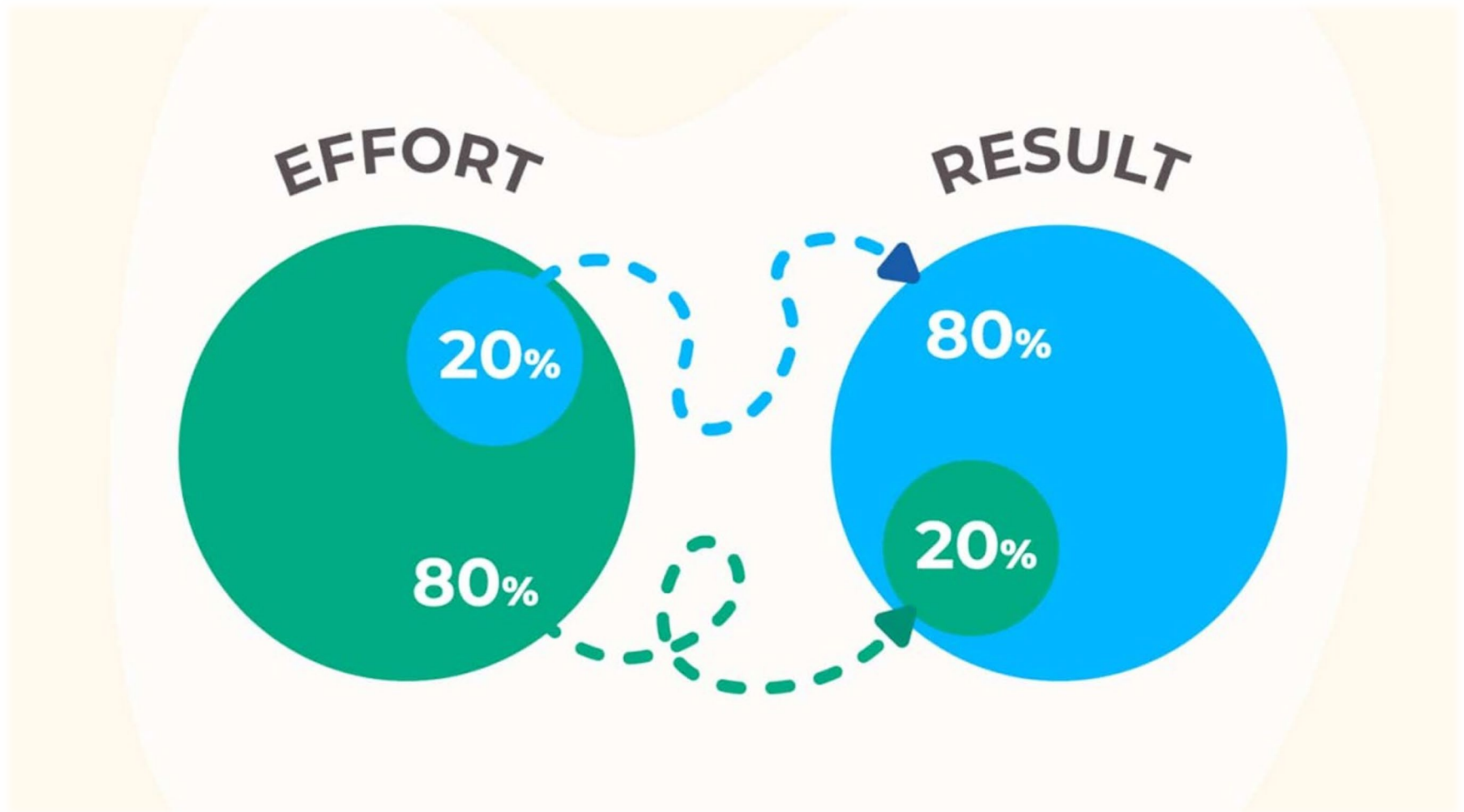


\*2024 ACFE Report to the Nations

# So, Does Anything We Do Work?



# Yes – Using the Pareto Principle





# This is the Triangle that Matters!



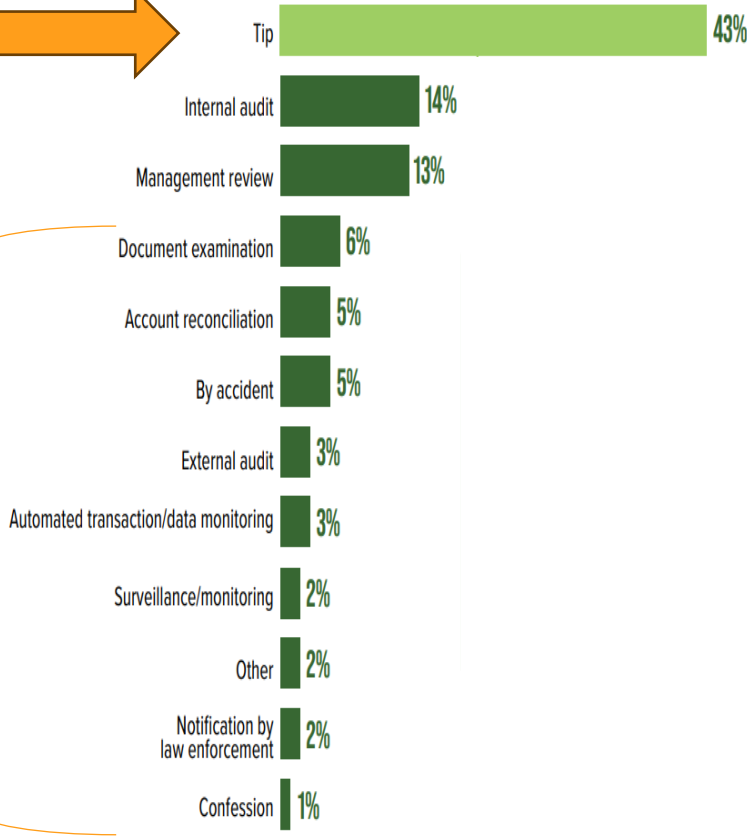
# But How Do We Spend Our Time?



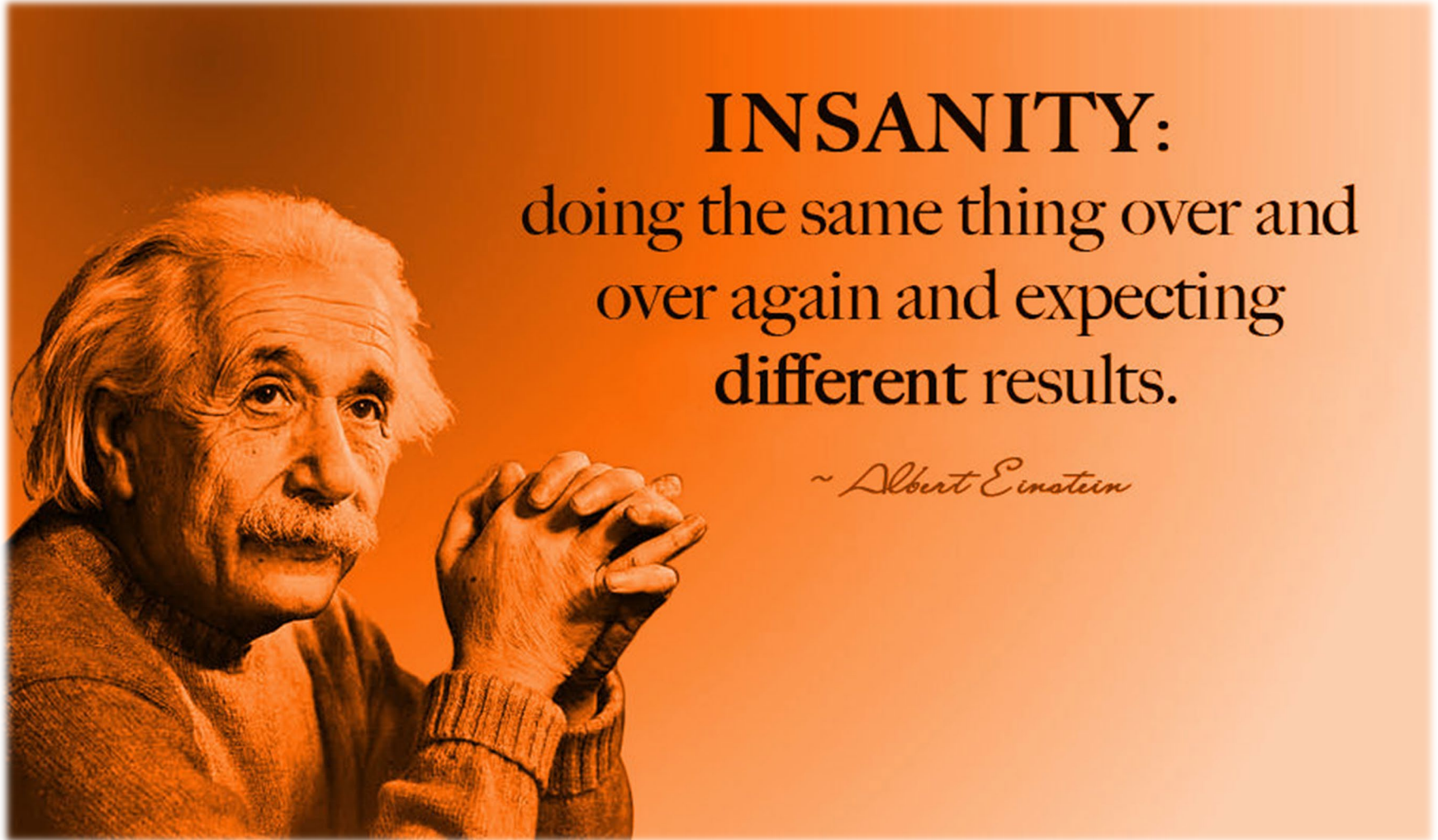
OR



FIG. 13 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?



# Definition of Insanity



**INSANITY:**

doing the same thing over and  
over again and expecting  
different results.

*~ Albert Einstein*

# Let's Do Something Different



# Different, But Effective ...

- Focus less on Charts, Graphs, Data, and Benchmarking.
- Raise above the Nuanced Details in our Spreadsheets
- Instead think about Human Behavior, the “Why” behind What People Do.



# **Working Smarter (if Not Any Less Harder)**

# We are Going to Have A Book Club



# We Are All Too Busy For This!

- There is never enough time to do it right:
  - But always enough time to do it over!
- Next Week I will find some time to think about how to do my job better ...
- Fire, Aim, Ready - is just how we do things here!



JILL FARMER



... and other lies we tell ourselves.



# Reading Books to Reduce Fraud?



# The Essence of Strategy

- 5,000 years old – this is the Basis for all Military, Business, and Organizational strategy books.
- Key Lessons are:
  - Understanding the Objective
  - Acting with Intent
  - Remembering You Are the Only Person You Can Change
  - By Changing You, You Change Them
- When We understand the Big Picture the Odds of Success Go Way Up.

SUN  
TZU

ART of  
WAR

*translated, with a Historical Introduction by*  
RALPH D. SAWYER

孫子兵法

# Making Rules Effective

- Illustrates that Fundamentally People Have not Changed in (at Least) 5,000 years!
- Introducing Human Behavior into the process:
  - Making Rules Intuitive and Easy to Follow
  - Creating Outlets for Rule Breakers
  - Expecting People to Act Like People
- This will Dramatically Reduce Your Teams Frustrations.

Christian Hunt

## Humanizing Rules



WILEY

# Identifying Meaningful Patterns

- Leveraging Learnings from Political Polling to find Predictable Patterns in Data.
- Understanding Bias in both What People Say and What We Hear.
- Learning to Find the Big Rocks and Not get Distracted by the Sand (More on this later)
- Focusing on improving the Process over Finding Perfection.

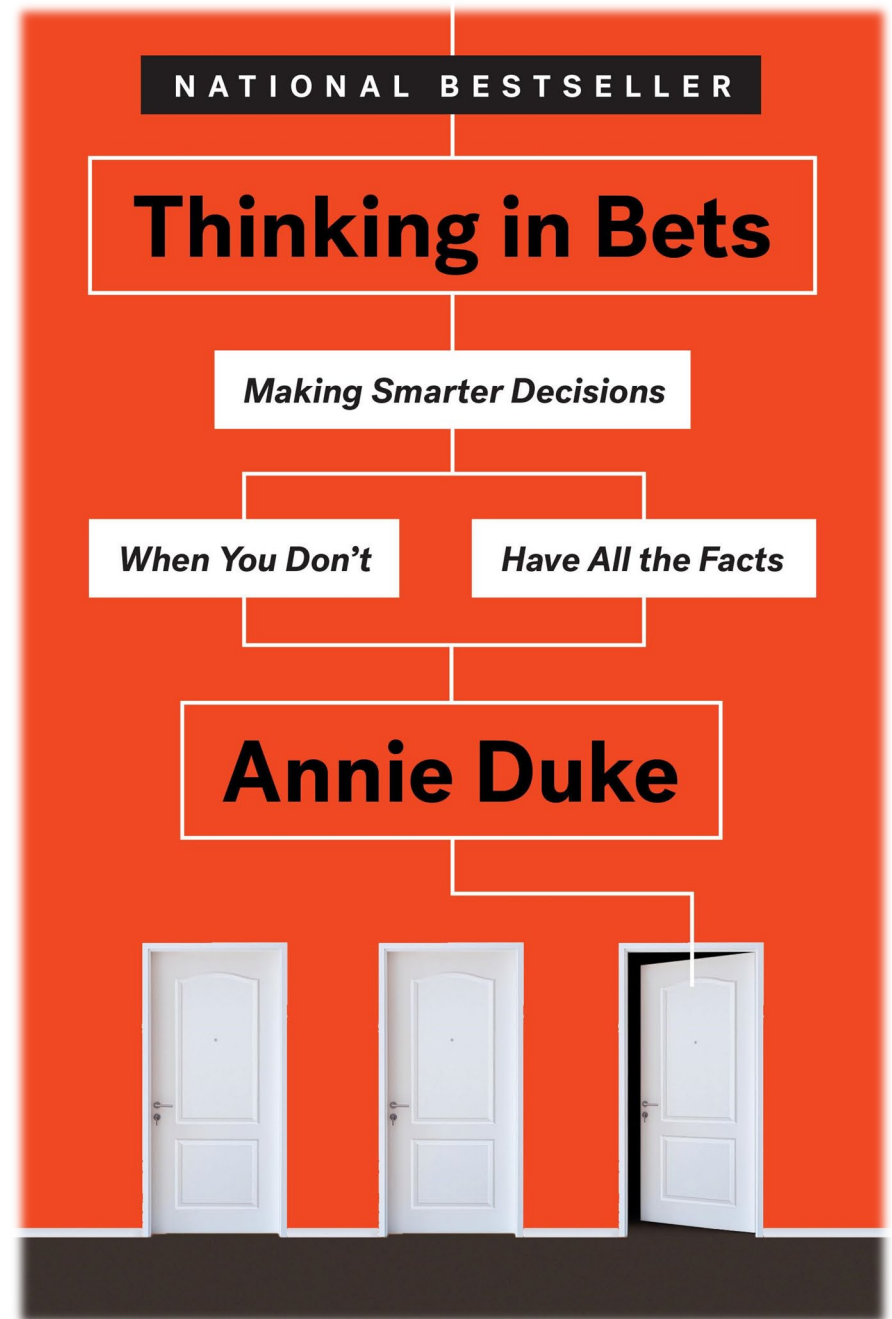
*new york times bestseller*  
*noise and the noise*  
*the signal and the noise*  
*and the noise and the noise*  
*the noise and the noise*  
*why so many noise*  
*predictions fail—*  
*but some don't th*  
*and the noise and*  
*nate silver the no*

“Could turn out to be one of the more momentous books of the decade.” —*The New York Times Book Review*



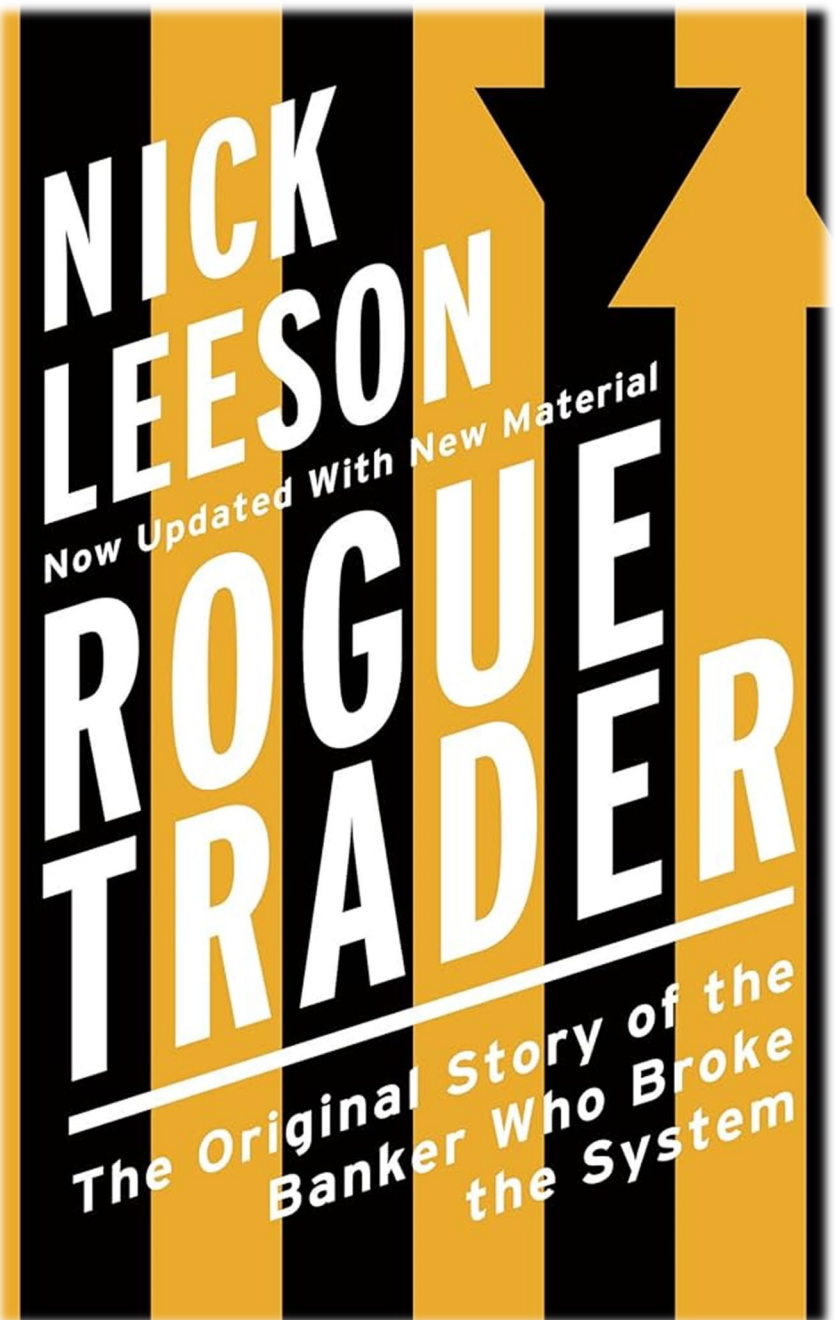
# Making Better Decisions

- We Intuitively Connect Decision Making with Results – and this is Fundamentally Flawed.
- Good Decisions Can Lead to Bad Outcomes and Bad Decisions Can Lead to Good Outcomes.
  - Driving the Speed Limit and Getting in an Accident
  - Buying \$1,000 in Lottery Tickets and Winning \$1,000,000,000.
- Learning to Accept that We Will Never Have Enough Data.



# Inside the Mind of a Fraudster

- Bank Fraud can Occur Anywhere in the institution
- Highly Successful Bankers Will Get Away With It Far Longer
- He was Caught Four Times
  - #1 – Do you Know Who I Am?
  - #2 – You Are Not Smart Enough to Understand my Trading Strategies
  - #3 – Keep these people out of my accounts, they are hurting our Business
  - #4 – Fled the Country
- Reluctance to Engage Caused the Collapse of a 200-Year-Old Bank.



# Why People Fall for Big Lies the Most

- Executive Level Fraud is the Most Damaging.
- But We Focus on Lower-Level Roles.
- How Do These People Influence Actions in your Institution:
  - Major Customers
  - High Level Employees
  - Influential Politicians
  - Leading Entrepreneurs
  - Social Media Influencers

NATIONAL BEST SELLER

# BAD BLOOD

Secrets and Lies

in a Silicon

Valley Startup

**John Carreyrou**

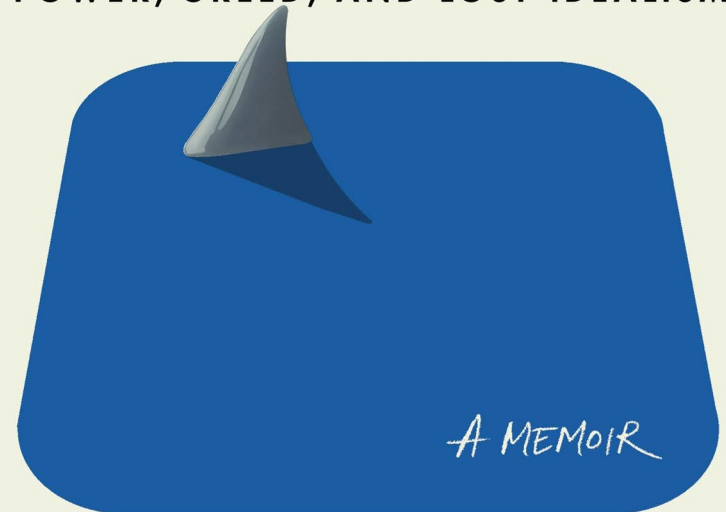
# Insights into Powerful People

- Culture Eats Strategy for Breakfast – Peter Drucker.
- Our Culture is What we Have, Not What We Aspire to Have.
- Learning From Others' Choices can Inform our Understanding of Our Own Actions.
- Looking at People as “Good” and “Bad” Misses the Point.
- Leveraging Cases in Other Industries Provides a Pathway to Understanding Our Own Industry Better.

#1 NEW YORK TIMES BESTSELLER

# Careless People

A CAUTIONARY TALE OF  
POWER, GREED, AND LOST IDEALISM

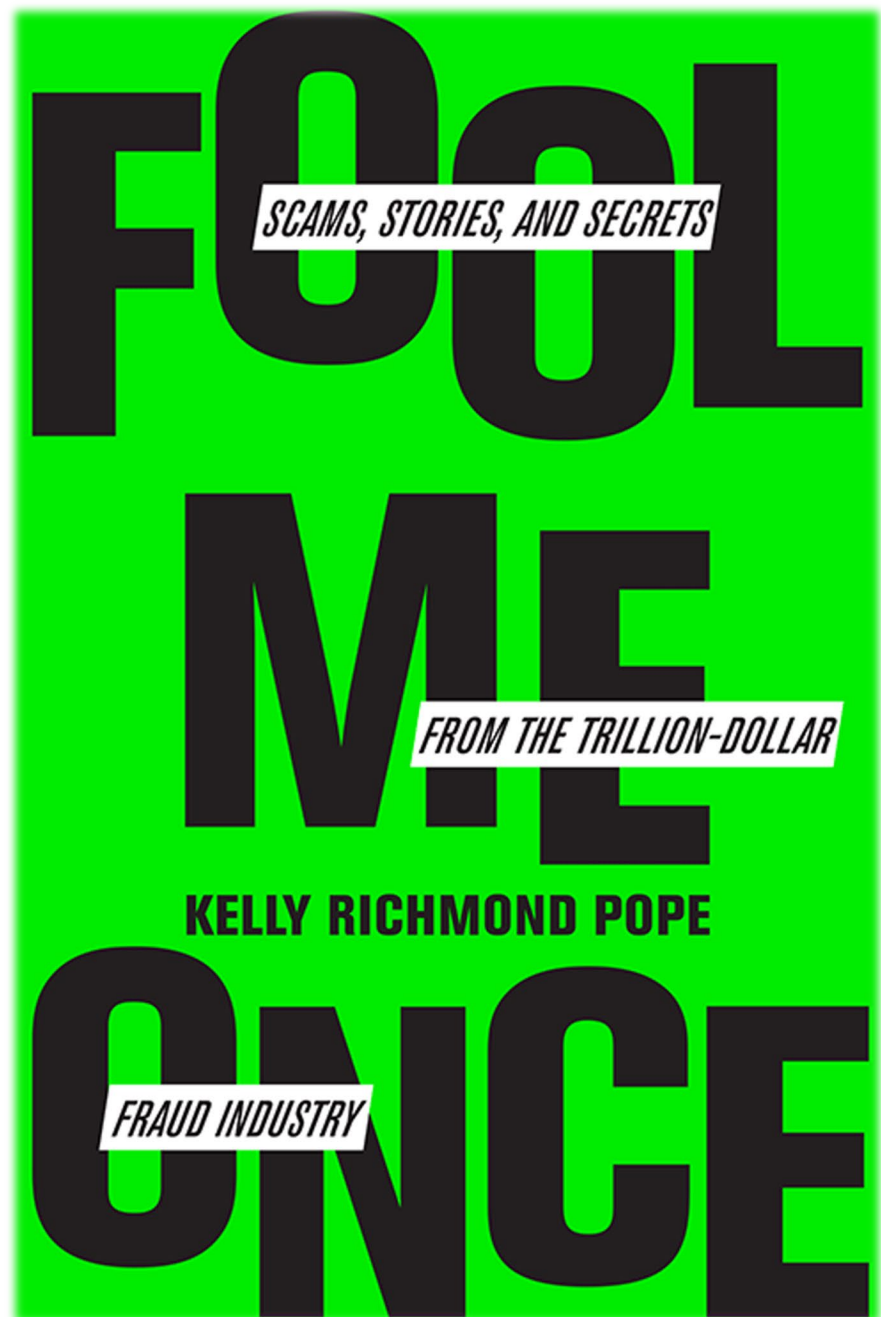


Sarah Wynn-Williams



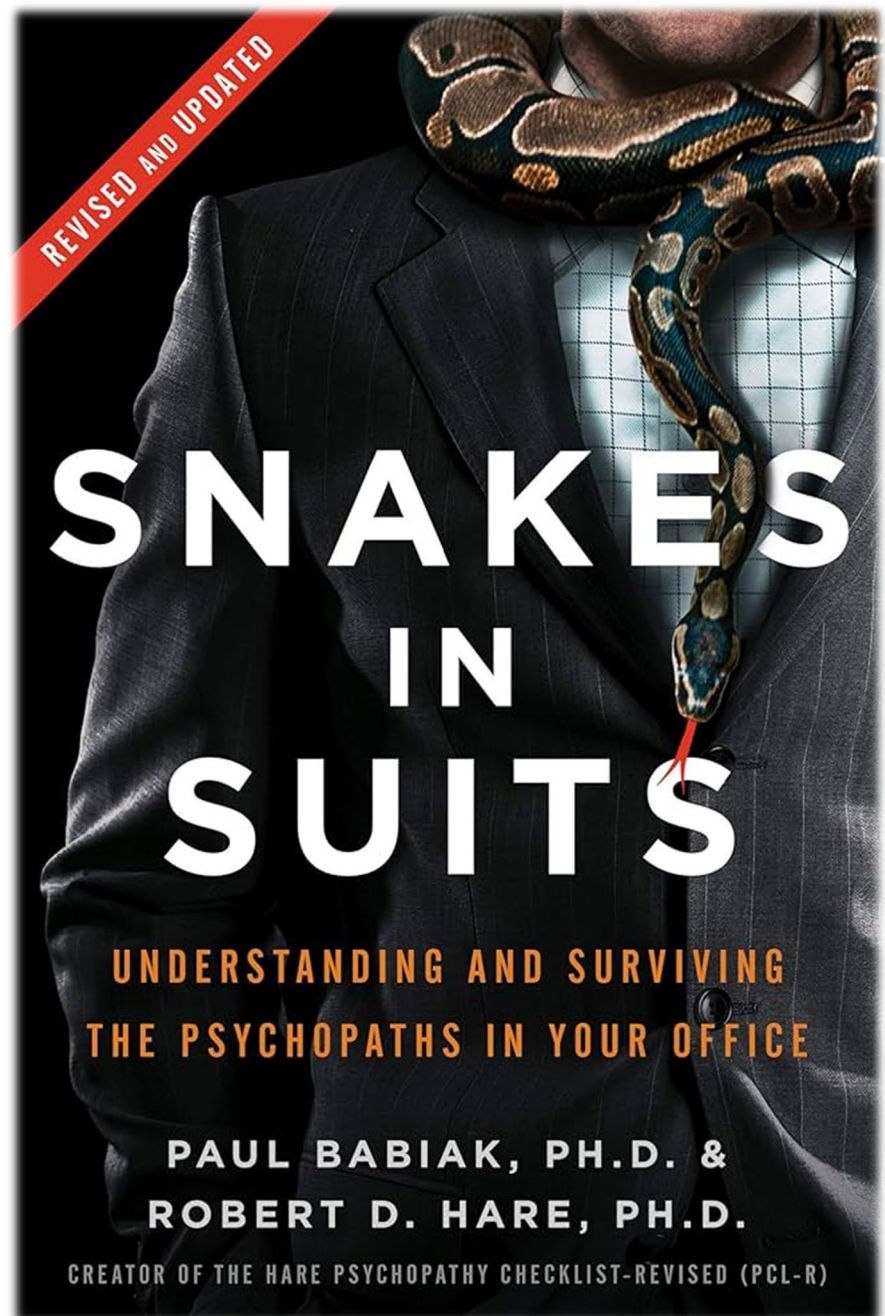
# And more from the Fraud Files

- Schemes, Scams and Stories from a Fraud Investigator.
  - Professor in the School of Accountancy and MIS at DePaul University in Chicago
  - Professor of forensic accounting, managerial accounting, financial accounting and ethical leadership.
  - Researcher in White Collar Crime.
- A Book that Has Something for Everybody and Applies to Many More Situations that We Might Like to Admit.



# Understanding Organizational Resistance

- Two Canadian Psychologists Studied Psychopaths to Identify Behavioral Traits.
- They Applied that Profile to the Population to Identify Causes or Manifestations.
- An Unanticipated Outcome:
  - Traits of Successful Serial Killers align with Successful Business Leaders.
- Leading to Understanding How and Why People Operate, and Yielding More Successful Interactions.

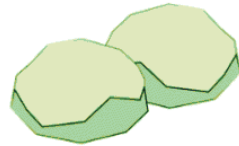


# Will Reading Really Reduce Fraud?!?



# Yes – Here is How it Works

If the big rocks don't go in first,



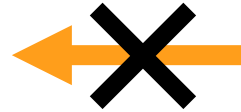
**BIG ROCKS**  
Highest priority projects  
and tasks.



**LITTLE ROCKS**  
Urgent or important  
priority projects and tasks.



**SAND**  
Unimportant projects  
and tasks.



they aren't going to fit in later.

— Stephen R. Covey



# But I have To Much to do Right Now

Before



# Focused Growth is The Biggest Rock



The background features a grid of hexagonal icons in shades of orange and red. The icons include a scale of justice, a stack of books, a person's head with a question mark, a gavel, a checklist, a magnifying glass over a document, a gear with an exclamation mark, a folder with a checkmark, and a pie chart. The text is centered over this background.

# Questions & Group Discussion