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Strategies for Reducing Fraud in Corporate Organizations

Tarshall Horton McCauley
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Walden University

College of Management and Human Potential

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Tarshall McCauley

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the review committee have been made.

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Walden University
2026

Abstract

Strategies for Reducing Fraud in Corporate Organizations

by

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MS, Strayer University, 2006

BS, Johnson C. Smith University, 2004

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

March 2026

Abstract

Financial statement fraud has been a persistent problem that poses risks to corporations globally. Business leaders are concerned about financial statement fraud due to its potential to weaken financial stability, erode stakeholder confidence, and create conditions that may lead to significant financial distress or organizational collapse. Grounded in the fraud triangle theory, the purpose of this qualitative pragmatic inquiry research was to explore internal control strategies corporate leaders use to reduce financial statement fraud risk. The participants were 11 financial leaders in North Carolina, the District of Columbia, and Virginia who practiced effective internal controls to minimize financial fraud. Data were collected from semistructured interviews and financial documents. Through thematic analysis, four themes were identified: (a) segregation of duties, (b) leadership and ethical culture, (c) communication and technology innovation, and (d) risk management and monitoring. A primary recommendation is for business leaders to maintain robust internal controls to identify inefficiencies in financial reporting. The implications for positive social change include potentially improving the financial stability of organizations and increasing employment opportunities within local communities.

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Dedication

This doctoral study is dedicated to my beloved husband, Robert B. McCauley II, and my sister, Julia H. Burris. Your unwavering encouragement, patience, and belief in my abilities sustained me through every challenge. Even in moments when I felt discouraged, your words and actions reminded me of my purpose and potential. I am grateful for your love, guidance, and enduring support. You made all the difference.

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First and foremost, I give glory and honor to my Lord and Savior, Jesus Christ, for granting me the strength and perseverance to complete this journey. As Philippians 4:13 affirms, “*I can do all things through Christ which strengtheneth me.*” To God Almighty thank You for making this accomplishment possible.

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To my spiritual mentor and motivational coach your words of inspiration and your belief in my potential have been invaluable. Thank you for reminding me to remain focused, resilient, and committed to the pursuit of my goals.

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Section 1: Foundation of the Study

Background of the Problem

Financial statement fraud is a global phenomenon that continues to affect the interests of businesses and stakeholders. Xiuguo and Shengyong (2022) stated that this type of fraud involves manipulating data in statements to exploit investors. Weak internal controls and ineffective policies are the primary factors contributing to such fraudulent activities (Al-Beity, 2022). However, a strong internal control program can significantly mitigate the impact of financial fraud on an organization (Wijayanti & Setyawan, 2022). Internal controls are protocols and measures designed to identify irregularities in company operations (Alisherovich & Ugli, 2023). Developing internal control strategies is essential for enhancing the reliability of financial reporting and protecting the company's wealth and reputation. (Alisherovich & Ugli, 2023). To reduce the risk of fraud and prevent future losses, corporate leaders must implement stronger internal controls (Kesuma & Fachruzzaman, 2024). Failure to implement these controls is a sign of negligence that could harm the company's reputation.

Financial statement fraud poses a severe threat to organizational sustainability (Ameyaw et al., 2024). The Association of Certified Fraud Examiners (ACFE, 2024), 2024 showed that 1921 fraud cases resulted in a 3.1 billion dollar loss. This issue often arises due to inadequate management oversight of factors such as pressure, opportunity, and rationalization, exacerbated by a lack of internal controls (Faisal et al., 2023). Implementing effective controls is crucial for safeguarding a firm's assets and mitigating losses (Bwerinofa-Petrozzello, 2023). As fines and penalties for fraud continue to

escalate, developing internal control strategies has become the primary concern of corporate investors in reducing fraud (Mandal & Amilan, 2023). This project explores successful strategies for businesses located in North Carolina, District of Columbia, and Virginia.

Business Problem Focus and Project Purpose

Despite the Sarbanes-Oxley Act of 2002, multimillion corporate fraud losses continue to affect the financial market and the accounting profession because of inflated revenues, unrecognized expenses, and liabilities in financial reporting (Rashid et al., 2022). According to Kalovya (2023) and ACFE (2024), an organization loses roughly 5% of its yearly income to fraud cases, while the global losses are 5 trillion dollars. The general problem is that some organization leaders overlook the recurrence of fraudulent activity in firms due to the lack of internal controls and become more susceptible to fraud, leaving corporations less shielded from financial extortion.

The specific business problem is that some corporate leaders lack internal control strategies to reduce financial statement fraud risk. The purpose of this qualitative pragmatic inquiry research is to explore internal control strategies that corporate leaders use to reduce financial statement fraud risk. The population group for this project was 11 corporate organization leaders located within North Carolina, District of Columbia, and Virginia who developed internal controls that reduced financial statement fraud. With purposive sampling, I identified participants with expertise and knowledge to answer the research question effectively. To collect the data, I conducted face-to-face semistructured interviews with open-ended questions to guide the interview process and document

evidence based on perceptions. The conceptual framework for this project is the fraud triangle theory developed by Cressey (1953).

Research Question

What internal control strategies do corporate organization leaders use to reduce financial statement fraud risk?

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are the beliefs or conditions on which a study involves (Tahat, 2021). It was assumed that the participants had a general understanding of financial statement fraud laws and internal controls. The second assumption was that the supporting documentation provided an accurate picture of individual perceptions of corporate fraud. It was also assumed that participants in the project answered the questions honestly. Lastly, the final assumption was that financial statement fraud affects the financial market and reduces business revenue.

Limitations

Limitations are potential restrictions within a study that are out of a researcher's control (Theofanidis & Fountouki, 2018). The limitations were that participants could provide limited information for the project. Also, with technological progress, the way employees conduct fraud may change, which can prohibit the success of ethical financial reporting.

Delimitations

Delimitations are the boundaries and limits of a study set by the researcher (Theofanidis et al., 2019). This project's delimitation was that the geographical location comprised only three states. The purpose of this qualitative pragmatic inquiry research was to explore internal control strategies that corporate leaders use to reduce financial statement fraud risk. The final delimitation was that the project consisted of a limited sample of 11 corporate organization leaders.

Transition

The aim of this research was to explore the internal control strategies that corporate leaders use to mitigate financial statement fraud. In Section 1, I discussed the background of the problem, the business problem and project purpose, and the assumptions and limitations. In Section 2, I provide a literature review of financial statement fraud and the various internal control strategies business leaders use to reduce fraud. Section 3 includes discussions on ethical research, the nature of the project, and the validity and reliability of data collection techniques and data analysis. In Section 4, I discuss the findings and contributions to business practices and social change.

Section 2: The Literature Review

A Review of the Professional and Academic Literature

The literature review provides background information about the study's phenomena (Luciani et al., 2019). The importance of a literature review is catalyzing a new approach in a study that offers future scholarly impact toward addressing important questions (Anderson & Lemken, 2023). The conceptual theory for this project was the fraud triangle theory. The conceptual framework helped organize and construct the different explanatory research phases of this qualitative pragmatic inquiry research. The purpose of using the fraud triangle theory for this qualitative pragmatic inquiry research was to explore internal control strategies corporate leaders use to reduce financial statement fraud. This literature review provided a comprehensive overview that merges methodological insights, theories, and previous research on the fraud triangle model that can further strengthen the foundation of this project.

The literature review has several sections exploring the different aspects related to financial fraud. The first section delved into the conceptual framework, including the fraud triangle and the underlying causes of corporate fraud. The second section covered alternative and contrasting theories of the fraud triangle model, such as the fraud diamond theory and the fraud scale theory. The final section explored financial statement fraud and effective internal control strategies. By outlining the sections, I provided an overview of different review articles and explained how future researchers could find them helpful in addressing potential threats in the public sector. Further, this project evaluated various anti-fraud tools business leaders can use to mitigate fraud.

I obtained information from peer-reviewed academic journals, books, dissertations, libraries, and scholarly reports in databases like Emerald Insights, ProQuest, Sage Premier, EBSCO Primary, and Google Scholar. The search terms used in this project included *fraud*, *fraud triangle*, *financial statement fraud*, *fraud theories*, *internal controls*, *fraudulent reporting*, and *corporate fraud*.

Conceptual Framework

The purpose of this qualitative pragmatic inquiry research was to explore internal control strategies corporate leaders use to reduce financial statement fraud risk. The conceptual framework for the project was the fraud triangle theory developed by Cressey (1953). Cressey's model of the fraud triangle theory described three psychological components that influence individuals to carry out fraudulent crimes. The premise for using the fraud triangle framework was to clarify the reasoning behind an employee's decision to commit fraud in the workplace and to understand the three psychological components: (a) pressure, (b) opportunity, and (c) rationalization that led individuals to fraudulent corruption. The fraud triangle theory was appropriate for this project and provided a foundation for which the phenomenon was explored. The fraud triangle would be helpful to business leaders who are interested in understanding the fraud risks in corporations. Business leaders can develop an internal control system following Cressey's framework to mitigate fraud. Employing internal control strategies offers better insights and avenues for successful financial reporting. In addition, an effective internal control system can increase the level of transparency in financial statements and hold individuals accountable for their actions. Using the fraud triangle framework and

implementing better internal control practices can help improve a business's economic stability and growth effectively.

Fraud Triangle

The beginning of the fraud theory emerged from criminology researcher Edwin Sutherland in the United States in the 1940s (Vassiljev & Alver, 2016). Edwin Sutherland coined the theory of white-collar crime to explain that fraud is a learned behavior influenced by one's economic status and business activities (Dorminey et al., 2012; Maulidi, 2020a; Ruankaew, 2016). Sutherland et al. (1992) believed that people committed crimes based on their interactions with others (see also Cheliatsidou et al., 2021; Ruankaew, 2016). Sutherland concentrated on sociological factors such as prestige, learned behavior, opportunists, and societal tolerance rather than individual characteristics and traits (Cheliatsidou et al., 2021). The fraud triangle framework allows researchers to emphasize the importance of organizational culture and environmental controls in deterring fraudulent activities.

Donald Cressey, a criminologist and a former student of Sutherland's, explored the circumstances that triggered fraudsters to engage in white-collar crime by spending five months interviewing 250 inmates convicted of such offenses (Abdullahi & Mansor, 2018; Cressey, 1953). A significant development in Cressey's theory was that he noticed common characteristics of fraud perpetrators (Cressey, 1953). Cressey hypothesized that the probability of fraud was due to the combination of three elements: pressure, opportunity, and rationalization, which collectively form the fraud triangle (Cressey, 1953). In his research, Cressey focused more on the circumstances that led people to

engage in fraudulent activity by establishing the correlation between fraud and the probability of fraud occurring based on ‘trust violators’ who committed the crime (Feghali et al., 2022). Cressey’s theory established a clear definition of corporate fraud. Cressey emphasized how specific organizational conditions enabled fraud occurrence. By identifying key elements that facilitate fraudulent behavior and expose weaknesses in internal controls, this framework equips business leaders to monitor threats effectively. The research conducted on this theoretical framework directly connects the analysis to the research question and the nature of the phenomenon. Therefore, understanding the evolution of this theory was essential to developing effective strategies to mitigate fraud.

The fraud triangle theory served as a fundamental framework for understanding and combating fraudulent behavior in organizations. Researchers and practitioners can use this theory to develop controls to reduce the risk of fraud (Schnatterly et al., 2018; Wijayanti et al., 2024; Yulistyawati et al., 2019). According to Cressey (1953) and Kalovya (2023), perpetrators commit fraud based on three preconditions: pressure, opportunity, and rationalization. These three conditions help explain the causes of fraud.

Exploring and understanding the theory and its elements were essential as they offer solutions for mitigating organizational fraud (Shonhadji & Maulidi, 2021). Thus, the fraud triangle is the most influential and relevant framework for detecting and investigating financial statement fraud (Awang et al., 2020). Understanding and applying the fraud triangle framework remains essential for organizations committed to maintaining financial integrity and developing effective fraud prevention strategies.

The fraud triangle model provides business leaders with insights for reducing fraud occurrences and financial losses. Businesses can utilize the fraud triangle model to gain insights to reduce the frequency of fraud losses (Kalovya, 2023). With the growth of fraud cases, audit regulators use the framework to pinpoint potential fraud risks (Kagias et al., 2021). In addition, the fraud triangle theory has been the basis of several auditing and accounting policies (Cheliatsidou et al., 2021; Homer, 2020). According to the Public Company Accounting Oversight Board (2019), examiners often rely on the three fraud triangle components of pressure, opportunity, or rationalization to evaluate a company's susceptibility to financial statement fraud.

The Fraud Triangle Components

The three components within the fraud triangle are pressure, opportunity, and rationalization. The three components within the fraud triangle offer a deeper insight into Cressey's theory and the reasoning behind fraudsters' certitude to commit fraud (Shonhadji & Maulidi, 2021). Fraud will likely happen when these three constituents' pressure, opportunity, and rationalization coexist (Cressey, 1953; Feghali et al., 2022). According to Kagias et al. (2021), pressure refers to the urgency to meet financial needs, an opportunity arises from inadequate internal controls. Rationalization involves a fraudster justifying their dishonest actions (see Figure 1).

Figure 1*The Fraud Triangle*

Note. From “The Fraud Triangle. Understanding the Convergent and Divergent for Future Research,” by R. Abdullahi and N. Mansor, 2015, *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 5(4), pp. 38–45 (<https://doi.org/10.6007/IJARAFMS/v5-3/1823>).

Pressure

Pressure is the first element of the fraud triangle, which represents the motivating force that drives individuals to contemplate fraudulent activities. Pressure creates a desire on the part of an employee to consider fraud (Handayania & Kawedara, 2021; Uche, 2024). Financial pressure often emerges when someone has an unmet need or a hidden problem that causes enormous stress (Nguyen & Nguyen, 2023). These problems are usually associated with health conditions, gambling needs, accumulating debt, addiction, excessive lifestyle, or some emergency (Seidu et al., 2022). Understanding these pressure

points enables organizations to develop more empathetic and effective fraud prevention strategies while maintaining robust financial controls.

Organizational leaders become pressured when there is a need to meet industry deadlines or fulfill the company's financial obligations. In times of crisis, the impetus for fraudulent behavior often stems from pressures related to a failed market, aggressive competition, financial losses, or instability (Sihombing & Nugroho, 2023). This type of pressure occurs because the person needs to manipulate financial statements to secure funding from investors (Ricardo & Suhendah, 2023). This intentional act creates a distorted reality built on fraudulent data. However, to reduce these pressures from escalating into fraud, business leaders should be more cognizant of potential fraud risks and implement better strategies to mitigate the pressures of fraud.

Employing a whistleblowing system can help reduce the chances of fraud.

Whistleblowing is an internal control strategy used to report violations in public organizations (Cempakasari et al., 2023; Dwiyantri et al., 2022). Whistleblowing is the disclosure of company violations to other parties that protects the identity of those reporting the crime (Dwiyantri et al., 2022). However, whistleblowing can be problematic for some people. Psychological forces such as loss of notoriety, injustice, and a detriment of character can influence a person from disclosing the wrongdoing (Latan et al., 2019; Mandal & Amilan, 2023). Another reason for withholding information could be the result of increased anxiety levels and the fear of retaliation for being disloyal (Boot, 2019; Shonhadji & Maulidi, 2021). Mandal and Amilan (2023) argued that implementing an effective whistleblowing system discloses negligence and fraudulent practices committed

by employees within the organization. Therefore, business leaders should consider adopting whistleblowing because it protects an individual's confidentiality and makes it more conducive for reporting the crime (Cempakasari et al., 2023). Organizations that established clear reporting channels and protect whistleblower confidentiality created an environment where employees feel more secure in reporting misconduct, ultimately strengthening their defenses against fraud.

Opportunity

The second element is opportunity. The opportunity factor is when a person manipulates and takes advantage of an accounting system with weak internal controls (Nguyen et al., 2021). Opportunity is the ability to commit fraud and not get caught. (Maulidi, 2020). When one person manages and oversees all day-to-day business transactions, it increases the vulnerability of employee fraud opportunities (Rahmawati & Kassim, 2020). To mitigate fraud, business leaders should develop more robust internal controls to eliminate the opportunities for fraud.

The lack of internal controls and poor monitoring are the primary reasons for fraud. Failure to monitor financial transactions can increase the likelihood of perpetrators engaging in fraud. A person committing the crime can override the accounting system without feeling obligated to explain their reasons because of poor internal controls that exist, and it is at their disposal (Mensah et al., 2023; Uche, 2024). In addition, a perpetrator believes that management's trust and their position will prevent them from being caught (Sihombing & Nugroho, 2023). The accuser has the advantage and knowledge to manipulate the financial system without being penalized (Seidu et al.,

2022). Once the fraudster becomes familiar with loopholes in a control system, it initiates an opportunity to allow even a trusted person to commit financial scams because the manager is not effectively overseeing or monitoring the employee (Folsom et al., 2022; Seidu et al., 2022). Organizations should implement robust monitoring systems and strengthen internal controls to create multiple layers of defense against fraudulent activities, as even trusted employees can exploit systemic weaknesses when oversight is inadequate.

Effective monitoring and supervision of business activities are essential to a robust fraud prevention strategy. Business leaders should be more aware of control weaknesses to monitor and supervise all business activities effectively. It can help streamline acts of fraud in an organization. Effectively monitoring employees' roles can help ensure proper checks and balances among individuals (Alisherovich & Ugli, 2023). Further, distributing workloads so that one person does not feel overburdened can help business leaders prevent future fraud opportunities. Establishing benchmarks and creating a work setting that promotes transparency within an organization can help reduce the occurrence of fraudulent reporting (Maulidi, 2020). Therefore, to adequately address fraud, managers must supervise and establish better surveillance for monitoring employees (Maulidi, 2020). Organizations that combine effective monitoring systems with transparent operations create a strong foundation for fraud prevention while fostering a culture of accountability and trust.

Failure to provide clear guidelines for addressing fraudulent behavior can increase the risk of fraud. Without procedures to mitigate fraud, organizations may struggle with

what constitutes unethical, unacceptable, or illegal conduct in financial transactions (Fitri et al., 2019). Performing random audits is a government requirement that businesses should use to detect abnormalities and ensure the financial reports are free of material misstatements (Public Company Accounting Oversight Board, 2019). Developing a practical ethics training and awareness program can detect irregularities in an organization's accounting system and ensure reporting authenticity and integrity (Li & Yang, 2019). Therefore, business leaders should enforce strict policies and guidelines for employees to increase and maintain compliance in operations (Alisherovich & Ugli, 2023).

Rationalization

The final factor is rationalization. Rationalization motivates crime and validates fraudulent behavior without feeling guilty (Dion, 2019). For a person to commit fraud, a perpetrator will make excuses to justify the wrongdoing (Fitri et al., 2019). Most people who commit fraud do not consider their actions unethical but believe they solve problems (Rahmawati & Kassim, 2020). Often, fraudsters construct beliefs that allow excuses and corrupt behavior. Generally, fraud perpetrators justify their behavior as acceptable because individuals believe they help the company (Hashim et al., 2020). To avoid exposure, criminals maintain their image while ignoring company rules and guidelines. To reduce these acts of fraud, business leaders should foster relationships with staff to enforce policies and ensure employees remain in compliance with company regulations.

A lack of ethical values justifies the reasons for fraud. When an individual's values become self-centered, they will exhibit poor ethical judgment (ACFE, 2022;

Nguyen et al., 2021). Since rationalization comes from an individual's morals, a business leader should seek to employ individuals with high professional standards (Mintchik & Riley, 2019). However, the absence of ethics increases the likelihood of fraudulent conduct (Fitri et al., 2019). Organizations must seek to create an ethical environment with robust business practices to expose dishonest actions.

Organizational leaders should be more cognizant of whom they recruit for employment to reduce fraud. Selecting potential candidates with an ethical background and leadership skills solidifies the organization's moral culture tone at the top (Setyaningsih & Nengzih, 2020). Sarwar et al. (2020) suggested implementing and demonstrating a positive working environment that invokes honesty and openness. In an ethical environment where a leader shows integrity, respect, trustworthiness, and collaboration with other members, fraudsters are less likely to commit fraud (Sarwar et al., 2020). Mintchik and Riley (2019) added that a manager's positive behavior could significantly affect those working for the organization. Therefore, leaders must establish rules, ethics training, codes, and guidelines at the beginning of employment to minimize unlawful acts of crime (Sepasi, 2019). Leaders should lead by their positive ethical example.

Finding the true reason why an individual commits fraud is challenging. Seidu et al. (2022) and Abdullahi and Mansor (2015) determined that it is difficult to understand a person's thought process due to the impossibility of reading one's mind. Before committing fraud, the individual subconsciously justifies their behavior (ACFE, 2020). Fraudsters will likely use various techniques and fabrications to cover up a crime (Dion,

2019). Some specific tactics and excuses people use to rationalize are they are taking a loan to repay it in the future; no one will be aware that the money is missing, people become affected by unforeseen circumstances after working numerous years and feeling unvalued by the organization (Abdullahi & Mansor, 2018; Fitri et al., 2019). Awareness of these extortion techniques makes it much harder for someone to commit fraud (Mintchik & Riley, 2019). Therefore, business leaders should adopt some anti-fraud program and develop an ethical culture where people become more accountable for their actions.

Studies That Support the Fraud Triangle Theory

The fraud triangle model is a robust framework for understanding and predicting fraud in financial statements through extensive empirical research. Earlier studies that support the fraud triangle model showed that specific characteristics directly impacted the probability of fraud occurring in financial statements. These studies focused on factors leading to fraud, such as including internal control systems, detecting fraud, business ethics, criminal behavior, and predicting fraud (Doan & Ta, 2023; Kalovya, 2023; Sihombing & Nugroho, 2023). Understanding these interconnected factors enables organizations to develop more effective fraud prevention strategies while maintaining robust financial controls.

Organizational leaders can develop targeted control measures to reduce fraud by applying the fraud triangle framework. Business leaders and researchers can use the fraud triangle as a tool for identifying and detecting the causes that led to fraud. Kalovya (2023) stated that 95% of all fraud cases were due to pressure, which is often linked to

the perpetrator's addictions or the need to maintain a lifestyle. To alleviate these pressures, business leaders should employ programs to help manage personal needs that lead to fraud. When assessing risk, organizations and business leaders can use the fraud model to gain valuable insight into detecting and reducing the incidence of fraud more efficiently and at a quicker pace (Kalovya, 2023). Similarly, Sihombing and Nugroho (2023) conducted a study analyzing the fraud triangle theory's role in detecting financial statement fraud in transportation companies. The study revealed that financial pressure and rationalization variables were the contributing factors that led to the recurring incidences of fraudulent reporting. Managers and regulators who use the fraud framework can broaden their knowledge of fraud tactics by establishing robust controls that allow a company to operate more efficiently (Cheliatsidou et al., 2021). Organizations that combine strong internal controls with continuous monitoring build resilient protection against fraudulent activities while maintaining operational efficiency.

The fraud triangle was effective for identifying fraud in financial statements. To illustrate this point, Huang et al. (2019) conducted a study using the fraud triangle to uncover the factors contributing to fraud in financial statements. Huang et al. considered 32 factors to assess fraud detection based on expert opinion. To rank the factors, the authors used effective data mining techniques to uncover fraud in financial statements (Huang et al., 2019). Huang et al.'s findings confirmed that elements of the fraud triangle significantly influence the likelihood of financial fraud. Organizations could use the fraud triangle to design efficient controls to mitigate risks. Employing the fraud triangle not only counters fraud but also safeguards the vulnerability of the organization and the

people who work for the company (Sujana et al., 2019). Integrating the fraud triangle model into their business practices strengthens a company's resistance to fraud and operational efficiency (Handoyo & Bayunitri (2021). Business leaders who incorporate the fraud triangle framework into their organization create stronger defenses against fraudulent activities while maintaining accurate financial reporting.

Studies show that the fraud triangle helps detect disclosures in financial reports. Doan and Ta (2023) analyzed how the fraud triangle elements of pressure, opportunity, and rationalization significantly influence the possibility of fraudulent statements. They conducted a multinomial logistic regression analysis to connect Cressy's theory and the likelihood of material misstatement, demonstrating a correlation. The findings revealed that certain factors increased the possibility of material misstatements in financial statements. The authors stated that inadequate controls provided more opportunities for fraud, while personal and financial pressures motivated fraudulent acts (Doan & Ta (2023). When someone manipulates financial data for personal gain or tries to meet a corporate performance goal, it increases fraud opportunities (Mensah et al., 2023). To address these issues, business leaders should apply the fraud triangle model to develop effective strategies for identifying material disclosures in financial reports. Employing adequate controls ensures that the information in the statements remains reliable, accurate, and complete (Nguyen et al., 2021). By adopting these internal control strategies, business leaders can reduce inaccuracies and fraud in financial statements. Furthermore, using the fraud triangle to assess fraud risks can ensure the reliability of financial reporting (Nusantara & Kuntadi, 2023).

Proactive strategies are essential for managing corporate risks. Nusantara and Kuntadi (2023) explored how to apply the fraud triangle to assess and mitigate fraud risks. They emphasized that pressure, opportunity, and rationalization often coexist to cause fraudulent behavior. Nusantara and Kuntadi recommended strategies such as ethics training, clear communication of company standards, and establishing an ethical workplace culture to discourage this behavior. Business leaders who set an example reinforce the message that unethical behavior is unacceptable. Moreover, implementing robust internal controls limits the opportunity for fraud and addresses corporate vulnerabilities (Nusantara & Kuntadi, 2023). This approach could help business leaders identify inconsistencies in reporting. By integrating the fraud triangle model with strong internal controls, business leaders can proactively address the factors leading to fraud and create a more secure working environment.

Addressing fraud risks through the fraud triangle is crucial in preventing unethical practices in organizations. Hasnan et al. (2022) examined how pressure, opportunity, and rationalization contribute to firms engaging in real earnings management, where management manipulates financial projects unethically instead of using proper reporting practices. Their study showed that economic pressures and market expectations often lead individuals to rationalize fraudulent actions. By applying the fraud triangle, managers can intervene to disrupt these justifications of unethical behavior (Nguyen et al., 2021). Halbusi et al. (2021) stated that leaders who model ethical behavior inspire integrity within their firms and set standards for acceptable practices. When business leaders consistently act with integrity and fairness in their decisions, others will follow this same

type of behavior. Additionally, businesses that incorporate the fraud triangle into their internal control strategies build trust with investors, enhance decision-making, and protect the integrity of their financial statements.

Alternative Theories

Despite decades of research, the fraud triangle remains a debate among academics. Critics (Albrecht et al., 1984; Kassem & Higson, 2012; Wolfe & Hermanson, 2004) reported that Cressey's fraud triangle was ineffective for detecting, deterring, and preventing fraud. The authors believed that the fraud triangle does not adequately address or resolve the underlying causes of corporate fraud in organizations. Some researchers contended that additional components in the fraud triangle are necessary for effective fraud prevention (Albrecht et al., 1984; Wolfe & Hermanson, 2004). This criticism led to several variations of the fraud triangle model after its inception (Cheliatsidou et al., 2021; Epstein & Ramamoorti, 2016). Alternative models discussed in this research include the fraud diamond and the fraud scale. These theories offer a unique perspective on fraud and the individuals who commit these crimes.

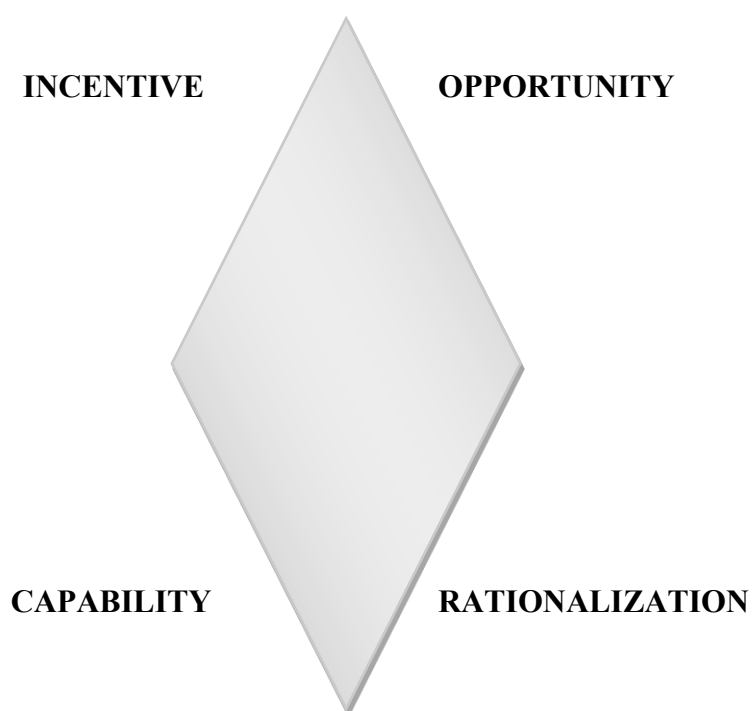
The Fraud Diamond Theory

A contrasting theory to the fraud model was the fraud diamond theory (see Figure 2), which expands upon Cressey's original fraud triangle theory by introducing a fourth component, capacity (Sujana et al., 2019). Developed by Wolfe and Hermanson in 2004, the fraud diamond theory adds a new element to the existing components of the fraud triangle (Zaki, 2017). Wolfe and Hermanson (2004) and Ruankaew (2016) argued that while the fraud triangle elements are integral to the fraud diamond theory, the probability

of fraud occurring in an organization was significantly less if the fourth element, capacity, was nonexistent. Popoola et al. (2016) and Desai (2020) added that for fraud to occur, fraudsters must possess traits such as mentality, dexterity, knowledge, and the ability to commit fraud in an organization. Dorminey et al. (2012) and Desai suggested that an individual's ingenuities and role within the organization can facilitate opportunities for fraud to occur. Desai also added that the potential perpetrator must be confident, educated, and experienced and can take advantage of a company's internal control weaknesses.

Figure 2

The Fraud Diamond

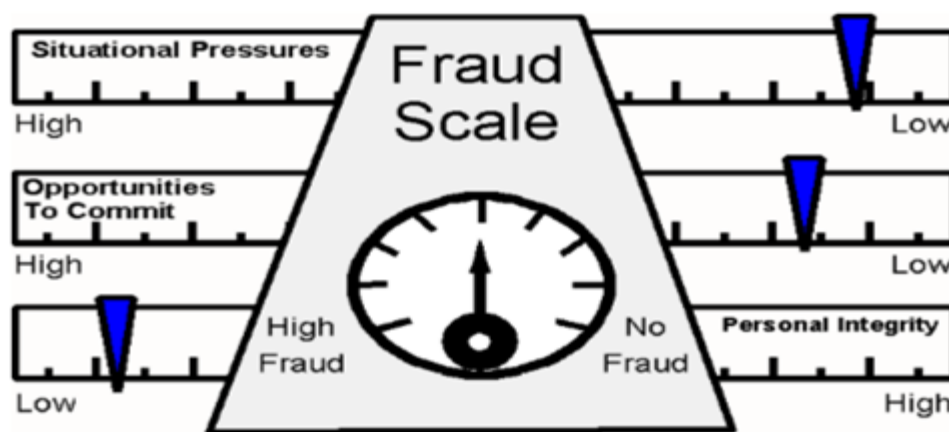


Note. From “The Fraud Diamond. Considering the Four Elements of Fraud,” by D. Wolfe and D. Hermanson, 2004, *CPA Journal* 74(12), pp.38–42

Despite its contribution, the fraud diamond model does not address the motivations behind fraud. It focuses primarily on whether the fraudster has the capacity to commit the crime (Desai, 2020; Ruankaew, 2016; Wolfe & Hermanson, 2004). Sorunke (2016) argued that the model alone was insufficient for investigating fraud. While the fraud diamond theory provides valuable insights into detecting fraud, the fraud triangle remains the most widely recognized and utilized theory for reducing organizational fraud.

The Fraud Scale Theory

Another variation of the fraud triangle theory was the fraud scale theory (see Figure 3). Albrecht et al. (1984) developed the fraud scale by revising the fraud triangle to replace the third component rationalization (Desai, 2020; Free, 2015). Scholars Albrecht et al. argued that pressure, opportunity, and personal integrity had to exist for fraud to happen. Albrecht et al. suggested that the fraud scale was more suitable for predicting fraud because component integrity was the primary reason for corporate fraud (Saluja et al., 2021). Often, a person will commit fraud based on morals and truthfulness (Enofe et al., 2016; Saluja et al., 2021). Saluja et al. (2021) stated that a person with higher integrity is likely to not commit any fraudulent activity compared to someone with low integrity. Therefore, there was no reliable profile available for the perpetrators of fraud. Hence, this theory was not relevant enough to explore corporate financial statement fraud further than the fraud triangle (Desai, 2020; Free, 2015).

Figure 3*The Fraud Scale*

Note. From *Deterring Fraud: The Internal Auditor's Perspective*, by S. Albrecht, K. Howe, & M. Romney, 1984, Institute of Internal Auditors Research Foundation.

The History of Financial Fraud

Historically, financial fraud has been a problem that continues to exist. According to Dorminey et al. (2012), the first financial fraud began centuries ago at the inception of commerce and market trading. The series of fraud cases ranged from the late 1600s by the British East India Company to the South Sea Bubble scandal in 1720, the New York Stock Market crash in 1929, and the Penn Central scandal in 1970 (Cheffins, 2015; Hugo, 2019; Yallapragada et al., 2012). Then, in the 21st century, corporate fraud cases increased because of the proliferation of technology (Kasztelnik & Jemakowicz, 2024; Yallapragada et al., 2012). These fraud incidents have affected major economic institutions for centuries, destabilizing markets. Understanding this history enables business leaders to take proactive steps to reduce fraud in accounting firms.

Among the most significant financial scandals in history are Enron and WorldCom, which triggered a dramatic rise in fraudulent activities and widespread public outrage (Camfferman & Wielhouwer, 2019). These companies collapsed due to inflated earnings, fraudulent financial reports, document tampering related to investigations, and a lack of internal controls (Sood & Bhushan, 2020). These cases demonstrate that corporate governance failures inflict economic damage. The corporate scandals alone cost investors billions of dollars. These fraudulent schemes destabilized investors' trust and devalued the shares of the accounting firms. The exposure of these scandals played a crucial role in enacting the Sarbanes–Oxley Act of 2002. This enactment protects stakeholders and regulates accounting practices within public companies to prevent future fraud (Jan, 2021). Therefore, this enactment also emphasizes that leaders are responsible for ensuring financial reporting accuracy and effective internal controls to prevent fraud in organizations.

Although the role of corporate governance helps to reduce corporate fraud, fraudulent cases continue to surge. In today's digital age, where artificial intelligence (AI) is prevalent, fraud has become increasingly costly among companies (Sabatian & Hutabarat, 2020). The digital environment increases access to data and connects global markets. Without the proper internal controls, organizations are at risk. Therefore, companies should recognize that inadequate controls, along with technological progress, increase opportunities for fraud and potential losses. To reduce fraud in organizations, robust cybersecurity is needed to safeguard assets and operations. According to the National Fraud Center, fraud crimes cost \$7 billion in 2022 (ACFE, 2022). The ACFE

reported in 2022 that financial statement fraud constituted 10% of reported fraud cases, resulting in \$954,000 in losses (ACFE, 2022). In 2022, Luckin Coffee Inc. settled for \$180 million after deliberately misstating revenues and inflating nearly \$300 million in its financial statements to falsely portray profitability (Kasztelnik & Jemakowicz, 2024; U.S. Securities and Exchange Commission, 2020). These statistics showed that fraud is a growing threat and emerges in environments where controls are weak and management has failed to implement adequate policies and guidelines. Implementing robust internal controls further safeguards corporate wealth and ensures transparency in financial reports.

Companies spend billions of dollars resolving illegal internal control practices and reputational damages because of fraudulent reporting. In March 2023, Wells Fargo's top executive faced criminal charges and fines totaling \$100,000 in connection with a scandal from 2017, which cost the company nearly \$3 billion due to misstated financial statements (Cavico & Mujtaba, 2017). Another significant fraud occurred in the case of two Anaheim companies, where an employee embezzled over \$3 million. The fraud occurred because the accuser held multiple positions, controlled all financial transactions, and prepared the company's financial statements. According to the United States Attorney's Office Central District of California (2023), this employee was guilty of fraud and neglected to report \$3,132,617 in income to the Internal Revenue Service, resulting in a loss of approximately \$1 million to the United States. The case emphasized the severe impact of tax fraud and the loss of trust and confidence in financial markets.

The lack of internal controls in the company showed that the employee could make unauthorized transactions and embezzle funds from her employers for years (Justice.gov, 2023; Morgan, 2021). The lack of internal controls has significantly contributed to fraud cases and opportunities for financial negligence and unauthorized activities. Failure to implement these controls makes businesses more vulnerable to fraudulent activities. Additionally, the increasing frequency of fraud has become a major concern for regulators, businesses, and investors (Mandal & Amilan, 2023). According to the ACFE (2024), several fraud scandals occur due to the lack of internal controls because of an override of existing internal controls. Creating an effective control system can significantly reduce the chances of fraud. Further, the need to implement effective control was more evident because it can help to decrease fraud and hold accounting firms liable for all penalties and fines.

Definitions of Fraud

Fraud is an illicit and criminal act that will result in a loss. Fraud threatens organizational integrity, financial stability, and stakeholder trust (Ameyaw et al., 2024). Handayania and Kawedara (2021) defined *fraud* as an intentional act to harm other parties for financial gain. Ozili (2020) argued that fraud is a broad term encompassing various terms, for instance, malicious intent, deliberate use of resources, dishonesty, and deceptive behaviors for unlawful gain. Fraud erodes employee morale and damages organizational credibility due to weak internal controls. Recognizing the impact of fraud highlight the critical need for effective controls and oversight.

Fraud typically occurs in an organization by personnel. The impact of fraud can be devastating, eroding stakeholder trust and threatening the company's credibility (Awolowo, 2019; Sun et al., 2022). It creates a distorted view of business performance and jeopardizes the company's credibility. If not detected in time, corporate financial fraud can harm market growth and economic stability (Sun et al., 2022). Understanding financial statement fraud and identifying the factors that contribute to it can help organizations develop more effective internal controls to detect fraudulent activities.

Financial Statement Fraud

Financial statements are essential records that stakeholders and regulators rely on to investigate a company's financial position and business activities (Pamungkas & St. Dwiarto., 2018). However, many business leaders manipulate financial reports to raise more capital from investors and financial institutions, which reduces the practicality of financial statements (Chen, 2019). Fitri et al. (2019) described financial statement fraud as negligence or an intentional oversight of financial information that results in misleading financial information. As a result, this form of fraud negatively impact organizations, individuals, and society.

Financial statement fraud exists in multiple forms, including modified financial records, manipulation of cash flow, accounting data omission, irregularities, alteration of accounting records, and falsified corporate disclosures (Amiram et al., 2018; Hajek & Henriques, 2017). Typically, financial statement fraud occurs when corporations consciously alter and manipulate financial statements to deceive shareholders and regulators (Tang et al., 2018). Sometimes, those in charge of governance engage in fraud

by motivating variables contingent upon a firm's financial performance, attractive compensation, and rising stock prices (Nindito, 2018). In some cases, management engages in fraudulent reporting to maintain status and avoid the embarrassment of managing the firm's financial resources insufficiently, which was avoidable because much of it can be preempted (Puspitah & Yasa, 2018). Unfortunately, this fraudulent reporting and disregard of ethical standards for reporting substantial corporate losses are unfortunate.

Since the financial scandals of Enron and WorldCom, businesses have begun to change business operations practices by heightening their awareness of the effects of fraudulent financial reporting. Despite these efforts, economic losses continue to increase, with the typical fraud case lasting approximately 14 months before being detected (ACFE, 2020). The more prolonged fraud remains undetected, the higher the percentage of financial losses. According to the ACFE, firms lose 5% of their earnings to fraud annually, which results in a \$1.5 million average loss per case (ACFE, 2020). In the Report to the Nations, ACFE found that financial statement fraud represents 10% of fraud cases globally (ACFE, 2020).

Financial fraud remains a global challenge that disrupts market growth in other countries. A study conducted by PricewaterhouseCoopers (PwC, 2018) on prominent company scandals in South Africa reported that financial statement frauds contributed to 77% of South Africa's crimes, which resulted in billions of dollars lost globally. In addition to this survey, PwC identified South Africa as the most corrupt country with the highest percentage of economic crime. The study revealed that financial statement fraud

increased from 20% to 22% within 24 months, posing significant risks to the country's capital markets (Mongwe & Malan, 2020). Although anti-fraud policies are in place to detect crime, the statistics from this study revealed that fraud and corruption continue to be the norm in Africa and cost billions of dollars to investors. This case highlighted the lack of transparency in financial reports, which allowing unethical fraudulent practices to go unnoticed. The reason for increased fraud may stem from business pressures, where some leaders rationalize unethical behavior as competition growth. Another reason may be the opportunities for fraud, which makes it hard to detect and leads to corporate losses. To address this problem, companies must take proactive steps such as enforcing stricter penalties for fraudulent activities and fostering a culture of accountability within companies, which can make a difference.

The PwC's Global Economic Crime Fraud Survey (2020) found that 50% of fraud incidents occur because of internally perpetrated crimes. Over the last 2 years, the cost of fraud in the United States equated to 42 billion dollars, damaging the market position, employee morale, and the loss of future opportunities for prospects for the financial industry (PwC's Global Economic Crime Fraud Survey, 2020). According to the survey, 28% of financial statement frauds represented the public sector and financial services (PwC's Global Economic Crime Fraud Survey, 2020). Alarmingly, 6 out of 10 companies do not have an anti-fraud program to address fraud risks, and 12% do not test for risk or due diligence for ongoing monitoring for adequate internal controls. Weaknesses in internal control make up half of all fraud cases, while 50% of losses came from the concealment of collusion among management, employees, or third parties

(Quink, 2018). Although anti-fraud measures exist, fraud is still prevalent and costs investors billions. The reason was the lack of transparency in financial reporting. However, businesses can minimize fraud by establishing the proper channels in place. Corporations must recognize the nature of fraudulent acts and the significant impact they could have on the economy, investors' confidence, performance, and integrity, leading to unhealthy corporate and client affiliation (Omar et al., 2016). Therefore, companies should adopt strong internal control strategies, such as conducting regular audits to reduce fraudulent activities and fraud early on before it happens.

In November 2020, ACFE members participated in a fraud study to examine how businesses change their anti-fraud programs during a global pandemic to fight fraud during uncertainty. In the wake of the COVID-19 Fraud Report (2020), ACFE reported a significant increase in financial statement frauds from 7% to 13% within 6 months (ACFE, 2020). Because of the growing pandemic, businesses are revamping their fraud risk and anti-fraud programs to better detect and reduce fraud. Mongwe and Malan (2020) recommended strategies such as understanding the meaning of financial statement fraud and adopting methods for detecting data and measuring performance. A solid internal control system, supported by anti-fraud programs, can reduce fraud and allow businesses to produce quality financial statements that reflect the company's actual performance (Nurlinda et al., 2021). To strengthen their defenses, company leaders should train employees and implement robust cybersecurity measures to protect sensitive data in reports that may pose a risk to the organization. Additionally, utilizing advanced

technology and anti-fraud programs that continuously monitor transactions can help companies detect these inconsistencies and irregularities in financial reporting.

Internal Control Strategies

Internal controls serve as fundamental processes that organizations implement to achieve operational efficiency, reliable financial reporting, and regulatory compliance. The Committee of Sponsoring Organization of the Treadway Commission (COSO; 2013) framework provides a comprehensive structure for developing and maintaining adequate internal control systems. According to Alawaqleh (2021), internal controls are processes and protocols that management, the board of directors, and employees use to efficiently and effectively meet business practices to achieve the organization's objectives. Internal controls are steps that an organization takes to safeguard the entity's assets, ensure accuracy, and maintain integrity and quality in financial reporting. Businesses should establish and seek to integrate a robust internal control system that will continuously improve risk, reduce fraud, and help provide reasonable assurance that the firm's financial reports are reliable and compliant (Dickens & Fay, 2017; Espinosa-Jaramillo, 2024). As such, firms that employ internal controls to enforce accountability and compliance with laws and governing regulations will meet the objectives and maintain integrity.

Businesses must demonstrate accountability, control, and transparency to individuals investing in the company. The lack of internal controls allows criminal activity to occur. According to Rennox (2017), inefficient internal controls are the leading cause of fraudulent reporting for companies. Failure to implement internal

controls can have serious consequences and significantly impact a company's long-term sustainability in developing markets (Hamed, 2023). Ineffective policies can hinder business performance, cause reputational damage, and result in huge fines. Internal controls are necessary, and a system of internal controls could help minimize business risks of fraud by monitoring and enhancing organizational processes (Alisherovich & Ugli, 2023; Hamdani & Albar, 2016). Aligning the internal control systems with governing standards improves transparency and accountability. In addition, to reduce the risk of fraud and ensure uniformity throughout the organization, companies must establish a robust internal control system that includes ongoing monitoring and well-documented policies and procedures.

Once implemented, internal controls become a solid foundation for managing risks and compliance and ensuring long-term sustainability. The COSO framework outlined three crucial objectives of the internal control process that businesses should follow to mitigate fraud, such as operations, reporting, and compliance (COSO 2013; Ferdia & Kammoun, 2024). The goals determine how efficiently an organization will operate to protect the assets and transparency of the financial reporting (COSO 2013; Espinosa-Jaramillo, 2024). The COSO framework can help business leaders determine what steps to take to build an effective internal control system. The five crucial components of the internal control system that organizations may use to combat fraud include (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring activities as well as 17 other principles (COSO 2013; Olaniyi & Omubo, 2023). The components and principles must operate in an

integrated manner for internal control over financial reporting to be effective in the organization. As a result, corporate leaders could use the COSO framework to implement solid internal control strategies to mitigate the risks related to organizational goals (Chiu & Wang, 2019). Implementing the COSO framework may help maintain financial integrity and compliance with reports. The reason is that a robust internal control system is essential for eradicating the chance of fraud. The COSO framework is most effective when organizations apply these principles to business operations because they help identify threats and align with company objectives.

The first component of the internal control system is a controlled environment for assigning authority and responsibility. The control environment is the foundation and pivot of the other COSO components that effectively influence the organization's expected goals and business operations (Olaniyi & Omubo, 2023; Rae et al., 2017). The control of the environment refers to the awareness of internal controls and reflects the manager's actions and attitude in establishing clear, concrete goals and ethical standards within an organization (Alawaqleh, 2021; Saputra et al., 2017). This is because a leader can use a controlled environment to enforce accountability on those responsible for implementing policies and procedures. Establishing a firm tone at the top and a robust, controlled environment could influence others, thereby reducing the risk of fraud.

A successful leader sets the tone at the top. According to COSO (2013), the dimensions of a controlled environment are honesty and high ethical values, board oversight, authority, responsibility for doing what was right, and human resource policies and practices (Aksoy & Mohammed, 2020). An effective control environment was

reflected in management's philosophy, competence, and people's morale (Alawaqleh, 2021). Thus, opportunities to commit fraud decrease significantly when those in management or leadership positions can successfully fulfill their responsibilities of developing an environment of compliance. As a result, leadership plays a crucial role in reinforcing accountability and ethical practices throughout the organization. Although organizational culture is a significant part of the control environment, implementing internal control over financial reporting is just as important because it allows organizations to certify and ensure the reliability of the financial statements (Dickens & Fay, 2017; Al Halbusi, 2021).

The second component of the internal control system is risk assessment. Risk assessment is an integral part of an organization because it allows managers to prioritize risks to ensure the business objectives are attainable. Corporations use risk assessment to examine the potential risk of material misstatement that threatens the organizational internal controls and goals (Aksoy & Mohammed, 2020). Business leaders can anticipate and identify how to manage risks and negative impacts that could affect a company's internal controls (Espinosa-Jaramillo, 2024; Saputra et al., 2017). When companies can determine the scale or magnitude of risks, business leaders can prioritize them and respond. Failure to implement internal control activities could hinder a business from achieving its organizational objectives. Rae et al. (2017) and Efunniyi et al. (2024) posited that risk assessment is a process and corporate governance that protects organizations from legal penalties and should be recognized and identified as part of every financial reporting process. For instance, implementing continuous risk

management training can effectively assess the risk of financial statement fraud.

Therefore, managers must apply a structured risk management program to prevent threats promptly and reduce exposure to potential losses.

The third significant component of the internal control system is control activities, in which managers use policies and procedures to mitigate risks. Aksoy and Mohammed (2020) defined control activities as crucial steps organizations take to address risks in achieving the business objectives' mission and goals. The control activities component prevents, controls, or detects various manual and automated actions for potential risks (COSO, 2013; Olaniyi & Omubo, 2023). To help achieve this objective, a business leader can enforce guidelines to conduct control activities at various reporting stages to safeguard a company's assets (Saputra et al., 2017). For instance, managers can create and enforce corporate guidelines to safeguard unrestricted control and ensure that no one is responsible for many activities, such as the segregation of duties. Using segregation of duties typically lowers risk, and without it, fraud is likely to occur in an organization. According to Olatunde et al. (2024), a well-structured organization ensures that everyone understands their duties and the importance of compliance responsiveness of control activities. Establishing policies for separating duties will sustain and reduce the risk of fraudulent reporting, ensure effectiveness in daily operations, and eliminate the chances of manipulating numbers in financial statements. Additionally, establishing procedures for segregating duties could eliminate unauthorized access to the company's information system database and help business leaders manage control activities.

Information and communication are the fourth components of the internal control system used to ensure effective communication throughout the organization to pass relevant information (Aksoy & Mohammed, 2020). Information and communication involve sharing, obtaining, exchanging, and capturing data to evaluate internal controls effectively (Saputra et al., 2017). Transparent financial reporting, open communication channels, and a strong commitment to ethical conduct and integrity are critical components of this effort (Efunniyi et al., 2024). For instance, in an effective internal control system, board members, shareholders, top executives, and subordinates use communication and information to carry out their duties and responsibilities to measure or evaluate effectiveness in financial reporting (Saputra et al., 2017). Communicating and transmitting information must be a continuous ongoing process that enables business leaders to relay information throughout the organization to ensure that other subordinates know the required expectations. Business leaders can use the information to make strategic decisions.

Businesses use communication and information in accounting systems to retrieve and record financial transactions that provide information in financial statements. When the data is inadequate, the leader's responsibility is to convey the information to other personnel. Adequate internal controls protect the information system's confidential records and integrity from accidental or intentional acts that may lead to fraud (Ncgobo & Malefane, 2017). As a result, strong communication processes and internal controls help minimize misunderstandings while ensuring critical information is conveyed and communicated clearly to support decision-making and compliance. By adhering to these

principles, companies can foster a culture of transparency, gaining the trust and confidence of stakeholders and contributing to long-term success (Efunniyi et al., 2024).

Monitoring activities is the fifth component of the internal control system. The monitoring process was an essential and vital step that business leaders use to evaluate performance and report any deficiencies or weaknesses in internal control over financial reporting (Saputra et al., 2017). When leaders are aware of shortcomings, they can resolve the issues promptly. For a business to operate efficiently and effectively, internal controls will help to correct irregularities and determine how well an organization has met its objectives (Olatunde et al., 2024; Rae et al., 2017). Failure to monitor threats increases the risk of financial statement fraud when there are inadequate internal controls. Therefore, monitoring is a process that helps to identify deficiencies. According to Aksoy and Mohammed (2020), a continuous day-to-day management process is necessary for business leaders to address threats and evaluate control effectiveness. By monitoring daily activities, leaders can strengthen internal controls and positively influence the performance and efficiency of business operations. As a result, monitoring activities are ongoing assessments organizations should take to address issues and evaluate control effectiveness in their financial reporting (Aksoy & Mohammed, 2020).

Transition

In this section, I discussed the reviewed professional and academic literature. Section 2 gave an overview of the history of fraud, definitions of fraud, and the components linked to the fraud triangle. Section 2 also covered alternative models that scholars used to mitigate fraud. The section concluded with a literature review of

financial statement fraud and the various internal control strategies business leaders use to reduce fraud.

Section 3 discusses the purpose of the project and the researcher's role as the data collection instrument. Section 3 also includes the relevance of ethical research in a project and addresses the validity and reliability of data collection techniques and data analysis. Section 4 will include the findings and implications for business practices and social change.

Section 3: The Project

Section 2 provided a foundation for corporate leaders' internal control strategies to reduce financial statement fraud risk. This section includes the purpose of the project, the researcher's role, participants, research method and design, population and sampling, and ethical research procedures. This section concludes with a discussion of data collection and techniques, data organization techniques, data analysis, and the reliability and validity of the project.

Project Ethics

As a researcher, I formulated a process for collecting, organizing, and analyzing data to report a problem and answer questions about a phenomenon of interest. In a qualitative pragmatic inquiry research, the researcher explores organizational processes and investigates multiple perspectives to study how humans share their stories, meanings, and interpretations (Johnson et al., 2020; Kelly & Cordeiro, 2020). The researcher's understanding of the collected data depends heavily on the participants' viewpoints about the phenomenon studied (Ravindran, 2019). According to McGratha et al. (2019), the researcher's objective is to maintain clarity of the study through an in-depth exploration of participants without preconceptions or bias. To alleviate any concerns during data collection, I confirmed that the interpretation of the phenomenon represented the personal experiences of the project participants.

My relationship with the topic and project participants was essential for understanding business leaders' strategies to mitigate corporate fraud. For over 20 years, I worked as a professional accountant in the public and private financial sectors. As an

accountant, I maintained regulatory compliance in financial reporting. However, I have witnessed unethical behavior and fraudulent activity in an organization. As a result, the incidents and the exposure of corporate fraud piqued my interest in exploring internal strategies business leaders use to mitigate fraud. In qualitative pragmatic inquiry research, the researcher's knowledge and experience can significantly impact the study (Subedi, 2021). Although I have professional and educational experience, my occupation did not interfere with the project. In a study, researchers use bracketing to put aside personal theories and judgments to focus on the phenomenon under study (Tomaszewski et al., 2020). As a researcher, I practiced bracketing by setting aside personal experiences, values, and beliefs to accurately describe each participant's life experiences during the interpretative process to enhance the credibility of the data and conclusions. The objective was to gain a deeper understanding of the phenomenon and provide insight into reducing corporate fraud.

As a researcher, I upheld and maintained ethical principles throughout the research process. Each researcher must meet specific ethical requirements when a study involves human participants (Parkinson & Barrett, 2022). Qualitative inquiry involving human subjects must receive approval before starting research. Before I started the research, I obtained approval from the Walden University Institutional Review Board (IRB), which regulates studies conducted on human beings. My Walden approval number was 07-02-25-0650133. According to Taquette and Souza (2022), the researcher must protect individuals' freedom, dignity, and well-being when conducting scientific research. Adhering to ethical principles and values is integral to the research process

because it protects participants' confidentiality and preserves the research's veracity and trustworthiness (Johnson et al., 2020).

My role as a researcher was to respect the project participants and to follow the Belmont protocol to protect them. According to Taquette and Souza (2022), every qualitative research study with human subjects must adhere to ethical standards. A strict code of ethics is crucial to any study because it protects the research participants' dignity and rights (Hasan et al., 2021). The participants' perceptions of ethical conduct are essential for generating quality data (Johnson et al., 2020). Therefore, during each step of the research process, researchers must respect the participants' privacy and report the participants' narratives truthfully and honestly (Johnson et al., 2020). Furthermore, the policies outlined in *The Belmont Report* consist of three ethical standards and rules for studying human subjects: (a) respect for persons, (b) beneficence, and (c) justice (Anabo et al., 2019). As a researcher, I honored the ethics and moral guidelines for investigating participants' perspectives by following *The Belmont Report* to fulfill my role as a researcher.

I followed the IRB protocols and obtained informed consent from all project participants. Informed consent is a mandatory prerequisite before recruiting human subjects in a study that explains the requirements, the regulations, and the nature of the investigation (Alkaraki et al., 2020; Eeckhout et al., 2023). According to Vusse et al. (2022), obtaining informed consent is the most critical part of a research study. Researchers use the informed consent form to confirm the participant's willingness to participate and to ensure the participants fully their role in the study (Alkaraki et al.,

2020). I provided each participant with a consent form that explained their participation and rights in the project. Before the interview, I reviewed and asked each participant to read and sign an informed consent letter describing how to protect the members' confidentiality. The informed consent letter highlighted the risks and benefits of participating in the project, the agreement to participate, privacy, and the right to refrain from participation. I discussed and informed the individuals that participation was voluntary and that no monetary gain was necessary to contribute to the project. However, a participant may withdraw from the study for personal reasons or other obligations without penalty (Kanyangale, 2019). Research participants were informed that they could withdraw by contacting me by phone or email.

To protect participants' confidentiality, each interviewee was assigned an alias and a unique numeric code, such as P1, P2, P3, up to P11. This method ensured that real names were not used. During data collection and analysis, participants were referred to only by these codes. This approach safeguarded privacy and ensured sensitive information was not linked to any individual. Additionally, all data were stored securely in a password-protected file, in accordance with ethical research guidelines.

Because the interview process may require that the participant disclose sensitive information, the researcher should ensure that the interviewee knows that information is kept safe and protected (DeJonckheere & Vaughn, 2019). Data for this project are password-protected and will be kept in a cabinet for 5 years to protect participants' rights and confidentiality. After 5 years, I will delete and destroy all files.

Nature of the Project

For this project, I selected the qualitative method because I wanted to explore the internal control strategies corporate leaders use to mitigate financial statement fraud. Qualitative research involves observation and open-ended interviews that researchers can use to assess the nature of the phenomenon under study (Stanley & Robertson, 2024). This method allowed me to explore and describe the phenomenon in-depth through other interpretations and perspectives. Further, qualitative studies are more effective in comprehensively addressing the research question based on real-life situations and life stories (Andayani & Wuryantoro, 2023; Kavar et al., 2024). The research design was the pragmatic inquiry, which is an ideal paradigm for investigating organizational effectiveness and processes (Kelly & Cordeiro, 2020). Researchers use the pragmatic inquiry to link the theoretical data, the research question, and the study (Asenahabi, 2019). A well-planned design helps ensure that the method used aligns with the research objectives and the data analysis (Sawatsky et al., 2019). I used a pragmatic inquiry for this project because it enabled me to explore a phenomenon while focusing on solutions to mitigate fraud. This pragmatic inquiry research was essential for developing a comprehensive understanding of real organizational issues, such as fraud and successful internal controls used in business practices.

Population, Sampling, and Participants

The population for this research project consisted of 11 business leaders located within North Carolina, the District of Columbia, and Virginia who implemented successful internal control strategies to reduce fraud. When conducting qualitative

pragmatic inquiry research, the researcher selects participants whose knowledge and experience are appropriate for the study (Doyle et al., 2020; Johnson et al., 2020). In addition, the researcher must ensure the qualified participant is willing to participate in the research without restrictions (Vusse et al., 2022). To be eligible for participation, the participants were corporate organization leaders located within North Carolina, District of Columbia, and Virginia who have developed internal controls that have reduced financial statement fraud.

I used purposive sampling to select the participants. Purposive sampling is the most relevant and common technique to recruit participants with rich data (Subedi, 2021). This sampling method allows a researcher to select data that fits the scope of the research questions and the purpose of the research (Tracy, 2020). In this project, I used data saturation as a methodological instrument to help determine when to stop collecting data. Subedi (2021) stated data saturation occurs when the participants' information becomes redundant and no new data or relevant information surfaces. Most importantly, the data must reach saturation before the data can be considered valid in qualitative research (Creswell, 2018; Sarfo et al., 2021). Therefore, I interviewed until no major concepts emerged during the dialogues to ensure data saturation.

I contacted participants using social media, networking, and community engagement to gain access to participants. Social networking is an effective strategy for identifying the right participants for a phenomenon (Wong et al., 2021). I created a database and identified potential candidates willing to share their experiences. In addition, I contacted the research participants by email, along with providing information

explaining the nature of the participant involvement, the privacy of participants, and a consent form for participation in the project. I also provided an invitation letter and a detailed process that shows how the data would be collected and analyzed for research purposes only.

As a researcher, establishing a working relationship with the participants includes building trust and being attentive to participants' shared experiences. Establishing relationships and building trust among participants is integral to the research process (Wong et al., 2021). In addition, building rapport with the interviewees enhances the trustworthiness of data collection (Johnson et al., 2020). During each interview, I was respectful and encouraged the interviewee to respond in any way they felt appropriate to gain the participants' trust. This method allowed participants to engage more freely and exchange ideas, enhancing the opportunity to uncover rich data. As a researcher, I wanted to create an inviting atmosphere for sharing. Conducting interviews in a comfortable environment will help participants relax and be more willing to share their personal experiences (McGratha et al., 2019).

Data Collection Activities

In this project, I was the primary data collection instrument. As a primary data collection instrument, a researcher may use interviews and observations in a study to gather data and answer questions about a phenomenon (Busetto et al., 2020). As a researcher, I collected and analyzed data to address the research question. Qualitative researchers use data collected from interviews to study the meanings and thoughts of human subjects willing to share their stories (Johnson et al., 2020). For this research

project, I used open-ended semistructured interviews to collect data. Using semistructured interviews to collect data was vital because it allowed the participants to freely engage in conversation and address the pivotal research question (Sridharan, 2021).

When conducting the semistructured face-to-face interviews, I used open-ended questions to ensure that the project topic was from the participants' perspectives. The open-ended semistructured questions were most effective for guiding the interview and documenting evidence based on perceptions (Tomaszewski et al., 2020). The semistructured interviews consisted of nine open-ended questions that addressed the project's phenomenon. Each audio-recorded semistructured meeting lasted approximately 30 to 60 minutes. During the interview, I allowed the participants to answer each interview question with flexibility about any topic raised when discussing the collected data. I also used an interview guide to provide a framework for asking questions during the interview and guidance on how to ask questions (Luciani et al., 2019). The interview protocol (see Appendix) a list of questions qualitative researchers use to gather and elicit responses about specific ideas and experiences (McGratha et al., 2019). I asked individuals questions from the interview protocol that outlined the interview. Using the interview protocol helped to direct the conversation and provided guidance on how to ask questions. A researcher may use the interview protocol to gain insight and analyze and prioritize interview data to ensure that the questions remain consistent across the sample (Busetto et al., 2020). To ensure accuracy in the participants' statements, I advised the participants that the interview would be audio-recorded. After the interview, I performed

member checking and confirmed the accuracy of my interpretation of participants' responses to ensure that my project results reflected their perspectives.

I used an interview protocol (see Appendix) to mitigate my lens when I collected data from my informants. The interview protocol is a list of questions that help structure the interview (McGratha et al., 2019). Using an interview protocol guides the researcher in asking questions (Luciani et al., 2019). Turner and Hagstrom-Schmidt (2022) stated that a researcher might use an interview guide to ensure that every interviewee receives the same information. In this project, I used an interview protocol that aligned with the project's research question to evaluate internal control strategies business leaders use to mitigate financial fraud. Additionally, I allowed feedback from the respondents during the interview protocol process when interpreting the participants' life experiences related to the project.

To enhance the reliability and validity of the data collection, I employed member checking to verify that participant responses from the semistructured interviews were accurate, honest, and aligned with the phenomenon under study. Member checking is a process researchers use to validate the study respondents' views of the research (Busetto et al., 2020; Potthoff et al., 2023). To confirm accuracy during member checking, I summarized information from the interview and employed member screening to validate the participants' interpretations and the project results. I also used data triangulation by using data from different perspectives and verifying the findings to enhance the reliability and validity of the project. To assist in triangulation, I supplemented interview data with a review of publicly available data. The published documents covered controlled

environments, banking annual reports, business models, and several reports, including KPMG: Our Impact Plan 2024, Virginia Department of Accounts Strategic Plan 2024-2026, State of North Carolina Annual Comprehensive Financial Report 2024, and The Impact of Fraud at U.S. Public Companies 2025 Benchmarking Report. According to Campbell et al. (2020), researchers use triangulation from multiple collected data sources to ensure that the data and the research conclusions are accurate. Using member checking and triangulation methods enhanced the credibility, accuracy, and trustworthiness of the inquiry's findings during data collection.

Interview Questions

1. What types of fraudulent financial statement activity have you experienced?
2. What policies have you used to guide addressing financial statement fraudulent issues and developing internal controls?
3. What internal control strategies do you use to reduce financial statement fraud risk?
4. Who is held accountable for controlling issues related to financial statement fraud at your workplace?
5. How have you seen your organization address fraudulent financial statement incidents in the workplace?
6. What tactics have you implemented to prevent financial statement fraud?
7. What key challenges have you encountered when implementing internal control strategies to reduce financial statement fraud?

8. How do you address the key challenges to implementing internal control strategies to reduce financial statement fraud?
9. What additional information would you like to include related to strategies and internal controls to mitigate financial statement fraud successfully?

Data Organization and Analysis Techniques

Data Organization

When conducting a project, researchers use several techniques for organizing qualitative data. According to Lester et al. (2020), a researcher must create a systematic way to organize qualitative data in one central location, thus making the information readily available. In a qualitative study, to collect data, researchers use semistructured interviews with open-ended questions and reflective journals to record their notes to reflect on the interviews (Janesick, 2019; Tomaszewski et al., 2020). Since interviewers often require the interviewee to reveal sensitive information, a researcher should systematize the collected data with codes to protect the participant's confidence (Audette et al., 2020; DeJonckheere & Vaughn, 2019). For ethical reasons and to safeguard participants' privacy, I assigned each participant a code: P1, P2, P3, P4, P5, P6, P7, P8, P9, P10, and P11. Additionally, to organize and retrieve data more effectively and quickly, researchers often use the NVivo software application (Eeckhout et al., 2023). To further protect the participants' identity and ensure that only I have access to the data, I masked all identifiable information of individuals, organizations, and locations.

I followed strict ethical procedures for collecting and safeguarding data. Lobe et al. (2020) suggested the following practices to ensure data protection that include (a)

identifying data, (b) safeguarding research files, and (c) encrypting data on the computer. After conducting research, qualitative researchers typically store data on devices and external hard drives to secure the data (Ashiq et al., 2020). In this project, all observation notes, field notes, reflexive notes, scanned documents, and electronic files will remain encrypted and on an external hard drive. Data will be kept in a safe deposit box for 5 years to protect participants' rights and confidentiality. In compliance with Walden, I will delete and destroy all recordings and files after 5 years.

Data Analysis

In the project, I aimed to provide a logical and systematic data analysis approach. I used Yin's five phases of data analysis. The process began with organizing and preparing the data for analysis. Next, I applied descriptive codes and themes to categorize the data, a method commonly used in qualitative research to group similar concepts, ideas, or categories to create meaningful patterns (Linneberg & Korsgaard, 2019). The third step involved creating a verbatim transcript, interpreting and reviewing the data to reflect on the interviews, and my initial analysis. During this phase, I transcribed verbatim the participants' responses from the interviews and observations (see Busetto et al., 2020). The interpretation of data is essential because it allowed the qualitative researcher to be embedded in the data and discover new meanings and interpretations that were not obvious to the interviewer during the meeting (Luciani et al., 2019). To enhance the credibility of the findings, I used member checking to validate the data's interpretations to ensure that the data was accurate and to gain a deeper understanding of the recruits' responses. I also used Excel to arrange and retrieve the material and the

qualitative data management software NVivo to verify my data analysis. Finally, I reviewed all findings and insights, integrating the identified themes with the literature review and conceptual framework (Naeem et al., 2023). My detailed report addressed the research question and provided valuable insights derived from the data.

I used the NVivo software application to assist in verifying my thematic analysis of the data. NVivo is a qualitative software program that researchers use to organize and manage the data, and categorize themes more efficiently (Dhakal, 2022; Lingard, 2019). Using NVivo helps to ensure the credibility of findings by ensuring a structured and analytical process (Lemon & Hayes, 2020). This qualitative tool provided a deeper insight into the phenomena under inquiry. As a result, the software helped streamline the coding and data to uncover meaningful patterns and connections within the research.

Thematic analysis was the appropriate data analysis process for this qualitative pragmatic inquiry research. Thematic analysis is a technique that identifies patterns and themes within qualitative data (Braun & Clarke, 2006; Braun & Clarke, 2022). Thematic analysis is the process a researcher may use to help answer questions or gain deeper insight into the study (Neuzil et al., 2022). Researchers use thematic analysis to conduct qualitative analyses of potential codes and themes for deeper analysis and to interpret the meaning of the participants (Naeem et al., 2023). I adopted a thematic analysis reflexive approach to organize and analyze rich insights from the data and findings. I employed thematic analysis to cluster similar codes into categories to find meaning from documents and interviews and write a summary report.

In a qualitative pragmatic inquiry data analysis, researchers record, manage, and transcribe data into meaning (Merriam & Tisdell, 2020). The data analysis process for this qualitative pragmatic inquiry research was methodological triangulation. Methodological triangulation uses multiple methods to collect and analyze data (Stahl & King, 2020). Researchers can validate the investigative process with methodological triangulation and confirm interpretations, themes, and the study's conclusion (Johnson et al., 2020). Using two or more methods can increase the credibility of an investigation and enrich the understanding of a study (Santos et al., 2020). Therefore, I used multiple data sources, including semistructured interviews and publicly available documentation on internal controls and financial fraud, to ensure the project's validity. To assist in my data collection process, I included publicly available reports that organization leaders use to assess the effectiveness of their internal control system. Public documentation included 10k annual reports, banking quarterly reports, business models, KPMG: Our Impact Plan 2024, as well as documentation from the Virginia Department of Accounts Strategic Plan 2024-2026; the State of North Carolina Annual Comprehensive Financial Report 2024, and The Impact of Fraud at U.S. Public Companies 2025 Benchmarking Report.

The findings were organized into four themes that emerged from thematic analysis from Yin's five phases: segregation of duties, leadership and ethical culture, communication and technology, and risk management and monitoring. These themes were discussed in relation to Cressey's (1953) fraud triangle theory, which explains that fraudulent behavior is based on three elements: pressure, opportunity, and rationalization. Each theme was supported by participants' perspectives and interpreted along with prior

research to illustrate how internal control strategies can effectively reduce the risk of financial statement fraud.

I used thematic analysis to discover patterns in internal control strategies that business leaders use to reduce financial fraud. I coded data to identify category trends across cases. From these categories, I generated overarching themes that addressed the research question. In the analysis, I focused on themes that showed strategies leaders viewed as effective and relevant in practice, which fit the pragmatic focus outcomes.

After themes were identified, they were compared with existing and newly published literature on internal controls, fraud risk mitigation, and strategic leadership. A continuous literature review ensured that the findings were evaluated with current research and the most recent studies published since the proposal's completion. This comparison helped determine how the findings confirmed and supported the understanding of fraud control practices in organizations.

Finally, the themes were examined in relation to the conceptual framework. For example, controls related to segregation of duties and monitoring supported opportunity. Ethics training and leadership accountability address rationalization, while business policies address pressure. The conceptual framework helped organize and explain how leaders' strategies aligned with theory-based propositions on mitigating fraud and internal control systems. Yin's five-phase approach was applied to interpret and determine which detected themes in the data corresponded to predicted relationships within the framework. This process strengthened analytic generalization and ensured that the findings were theoretically supported.

Reliability and Validity

Reliability and validity are essential components that I used in my qualitative inquiry. Reliability and validity are techniques used to increase the trustworthiness of qualitative research findings (Rose & Johnson, 2020). Lincoln and Guba (1985) provided four general criteria for ensuring trustworthiness (see also Lemon & Hayes, 2020). The criteria to establish trustworthiness in qualitative research include credibility, transferability, dependability, and confirmability (Amin et al., 2020).

Reliability

In this project, my strategy was to address dependability through member checking and data interpretation. In qualitative research, reliability refers to the consistency of research and ensuring that the findings are repeatable (Rose & Johnson, 2020). If the collected data and the project's conclusions remain reliable, the project can be considered dependable. Dependability is trust, in which qualitative researchers actively build their confidence in events as they unfold (Stahl & King, 2020). Qualitative researchers seek to gain trust in their interpretation by obtaining consistent responses to the same question (Sridharan, 2021). I used member checking to help ensure the dependability of the findings, with the aim of better understanding the responses of the recruits. Member checking was critical to reviewing and evaluating the findings to ensure the participants' interpretations were interpreted accurately.

Validity

Validity refers to the accuracy of a study's research findings. Researchers use validity to accurately account for participants' real-life experiences within a framework

(Rose & Johnson, 2020). I used methodological triangulation when collecting data to enhance operational validity. This involved using multiple data collection methods to examine the phenomenon. In this project, I triangulated data by combining semistructured interviews, document analysis, and notes to examine the business leaders' practices for reducing financial fraud. This method provided cross-verified information from multiple sources, reducing bias and ensuring that the findings reflected the participants' perceptions. The techniques commonly associated with validity include trustworthiness, credibility, confirmability, dependability, and transferability (Amin et al., 2020; Rose & Johnson, 2020).

Credibility

In this project, I used member checking to validate the participants' responses and ensure their credibility. Credibility ensures that the researcher's findings and conclusions are authentic and valid from the informants' perspectives (Eldh et al., 2020). Credibility is an in-depth exploration of the human experience or that person's unique reality (Lemon & Hayes, 2020). In this qualitative research, I used member checking to correct errors and discuss any revisions to the participants' interpretations to enhance credibility. I also used triangulation to enhance the credibility of the study. According to Eldh et al. (2020), methodological triangulation implies combining different sources and data collection methods to present evidence. To ensure credibility for this project, I triangulated the data by employing multiple data collection procedures such as document review, observations, and interviews with business leaders in various locations.

Researchers use triangulation to check and establish the credibility of qualitative findings by analyzing them from more than one perspective (Amin et al., 2020).

Transferability

For this project, I employed transferability to provide detailed and thick descriptions of the participants. Transferability is determining if the findings from the study could apply to other contexts and settings (Lemon & Hayes, 2020). For a detailed description to be useful in transferring the situation to different situations, the data must provide a rich enough picture of the circumstances (Stahl & King, 2020). Researchers conducting a study must provide detailed descriptions of their settings and compelling interpretations and data synthesis so readers can apply the findings to their situations (Amin et al., 2020). According to Amin et al. (2020), thick description builds trustworthiness and validity. To increase transferability in research, I incorporated multiple sources of data, including publicly available data from internet sources, to enhance the outcome of the research results.

Confirmability

In this project, I employed confirmability to get an accurate response from the participants' experiences. Confirmability is when the researcher confirms that the research results are accurate and reflect participants' experiences (Akman et al., 2022). When ensuring trustworthiness, confirmability is getting as close to objective reality as a qualitative researcher can get (Stahl & King, 2020). A crucial aspect of validation is that it helps the researcher establish trust and confidence that the findings reflect the participants' narratives rather than the researcher's biases (Lemon & Hayes, 2020). To

enhance confirmability, probing during the interviews and following up with member checking helped ensure the participant's responses were accurate. In addition, I listened with the intent to understand and not reflect on my ideas and assumptions.

Data Saturation

I used data saturation to reach the point where no relevant information about the phenomenon existed. Data saturation occurs when coding and themes are ineffective (Clarke & Braun, 2020). Reaching saturation indicates and ensures that a sample is adequate for the study and that the data obtained represents the diversity, depth, and nuances of the issues discussed (Hennink & Kaiser, 2022). To improve the project's validity and reach data saturation, I collected participant data until participant responses became repetitive. According to Busetto et al. (2020), data saturation is when further sampling is no longer necessary because no new relevant material or evidence is available. Raut et al. (2019) added that data saturation ensures a study's reliability and validity. To achieve data saturation, I interviewed participants until there was sufficient data to describe the phenomenon and address the research question.

Transition and Summary

Section 3 included a comprehensive overview of the project. In this section, I discussed strategies business leaders could use to reduce financial fraud. I also explained the researcher's role, data collection techniques, and the research method and design. This section included collecting data and sampling to address the ethical considerations for accessing data in exploring internal control strategies leaders use to minimize fraud in the corporate sector. Additionally, I described the process of data organization and data

analysis. I explained in Section 3 the validity and reliability of the data collected to address whether or not the phenomena under inquiry accurately reflect them. In Section 4, I will present the findings and discuss the implications for social change and skills and competencies.

Section 4: Findings and Conclusions

Presentation of the Findings

The section presents the findings of the qualitative pragmatic inquiry research exploring internal control strategies used by corporate organization leaders to mitigate financial statement fraud. The purpose of this qualitative pragmatic inquiry research was to explore internal control strategies used by corporate organization leaders to reduce financial statement fraud. For this project, I interviewed 11 business leaders, including chief financial officers, internal auditors, and compliance managers, who provided their experience and expertise. These participants represented diverse roles serving corporations, governmental entities, and accounting firms.

The findings from this project provided insights from business leaders who developed and implemented robust internal control strategies to mitigate fraud risks. According to Hanif et al. (2025), the success of an internal control system depends on a controlled environment. A controlled environment is an organizational process that business leaders use for enforcing structure and effective internal controls to manage and assess risks (Olaniyi & Omubo, 2023). The authors reported that implementation of effective controls offers significant benefits, such as fostering a corporate culture of integrity that inspires employee commitment to strengthening organizational processes that reveal weaknesses and mitigate opportunities for fraudulent activity. Likewise, strong controls provide perpetual monitoring that detects reporting discrepancies early. Expanded access to public company reports and strategic plans further reinforced these

efforts by empowering corporate decisions makers with crucial data to quantify ongoing, fraud defense tactics.

The overarching research question guiding this project was: What internal control strategies do corporate organization leaders use to reduce the risk of financial statement fraud? The project involved 11 senior-level professionals, including corporate officers, accountants, certified public accountants, chief executive officers, and chief financial officers (CFOs). All participants were geographically located in North Carolina, the District of Columbia, and Virginia.

Participants consented verbally to the research and shared their approaches to minimizing fraud in financial reporting. To ensure confidentiality, participants were coded alphanumerically as P1 through P11. Each participant was interviewed via recorded phone conversation and transcripts were generated for analysis. After each interview, member checking was done to validate the participant's responses and ensure accuracy. Data was collected through nine semistructured interview questions and corroborated with document analysis for data triangulation.

The qualitative data analysis revealed four major themes that corporate leaders used as internal control strategies to reduce and detect organizational fraud: (a) segregation of duties, (b) leadership and ethical culture, (c) communication and technology innovation, and (d) risk management and monitoring.

Table 1*Emergent Themes*

Themes	Number of respondents	Number of times the theme was addressed
Segregation of Duties and Processes	7	25
Leadership and Ethical	6	21
Communication and Technology	8	28
Risk Management and Monitoring	7	33

Theme 1: Segregation of Duties and Processes

All participants interviewed indicated that segregation of duties is a vital part of the internal control system for reducing financial fraud. According to Sewsankar (2024), the segregation of duties process can reduce fraud by ensuring accountability and transparency in financial reporting. Without this separation of responsibilities, the inefficiencies in financial reporting increase (Kim et al., 2025). Participants acknowledged the importance of segregation of duties to manage risk effectively. P11 noted, that “fraud was less likely to happen when employees are granted access only to the accounting functions necessary for their roles.” According to Qureshi (2024), businesses can raise awareness of the importance of effective segregation of duties to mitigate the potential threats of fraud.

Participants emphasized the need for managers to implement segregation of duties as part of a multilevel review process to minimize fraud. P5 emphasized, by assigning different individuals to initiate, review, and approve transactions, organizations can better manage risks and prevent fraud. P2 stressed, “that accounting processes be structured so

no single employee prepares, approves, and records financial entries”, making it harder for fraud to go unnoticed. This segregation of duties clarifies each assigned role, enhances departmental performance, and fosters a well-controlled environment. Implementing clear divisions of responsibility within business processes also protects sensitive data in financial reports (Abbas, 2024). Ultimately, P10 stated, these measures “prevents any one person from having complete control over all financial transactions,” thereby greatly reducing opportunities for fraud.

During the interview, P1 highlighted that organizations can proactively address accounting processes and vulnerabilities through reorganizations, revised documentation, and segregation of duties. For example, P1 stated, “When individuals do not fulfill their responsibilities, the entire control structure can quickly deteriorate” without these practices in place. Business leaders want robust internal controls for identifying financial threats and improving operational efficiency. According to P1, “management can further reduce fraud risk by introducing controls such as continuous monitoring, job rotation, and regular report reviews as part of its control framework.” It is essential to segregate the processes and is essential to achieving operational efficiency. Kim et al. (2025) argued that enforcing segregation of duties not only helps identify violations but also restores compliance by preventing individuals from manage multiple roles.

Participants also emphasized that separation of responsibilities must be incorporated in the accounting process to decrease the misuse of resources and warrant transparency. Without segregation of duties, the company’s financial integrity is compromised (Sewsankar, 2024). According to Rahmawati and Kassim (2020), when

employees are overworked, it leads to errors and inefficiencies in financial reporting. To address this, P5 provided a solution by describing how their organization reassigned bank reconciliation duties across departments to mitigate fraud. P5 stated, the multi-level review process included AP data entry, Treasury processing, cash management director review, and multiple supervisory reviews up to the CFO. P5 explained, that “moving that tax responsibility to a different department, provided an additional level of oversight for those activities.” This layered approach increased error detection and improved timeliness and accuracy in reporting.

Participants stressed that the separation of duties is an internal control designed that lower risks and safeguard organizations from financial errors. P10 emphasized that dividing key responsibilities among multiple individuals manages financial data and ensure checks and balances. According to Brickley and Thakur (2021), implementing segregation of duties increases the efficiency of detecting violations that may lead to fraud. P9 emphasized that their organization’s objective is to always enforce “checks and balances and a twofold system” to ensure that no one person touches multiple documents. “These controls are formalized policies that were rigorously followed in day-to-day operations, reflecting a culture of accountability and transparency (P9).” For example, P9 elaborated, “One person prepares payroll; another person verifies and approves it before submission.” Accounts receivable and accounts payable are also reviewed by different staff to confirm accuracy. Clearly defining roles and expectations, employees gain greater clarity and understanding about their duties (Sewsankar, 2024). Thus, it becomes difficult to commit fraud in a control environment with effective segregation of duties.

According to P7, another way to reduce the likelihood of fraud is by implementing user access restrictions as the second step in separating responsibilities and maintaining compliance with federal policies and regulations. P7 highlighted the importance of using role-based access controls within their financial software to complement procedural separation. This digital enforcement ensures that users only have system access related to their job functions, even in automated environments. P7 was able to detect suspicious activities because of automated internal control systems. Such measures strengthen oversight and minimize the risk of unauthorized transactions, thus supporting consistent application of segregation principles across both manual and electronic processes.

Prior research findings highlighted segregation of duties as a foundation component of effective internal control systems, because it directly limits opportunities for organizational fraud. For example, Kereri (2019) suggested that separating roles significantly restricts an individual's ability to establish complete control of financial transactions within a company. Sewsankar (2024) emphasized that a lack of proper segregation of duties often indicates noncompliance within organizational operations. To mitigate corporate fraud, maintain compliance and uphold fiduciary responsibility, organizations must separate responsibilities. This theme aligns with the opportunity component of Cressey's (1953) fraud triangle theory, which asserts that individuals are more likely to commit fraud when they observe a favorable situation in which a crime can be committed without detection (Nguyen et al., 2021). The application of segregation of duties and internal control strategies within the company directly reduces opportunities

for concealment and mitigates the risk of data breaches. Schnatterly et al. (2018) agreed that the fraud triangle's principles reduce organizational exposure to fraud risk. The results revealed that organizations that developed separation of duties had fewer incidents of override controls and fraudulent reporting.

Theme 2: Leadership and Ethical Culture

Effective leadership and an ethical culture were mentioned several times during the interviews with the participants. In organizations, leadership sets the tone from the top (Setyaningsih & Nengzih, 2020). P4 emphasized that leaders' ethical tone directly shapes employees' perceptions of acceptable behavior. When a manager models honesty and transparency, employees will emulate management's behavior towards compliance and internal controls. According to Nadir and Khan (2024), leaders not only set the tone at the top but also shape corporate values and ethics and create workplace culture.

According to Ghani et al. (2021), leadership can influence employees' ethical behavior in either a positive or negative manner. Leaders need to create an environment where fraudulent behavior is less likely to be tolerated. For this to happen, a strong leader must promote an ethical culture that inspires and motivates subordinates to work productively. Additionally, successful leaders with strong work ethics can create an atmosphere that influences staff behavior toward achieving organizational goals (Ofei et al., 2022). Thus, the goal of every organization must be to foster an environment that models these characteristics to mitigate fraud.

Participants expressed that a strong, influential ethical leader will lead, guide, direct, and influence others. P1 indicated that "ingraining internal controls in the culture

is important and acts as guardrails, guiding employees to perform their duties effectively and confidently.” If the leader’s behavior is built on morals and values, then staff are driven to adopt the same traits. Additionally, employees tend to follow someone who is honest and strives to foster a culture of integrity. According to Sarwar et al. (2020), employees are less likely to engage in unethical practices within an environment that fosters integrity and respect. Carolina and Wulandari (2024) noted that when integrity becomes an intrinsic part of organizational culture, it becomes a consistent behavior guiding all operations. P8 added that “in my organization, I set clear expectations about following legal and ethical guidelines.” When these ethical practices are consistent throughout the organization, they safeguard and protect the company’s interests.

Highly effective leaders will continue to provide direction and foster relationships with staff. These relationships are built on the attributes of a good leader and trust. Leadership must set an ethical tone and develop rules and guidelines for the organization to operate properly. P7 stated “at the organizational level, the owners, executives, and the CFO share ultimate responsibility for fraud prevention”. As such, P4 asserted that management “buy-in” was critical, and without it, accounting work can be deprioritized until audit findings force attention. P7 emphasized that management was ultimately responsible for fraud prevention; however, accountability begins with each employee. Muftih and Muhammedi (2024) suggested that accountability fosters essential organizational values and character traits among employees by enforcing and shaping a work environment grounded in responsibility and ethical behavior. Therefore, business leaders must embed strong internal controls and consistent ethical leadership into their

internal control systems, as these factors shape employees' moral reasoning at all organizational levels.

P3, P6, and P9 supported the views of Muftih and Muhammedi (2024) that the most effective way to mitigate, detect, and prevent fraudulent behavior is to promote ethical conduct through honesty, supported by institutionalized policies, systems, and procedures that reinforce integrity. Ethical leadership reduces employees' tendency to rationalize misconduct and establishes a strong moral defense against fraud. P9 recommended "implementing annual ethics and fraud awareness courses to reinforce checks and balances" as essential for mitigating fraud. For example, P9 described how regular meetings equipped staff to handle challenges and ensured everyone remained alert to regulatory changes in financial reporting. These meetings allowed employees to raise concerns, clarified expectations, promoted compliance, and built trust between leadership and accountants. According to P9, ongoing development sharpens and enhances fraud detection skills.

The findings in this project showed that business leaders understood the importance of leadership and an ethical culture in developing fraud-resistant environments. Setyaningsih and Nengzih (2020) found that leadership's tone from the top significantly influences employees' moral standards and reduces the likelihood of fraudulent crimes. Moreover, Sarwar et al. (2020) emphasized that cultivating ethical behavior reinforces clear expectations and commitment, which reduces the risk of fraud through a culture of trust. Collectively, business leaders implemented internal control strategies that created a working environment where employees were less likely to justify

fraudulent behavior and more likely to yield positive work ethics and values. The results revealed that ethical leadership discourages rationalization and mitigates pressure to commit fraud.

The findings align with the rationalization element of Cressey's (1953) fraud triangle theory, which posited that individuals justify unethical actions to validate their crimes. Supporting this view, Arifin (2024) argued that ethical workplace culture reduces toxic environments that enable rationalization for fraud. In turn, ethical leadership fosters a culture that prioritizes accuracy, compliance, and integrity. Furthermore, leaders who promote open communication and set fair expectations also help reduce pressure, another element of the fraud triangle. Notably, pressure and unrealistic goals create tension that may encourage employees to manipulate financial reports (Handayania & Kawedara, 2021). For instance, P4 shared that when the goals are achievable, and leaders show empathy and support, the pressure to manipulate financial data lessens. Moreover, these internal control strategies suggest that fostering an ethical organizational culture is essential for minimizing financial fraud in all sectors.

Theme 3: Communication and Technology Innovation

Participants discussed the need for open communication and advanced technology in businesses. P1 highlighted that establishing effective communication among employees in the workplace is an important internal control for reducing financial fraud. Managers can use these tools as internal control measures to detect irregularities and improve the accuracy of financial reporting (Hossain & Sankar, 2025). P4 stated, for example, "maintaining continuous communication with upper management is part of

their department's practice to mitigate acts of fraud." By communicating, employees can receive direction and guidance. P8 emphasized that open dialogue prevents misunderstandings and sets the tone for transparency. In an organization, managers must convey clear expectations to solve issues. P5 recognized that empathy and clear communication with employees both deter fraud and balanced efficiency in preparing financial reports.

Participants emphasized the importance of communication, sharing and ensuring that subordinates know what is expected and how to protect the organization from fraud. P7 revealed that transparency and open communication fostered a cooperative and informed work environment. P7 asserted that policies must be communicated clearly so that employees know the required expectations. It is critical to include outlining rules, changes, and regulatory requirements that the organization should follow. To address this, business leaders should have an anonymous reporting system, such as a whistleblower policy. This system allows employees to communicate and report fraud freely without fear of penalty (Dwiyanti et al., 2022). For example, P10 stated,

[As a supervisor,] I remain truthful and consistent, never bending rules for anyone. I remind staff that the controls are not personal but are in place to protect the organization and everyone involved. I listen to concerns and try to understand underlying issues. When problems arise, we handle them lawfully and professionally.

Management can establish effective communication to provide guidance on the company's policies and principles and enhance business practices.

Participants also highlighted advanced technology as an integral part of internal control. Building computerized managerial controls into accounting systems, such as AI, has become a critical function of the financial reporting process (Mojtahedi & Zhou, 2024). Participants described using AI monitoring tools, digital platforms, and cybersecurity safeguards to strengthen controls. For example, P3 noted that AI can be a powerful tool for internal controls but emphasized that “while AI can improve accuracy, it must be treated like any other control function. ... Oversight, verification, and a human in the loop” are still necessary. Feedback loops should be established to evaluate the implementation’s success to adjust for new risks or business changes (Ogunmokun et al., 2022). Moreover, P3 added that “businesses must ensure accuracy in controls monitored by AI and research how companies use AI for controls. Companies should consider what regulations and guidelines they should be putting in place right to ensure that accuracy in the process.”

P1 suggested the role of AI in testing controls. According to Bello et al. (2024), as cybercrime increases, more businesses use communication and advanced technology to reduce fraud in financial reporting. P1 reiterated, “The processes have to be tested. With AI being the next step in the Arctic world, that’s going to do a lot to help test controls and make sure that they’re in place as well.” The studies by Bello et al. (2023) showed that technology controls improve fraud detection. Xiuguo and Shengyong (2022) emphasized that AI offers several benefits, such as increased audit efficiency and reduced risk of financial loss. To benefit, P6 added, business leaders must teach employees and

communicate effectively about fraud and business processes to protect the information system.

In addition to establishing checks and balances, businesses can use advanced technology to strengthen their internal control system (Sewsankar, 2024). P11 noted that anti-fraud program logs in the accounting software help to identify and trace fraudulent transactions, making it difficult for anyone to make changes without detection.

Furthermore, P11 described that when reconciliation reveals discrepancies, the firm promptly initiates audits. When internal controls are insufficient, the online software security platform and fraud detection services support further investigation. “Over the past few years, all fraud claims have been successfully resolved with recovered funds, demonstrating the effectiveness of these controls.” Moreover, P11 suggested that businesses seeking to mitigate financial statement fraud risks can integrate robust internal controls and technology solutions. Additionally, they can specialize in anti-fraud software to enhance fraud prevention and ensure swift resolution in the event of an incident. Ultimately, these findings show that integrating communication and technological innovation creates an environment in which subordinates understand the required expectations, thereby reducing the likelihood of fraudulent behavior.

The findings revealed that technology and communication play dual roles in reducing financial reporting fraud. For example, Abiola (2013) found that automated internal controls and continuous auditing technologies decrease the opportunities for fraud. In contrast, weak communication undermines internal controls and creates opportunities for fraud (Al-Beity, 2022). Conversely, clear communication and respectful

conversations within corporations encourage trust and reduce rationalization. The participants in this project emphasized that technology further supports ethical communication through data visibility, reporting software, and collaborative audits. When financial data remains visible, traceable, and consistently reviewed, business leaders strengthen their control environment, which helps minimize fraudulent acts. Regular review of financial data through integrated software also reinforces ethical norms that deter fraudulent activity.

This theme aligns with the opportunity element of Cressey's (1953) fraud triangle theory, which suggests that individuals commit fraud when they believe they will not get caught (Maulidi, 2020). Clear communication and the use of technical systems together limit the opportunities for fraud and enhance oversight. Additionally, the rationale and pressure to commit fraud decrease with ongoing communication, which fosters openness. Moreover, effective communication ensures that staff understand fraud prevention procedures and the importance of communication in fraud mitigation (Saputra et al., 2017). Participants recognized that integrating technological controls with open communication channels enhances fraud-prevention systems and ensures timely, accurate detection of irregularities, thereby reducing opportunities for fraudulent activity. Thus, implementing these internal control strategies creates a transparent environment that reduces opportunities, pressures, and rationalization for fraud.

Theme 4: Risk Management and Monitoring

Several participants recognized risk management and monitoring as an essential internal control strategy. Risk management is a continuous process for identifying,

assessing, mitigating, and monitoring threats that could lead to fraudulent activities and financial loss. Participants discussed how risk assessment is essential to reduce financial fraud. P6 highlighted that conducting multi-pronged risk management makes it easier to identify potential fraud risks. As business leaders, firms can develop a risk-aware philosophy to better prepare for financial reporting uncertainty.

Participants also emphasized the importance of monitoring activities to drive organizational success and stability. Continuous monitoring involves the ongoing assessment of financial transactions and operations to identify unusual or suspicious activities that may signal fraud (Elumilade et al., 2022). According to Espinosa-Jaramillo (2024), monitoring is significant because it helps managers identify and mitigate unforeseen risks. These are risks that require adaptability, vigilance, and compliance checks for mitigating fraudulent reporting. P5 discussed that when businesses are aware of the risks, they are better prepared for uncertainty. By evaluating and monitoring day-to-day transactions, businesses can better detect deficiencies in their financial reporting and limit the engagement of fraud.

Effective internal controls, supported by continuous monitoring, enable businesses to anticipate and address accounting risks (Espinosa-Jaramillo, 2024). Continuous monitoring is important for early anomaly detection and maintaining ongoing control effectiveness. For example, P1 articulated a corporate strategy of “prioritizing continuous monitoring and cybersecurity to guard against external threats.” As P1 shared, “My company wires and transfers millions of dollars weekly. This requires sound policies, electronic controls, and independent verification.” The result of robust fraud risk

mitigation is direct: it safeguards financial performance by averting losses and reducing inefficiencies (Elumilade et al., 2022). Developing consistent monitoring assures compliance and further lowers the risk of fraudulent transactions.

Businesses that remain successful in mitigating fraud establish monitoring processes aligned with the organization's objectives. Such controls are essential for providing guidance to employees across the organization. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, and responsibilities, as well as its risk tolerance levels (Alawaqleh, 2021). Recognizing fraud risks enabled organizations and managers to anticipate vulnerabilities before they occurred. For example, P5 described risk management as "looking ahead and asking where we're most vulnerable." P7 explained, "We don't wait for issues to arise; our quarterly risk assessments help us pinpoint what might occur and strengthen controls in those areas." Effective controls can improve process efficiency, strengthen regulatory compliance and reinforce principles. Another interviewee, P10, echoed this sentiment, "continuous monitoring and surprise audits keep employees accountable" and discourage the temptation to commit fraud. This control process was crucial for detecting and addressing internal control weaknesses in financial reporting.

In the literature review for this project, I identified that continuous risk assessment and effective monitoring systems decrease the risk of financial fraud. P2 noted that monitoring and tracking financial activities helps identify red flags before they escalate. To address this, P2 stated that one of the ways their company implemented internal control strategies was by monitoring transactions and maintaining open

communication with legal and investigative teams to address fraud. For instance, P2 explained that they track money flow, follow offshore accounts, and issue summonses to obtain bank information: “So, we’re constantly summoning companies and different banks to find out what bank account they’re using if they’re making payments to any financial institution.” P2 confirmed this process helps identify, monitor, and prevent fraud in daily operations.

P4, P5, and P10 demonstrated the importance of ongoing monitoring and mandatory reconciliations for evaluating performance. P10 stated that their company conducted continuous observation and detailed report reviews as internal controls to detect and reduce fraud. P4 added, “Our strongest defenses are frequent reconciliations and mandatory secondary review for all journal entries.” P4 stressed that account reconciliation aligns the organization’s financial records with federal regulations, indicating that all discrepancies must be resolved before reporting. According to Olatunde et al. (2024), continuous monitoring is necessary for a business to control business activities and operate efficiently. P5 asserted that multi-level processes are fundamental for day-to-day accounting activities: “Transactions undergo multiple reviews involving entry-level data entry, supervisor oversight, treasury processing, cash management director review, and final financial statement reviews by supervisors and CFO. This layered scrutiny increases the chance of detecting errors or suspicious activities.” P5 also noted, “We monitor unusual variances during financial reporting, which helps identify suspicious activities. Awareness at multi-level reviews acts as a deterrent for potential fraud, reinforcing the importance of vigilance during reviews.”

Participants agreed that while risk management and monitoring were important, ongoing training was also needed to assess risks and respond to potential fraud.

Adequate resources and consistent training in fraud monitoring can better equip business leaders to prepare for potential risks. P1 observed that ongoing staff training equips employees to identify and respond to risks effectively. Similarly, P2 explained that in their organization, ongoing training and continuing education helped to identify red flags. Ogunmokun et al. (2022) emphasized the need to train employees to recognize fraud indicators, understand internal control mechanisms, and appreciate their role in fraud prevention. When evaluating risk, these controls were essential for investigating deficiencies and other factors that might weaken internal controls. P2 elaborated that their training also relied on a comprehensive manual that provided guidance on financial analysis and detecting manipulation in financial statements. As a result, this process was instrumental in investigating and verifying the accuracy of reporting procedures and compliance expectations. By aligning these internal controls with the firm's objectives, it heightens employees' awareness of evolving threats and fraud risks.

Other interviewees described their experience as such: P5 stressed that ongoing fraud awareness training was necessary to keep the workforce vigilant against emerging fraud risks. According to Ogunmokun et al. (2022), training programs should be established for employees at all levels to ensure awareness and adherence to these policies. For instance, P9 regularly attends training sessions during off-peak hours to stay informed about emerging threats such as identity fraud, phishing, and regulatory practices. To address this, P2 stated, "We have continued educational programs to look

for deficiencies in the reporting process. If there are classes, these are put together to help you analyze what to do.” The findings among the participants suggested that consistent training initiatives created fraud awareness in business operations, thereby helping develop internal controls.

Monitoring and risk management directly address both the opportunity and pressure elements of Cressey’s (1953) fraud triangle theory. When employees know their actions are continuously reviewed, the incentive and opportunity to commit fraud are significantly reduced. According to Chen et al. (2018), continuous monitoring, combined with training, increases detection to reduce fraud. The participants in the project described how risk management and monitoring serve as the organization’s early warning system against financial fraud. Ongoing risk assessments and staff awareness programs reinforce workplace objectives and foster accountability. Through continuous oversight, regular risk reviews, and adaptive control mechanisms, leaders can help reinforce a culture of vigilance. In addition, these internal control practices ensure that fraud prevention becomes an ongoing, evolving process rooted in the organization’s governance structure.

In summary, the findings indicate that business leaders depend on internal control strategies. Understanding the results may aid in minimizing fraud. Given the persistent problem of financial fraud, business leaders may consider these themes and establish further controls to drive organizational success. Leadership and ethical culture form a strong foundation, while communication and technology support transparency. Risk management and monitoring provide early detection controls, and ongoing training

sustains organizational awareness. Leaders and management should implement these strategies to significantly enhance the ability to detect and prevent fraud, mitigating financial and reputational damage.

Business Contribution and Recommendation for Professional Practice

Business leaders could benefit from the results of this project. The results can strengthen the way corporate organization leaders use leadership strategies to reduce financial statement fraud risk. Abdullahi and Mansor (2015) stated that leadership must comprehend the essential components contributing to fraudulent and deceptive acts in addressing fraud incidents. Harrison et al. (2016) noted that one might avoid committing fraud if the person considers ethical decision-making. Training, communication, and ethical leadership cultivate an environment where employees feel responsible for creating workplaces less tolerant of unethical behavior. This research project could help define and improve the essential roles among employees in corporations and leaders' performance in addressing the pressing challenges that a firm may face in daily operations and creating a more positive atmosphere where the business can thrive. This project could help to facilitate a healthy ethical culture and govern effective ways for business leaders to reduce financial fraud and its derivative costs to improve organizations' performance. Organizations should create an ethical environment with robust business practices to expose dishonest actions.

Implications for Social Change

Society could benefit from the results of this project. Shaw et al. (2017) advocated that social practice is to study the context of what individuals found significant, lawful,

ethical, substantial, conceivable, or culturally suitable for improving social environments and promoting beneficial change. A decline in fraudulent activities may reduce the risk of extortion and provide a better economic and ethical environment in the business community. For business leaders to reduce corporate fraud within their communities, an effective internal control system is essential. By implementing stronger internal control frameworks, corporations foster transparency and accountability, which can rebuild the public trust in financial reporting. Further, business leaders could apply the concepts from this research to meet society's needs. Improving financial reporting could benefit society and communities by increasing financial stability, employment opportunities, shareholders' wealth, and rebuilding investors' confidence.

The implication for positive social change includes benefiting local residents when leaders in corporate organizations reduce financial statement fraud, which increases the financial stability of organizations and can increase the organizations' and local communities' employment opportunities. The implication for positive social change includes benefiting local residents when leaders in corporate organizations reduce financial statement fraud, which increases the financial stability of organizations and can increase the organizations' and local communities employment opportunities. Reducing fraudulent reporting protects not only investors but also employees and communities who depend on stable organizations. When ethical culture and accountability are normalized in organizations, the effect influences societal values. By combining segregation of duties, ethical leadership, communication, technology, risk monitoring, and training

organizations can create resilient internal control systems that not only reduce fraudulent reporting but also strengthen societal trust in business institutions.

Recommendations for Further Research

In this qualitative, pragmatic inquiry research, I explored the internal control strategies business leaders use to reduce financial fraud in corporate organizations. One limitation was that participants could provide limited information for the project. To address this, future researchers should continue exploring corporate financial fraud in other geographic locations not addressed in this project. Broadening the sampling frame could enhance participant diversity, while expanding the project area could yield additional insights. Furthermore, using open-ended questions could help reveal nuanced views on fraud and internal control strategies. I would also suggest that future studies investigate the use of AI and automated reporting systems to detect anomalies and reduce fraudulent transactions in financial reporting

Conclusions

The research question was: What internal control strategies do corporate organization leaders use to reduce financial statement fraud risk? Financial statement fraud threatens organizational sustainability, so developing robust internal control strategies is a key priority for corporate leaders (Mandal & Amilan, 2023). Through interviews with 11 financial leaders in North Carolina, the District of Columbia, and Virginia, four key themes emerged: segregation of duties, leadership and ethical culture, communication and technology, and risk management and monitoring. The analysis followed Yin's (2018) five steps: compiling, disassembling, reassembling, interpreting,

and concluding. I analyzed the data by reading the transcripts multiple times to generate themes for this project. The findings revealed that business leaders implemented strong internal controls that were critical to reducing opportunities for financial statement fraud. As fraud remains an ongoing challenge, these strategies are critical for protecting assets and ensuring sustainable business success. Utilizing these findings with technological advancements can further establish guardrails and help mitigate future losses.

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Appendix: Interview Protocol

Interview: Exploring the internal control strategies corporate organization leaders use to reduce financial statement fraud.

1. Began the interview with an introduction and script to guide the process.
2. Collected consent and ensured that participants received, read, understood the form.
3. Informed participants that the interview will last 45 minutes.
4. Informed the participants that the interview will be audio recorded.
5. Arranged the meeting in a semiprivate location.
6. Informed what they can expect after the interview.
7. Concluded the interview and thanked the interviewee for participating in the interview.