



Give Executive Fraud Risk Your Full Attention

Occupational fraud can occur at any level of an organization. But misconduct by owners and senior executives can be particularly costly because they usually have greater authority and can override internal controls.

According to the Association of Certified Fraud Examiners' (ACFE's) *Occupational Fraud 2026: A Report to the Nations*, owners and executives account for 16% of all occupational fraud perpetrators. Yet they cause nine times the median loss associated with nonmanagerial fraudsters. Even if you trust your leadership team, strong safeguards can help protect your business and its reputation.

Why it happens

Forensic accountants commonly use the “fraud triangle” to understand occupational fraud. It focuses on three factors that generally need to be in place for people to steal from their employers: pressure, opportunity and rationalization.

Pressure can be personal or professional. An executive facing financial difficulties or aggressive performance targets may be tempted to manipulate financial results. The ACFE found that perpetrators experiencing excessive organizational pressure are associated with a median fraud loss of \$532,000 — the highest among the behavioral warning signs identified.

Opportunity exists when someone has the access or authority to commit and conceal wrongdoing. Executives pose an elevated threat because they may approve transactions, influence employees, or override established procedures. More than half of the ACFE report's cases involve either inadequate or overridden controls. Rationalization occurs when perpetrators can justify their dishonest behavior. Executives might, for example, believe they're entitled to steal because their compensation is inadequate or that manipulating results is acceptable because it will eventually benefit the business.

You can help reduce fraud risk by keeping this triangle in mind and promoting an antifraud culture. For instance, try to set realistic, achievable performance goals and intervene if executives seem excessively entitled or secretive.

Strengthen safeguards at the top

Internal controls that protect key functions — such as your accounting, and shipping and receiving departments — are also essential. But preventing executive fraud may require additional measures. For example:

- Establish clear rules for overriding controls, including requiring a second approval and documentation explaining why the exception is necessary,
- Mandate fraud awareness training for employees, including executives,
- Conduct management reviews, surprise audits and financial monitoring activities, and
- Offer tiplines or web portals that enable employees to anonymously report suspected wrongdoing.

Reporting systems are especially important because tips remain the most common way to detect occupational fraud. The 2026 ACFE study found that 43% of cases are uncovered through tips, and employees provide more than half of them (other tips come primarily from vendors and customers). Because of the risks of retribution, confidentiality is critical if you want workers to blow the whistle on crooked executives.

Allegations involving a senior executive or other influential individual may warrant engaging an independent fraud specialist to help ensure an objective investigation, including evidence gathering and witness interviews. If fraud is confirmed, your organization should respond based on the circumstances, applicable laws and its own policies, not the perpetrator's position.

Promote accountability

Executive fraud may never be completely preventable, but you can make it harder to commit and easier to detect. To promote accountability, implement strong controls, effective employee training and confidential reporting mechanisms.