

From Pre-Pandemic to Post-Pandemic: Examining Motives and Trends in 21st-Century Accounting Fraud

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I. Abstract

Accounting fraud encompasses a range of criminal activities within the financial sector, including financial statement fraud, misappropriation of assets, corruption, overstating revenue, etc. This thesis explores the evolving nature of accounting fraud in the 21st century, focusing on how contemporary opportunities, incentives, and rationalizations contribute to fraudulent behavior in an increasingly digital world. Special attention is given to the impact of the COVID-19 pandemic, which has led to significant shifts in corporate practices, including a surge in remote work and a heightened risk of fraud in the accounting sector. This research will analyze emerging trends in the manipulation of financial data, particularly in light of the global economic disruption caused by the COVID-19 pandemic in which individuals and corporations experienced major restrictions and losses. Specifically, this thesis will examine changes in the Generally Accepted Accounting Principles (GAAP) and other governing bodies that shape the accounting sector. The Cressey Theory— more commonly referred to as the Fraud Triangle— and associated pressures will be explored, with a focus on how the COVID-19 pandemic has impacted remote work practices, internal controls, audit procedures, and EBITDA addbacks and their connections to fraud risk. Additional case studies will examine the relationship between COVID-19 policies and relief initiatives and the broader fraud risk at the individual, state, and federal levels. By examining these modern dynamics, this work aims to shed light on the new vulnerabilities and challenges facing today's financial landscape and to contribute to a deeper understanding of fraud risk management in a post-pandemic world.