



Fraud Statistics

Getry Marcus' Certified Fraud Examiners present the second in a multi-part series devoted to **Fraud Prevention and Detection**.

The Association of Certified Fraud Examiners (ACFE), a leading organization in the area of fraud prevention and detection, publishes biennially a comprehensive study of fraud in the workplace. The *Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study* is based on 1,483 cases of occupational fraud, as reported by the Certified Fraud Examiners who investigated them. The ACFE defines occupational fraud as –

“The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or asset”

Some of the more interesting statistics presented in the *Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study* are as follows:

General Statistics:

- The typical organization loses an estimated 5% of its annual revenues to occupational fraud. Worldwide, this represents an annual loss to fraud of approximately \$3.7 trillion;

- The majority of cases (51.9%) reported losses of less than \$200,000;
- Financial statement fraud is the most costly form of occupational fraud, causing a median loss of \$1,000,000;
- Fraud is most commonly detected by tip (42.2%), management review (16.0%), and internal audits (14.1%). Interestingly, external audits (performed by CPA firms) only account for approximately 3.0% of fraud detection;
- The majority of the instances where fraud is discovered by tips comes directly from employees (49.0%), followed by customers (21.6%).

Victim Organization Statistics:

- Internal control weaknesses observed by Certified Fraud Examiners include:
 - Lack of internal controls (32.2%)
 - Override of existing internal controls (18.9%)
 - Lack of management review (20.0%)

Perpetrator Statistics:

- The position of the perpetrator of the fraud was most commonly the employee (42.0%),

manager (36.2%), and the owner/executive (18.6%);

- Employees, although the most frequent perpetrator, committed the least median loss in dollar amount (\$64,000) when compared to the managers and owners/executives;
- 66.8% of the reported perpetrators were male.

The *Report to the Nations on Occupational Fraud and Abuse – 2014 Global Fraud Study* is a must read for any business person wishing to

understand occupational fraud and its effect on individual business and the world economy.

The complete study can be found at <http://www.ace.com/rtnn/docs/2014-report-to-nations.pdf>

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