

An Overview of the 2020 ACFE Report to the Nations

A discussion of recent fraud trends and controls to mitigate those frauds
from the most recent global study on occupational fraud and abuse by
the ACFE

ACFE Report to the Nations

- 2020 Report is based on the 2019 Global Fraud Survey
- Survey opened to over 51,000 CFEs from July 2019 to Sept 2019
- Respondents presented with 77 questions regarding details of a fraud case

The goal of the *Report to the Nations* is to compile detailed information about occupational fraud cases in five critical areas:

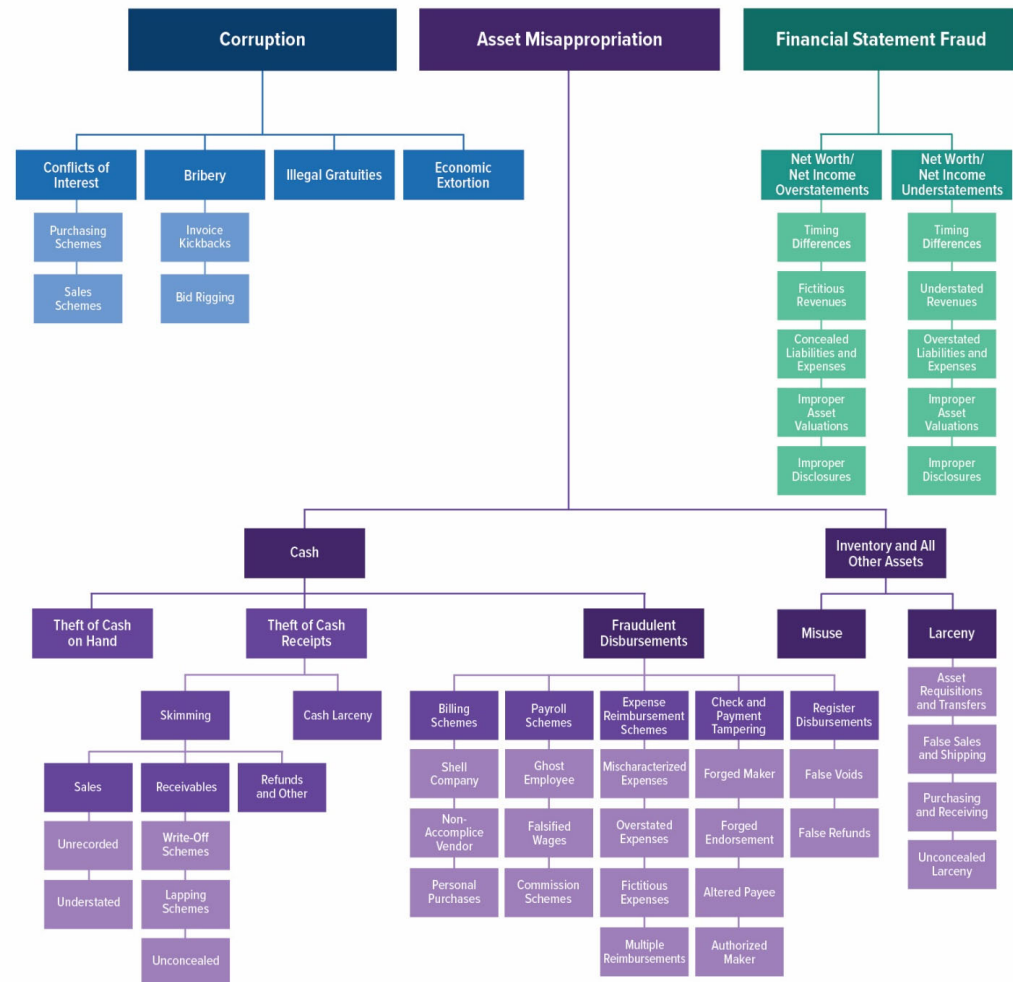
- **The methods** by which occupational fraud is committed
- **The means** by which occupational frauds are detected
- **The characteristics of the organizations** that are victimized by occupational fraud
- **The characteristics of the people** who commit occupational fraud
- **The results of the cases** after the frauds have been detected and the perpetrators identified

Overview

	2018 RTTN	2020 RTTN
Cases in Study	2,690	2,504
Median Loss Per Case	\$130,000	\$125,000
Median Duration of Case	16 months	14 months
US & Canada Cases	1,080	895
Most Common Initial Detection	Tips	Tips

Categories of Occupational Fraud

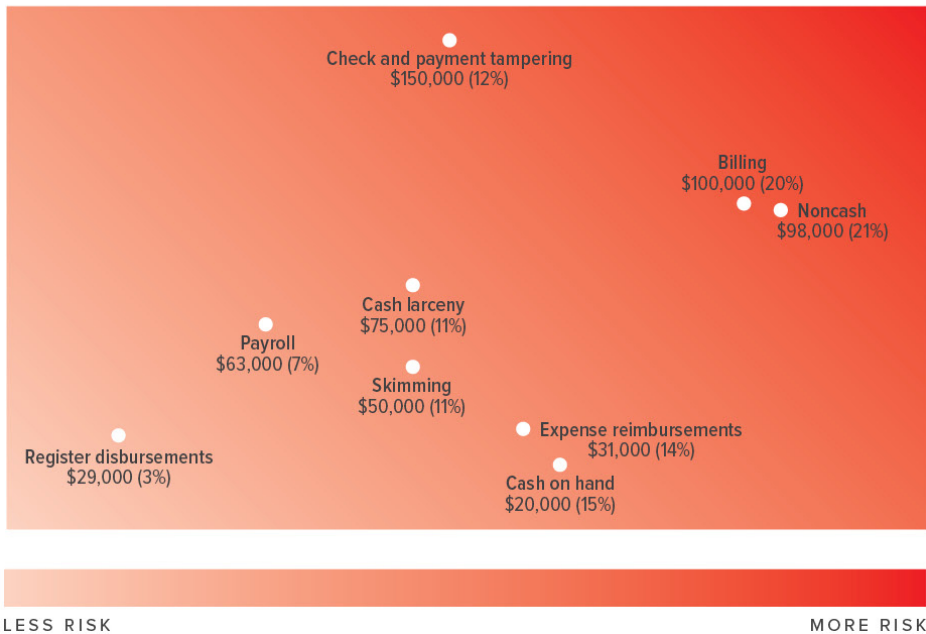
FIG. 3 Occupational Fraud and Abuse Classification System (the Fraud Tree)



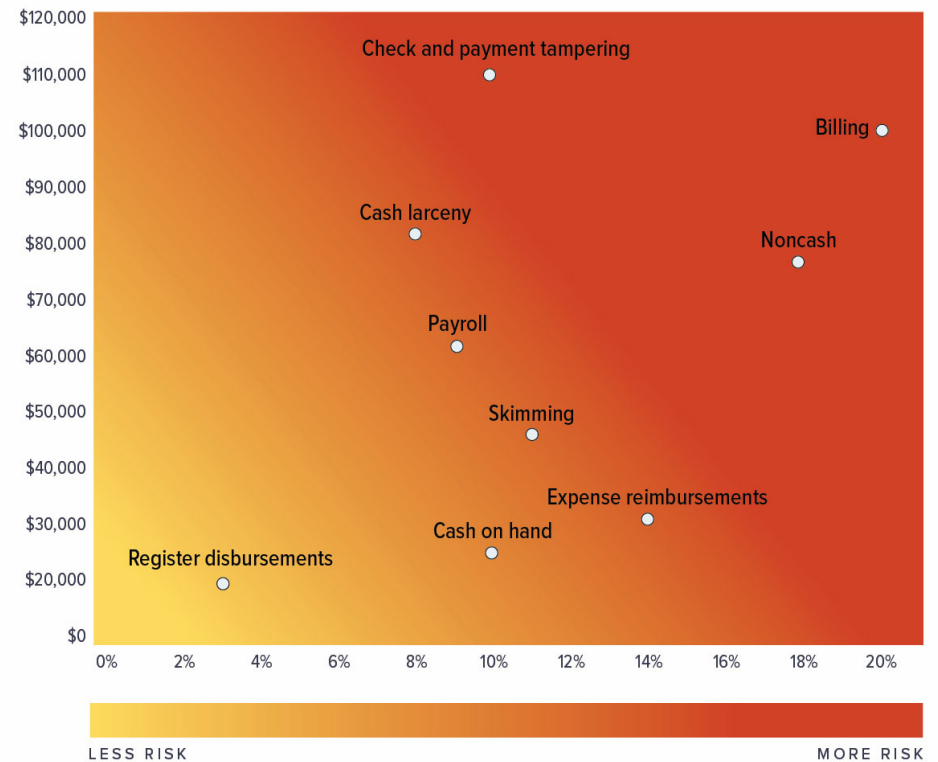
Riskiest Asset Misappropriation Schemes

2018 RTTN

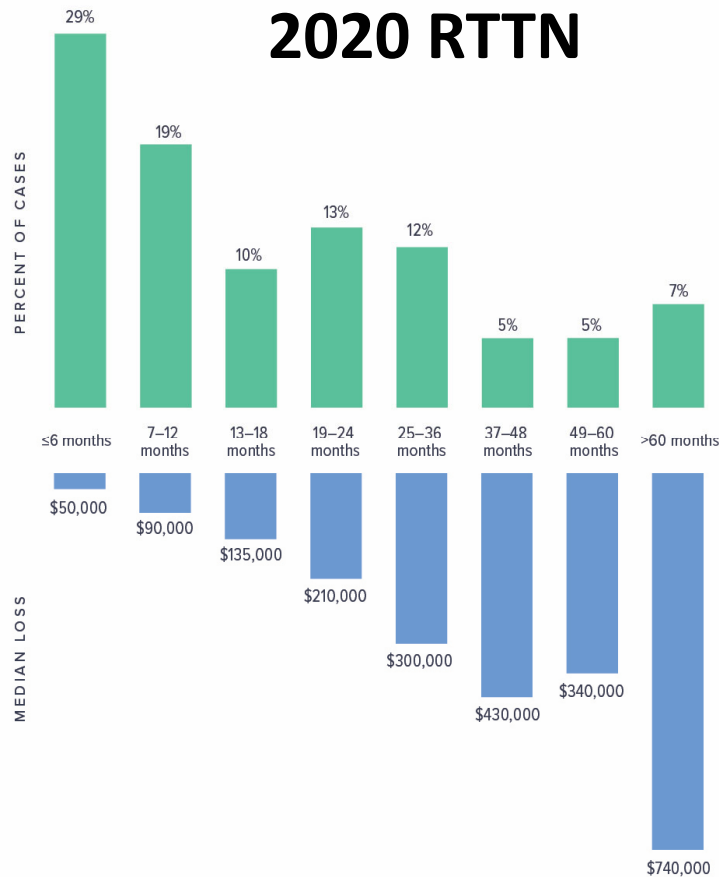
FIG. 6 What asset misappropriation schemes present the greatest risk?



2020 RTTN

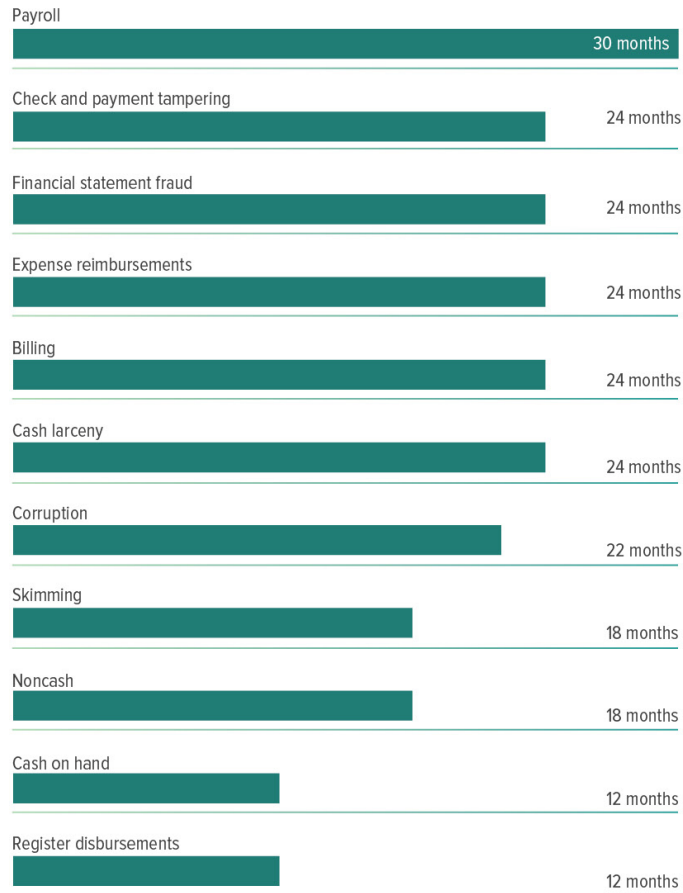


Duration vs. Median Loss

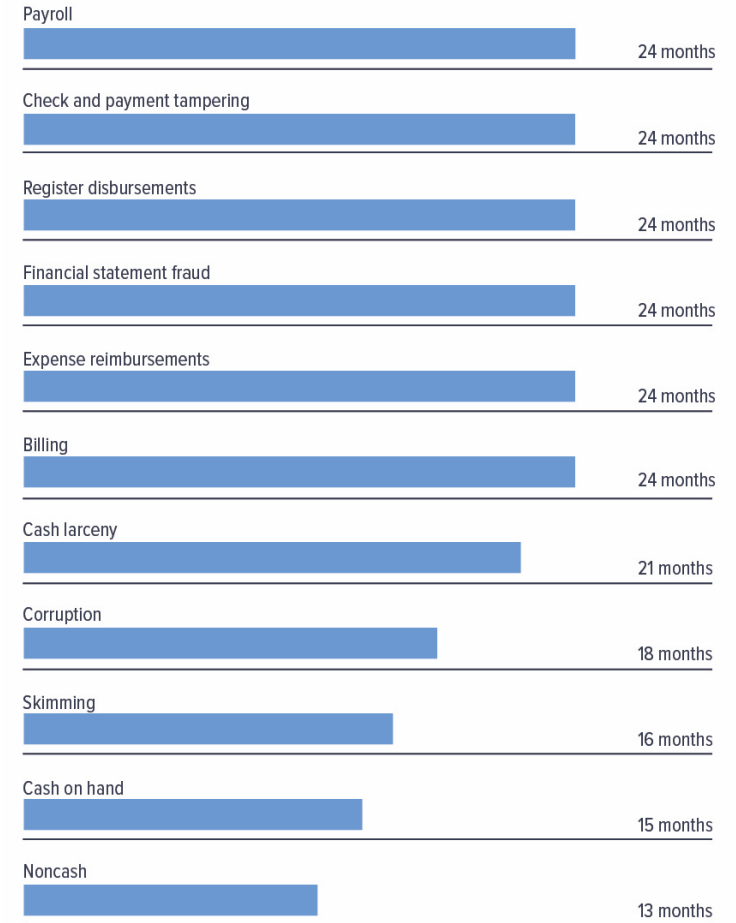


Lengths of Different Fraud Schemes

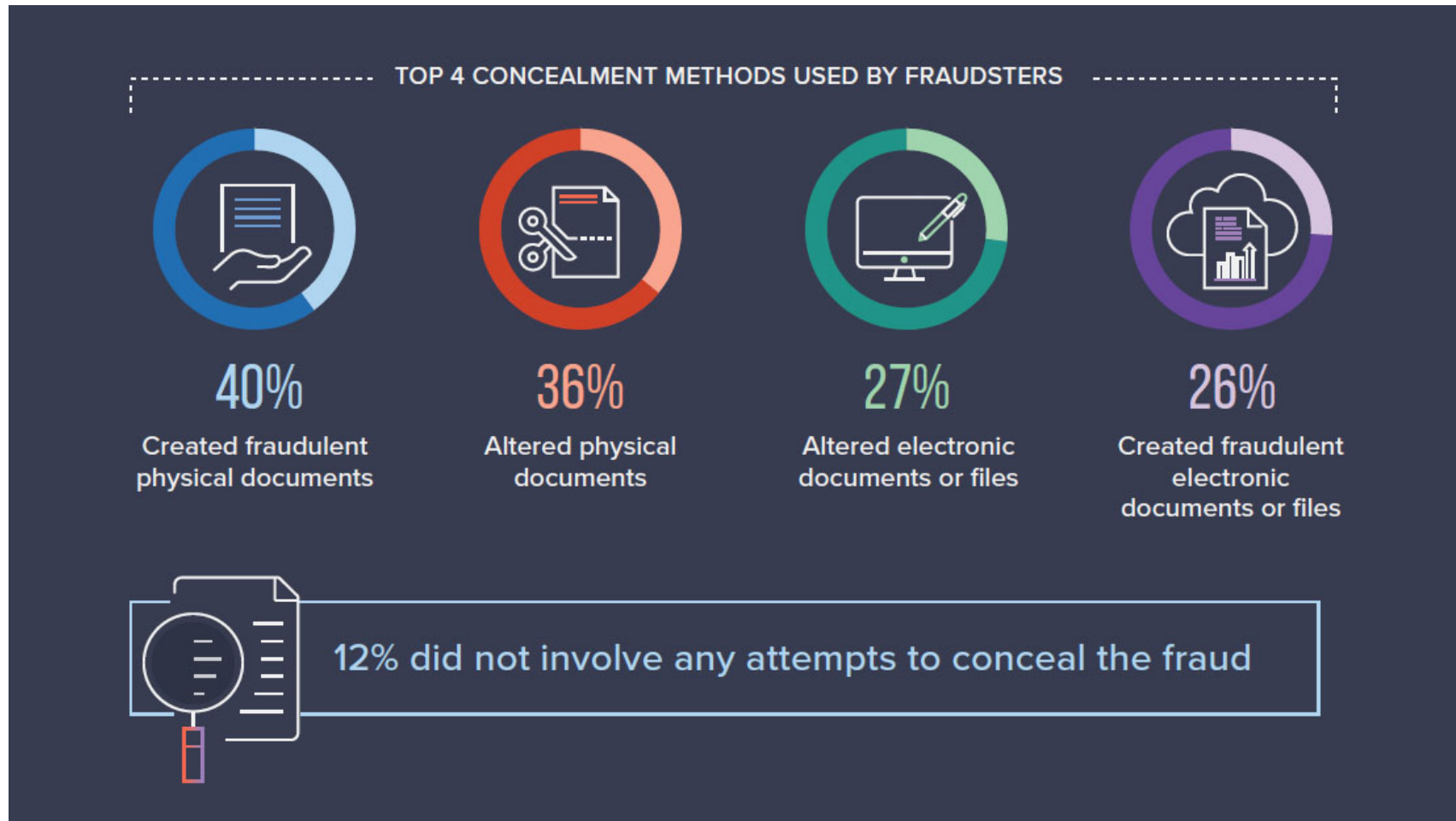
2018 RTTN



2020 RTTN

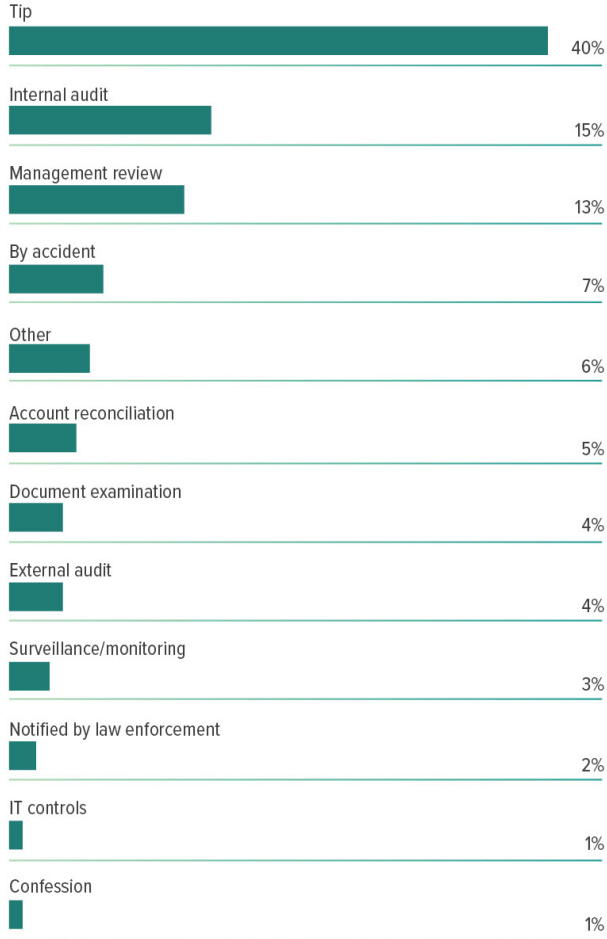


Concealment Strategies



2018 RTTN

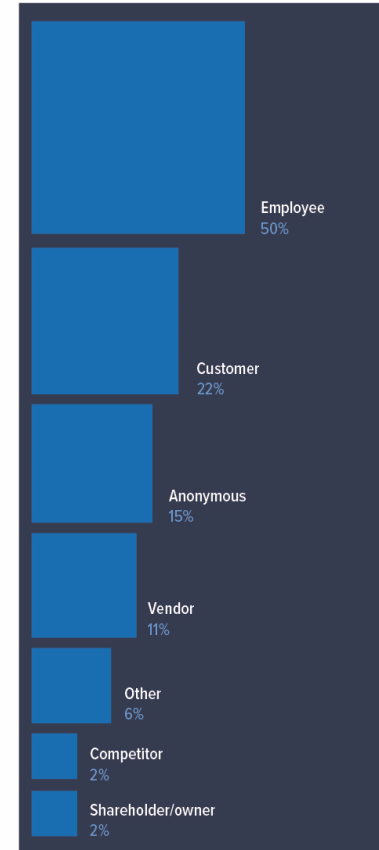
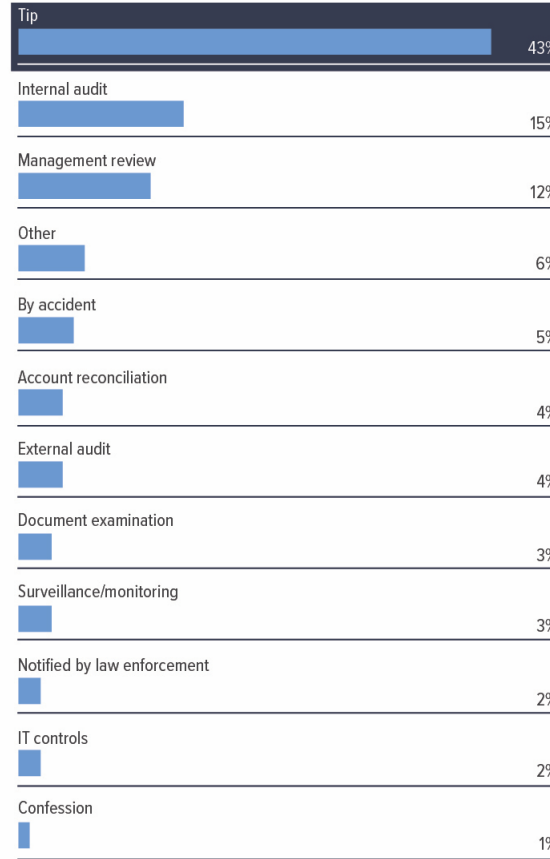
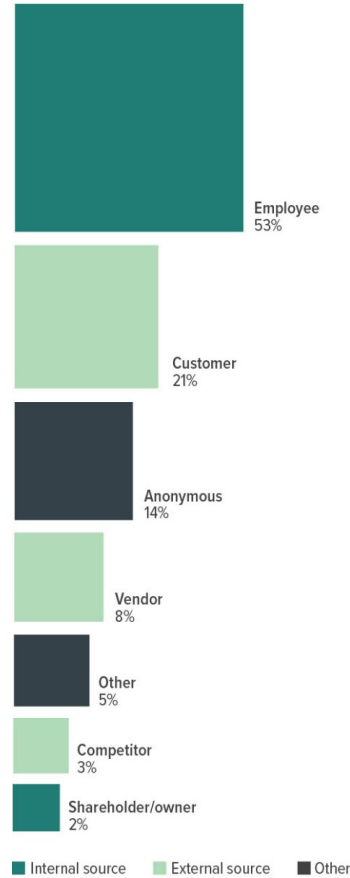
FIG. 9 How is occupational fraud initially detected?



Detection

2020 RTTN

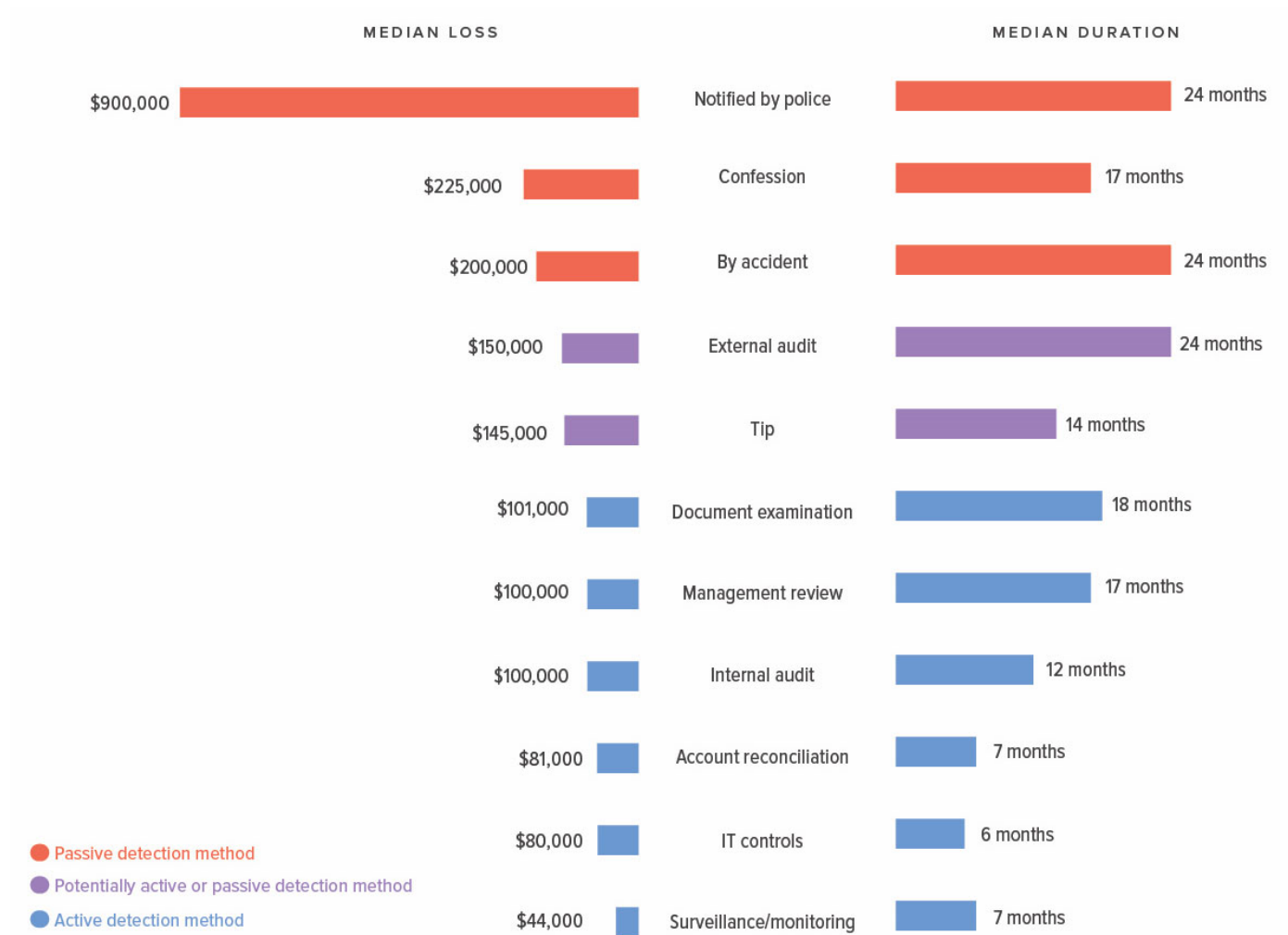
FIG. 10 Who reports occupational fraud?



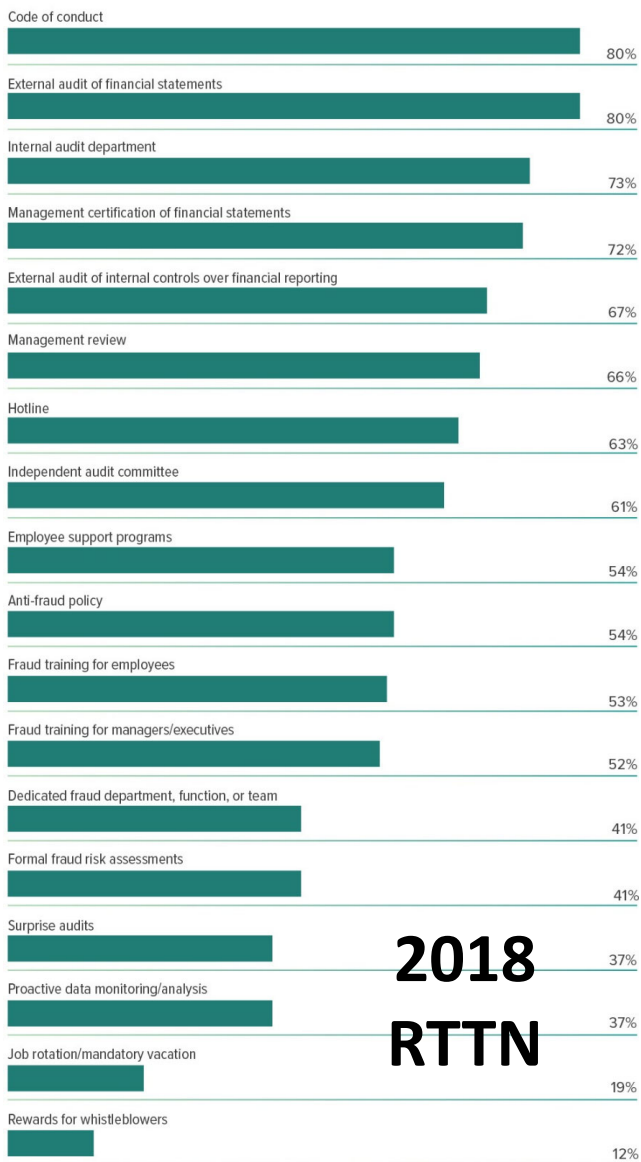
Hotline Metrics



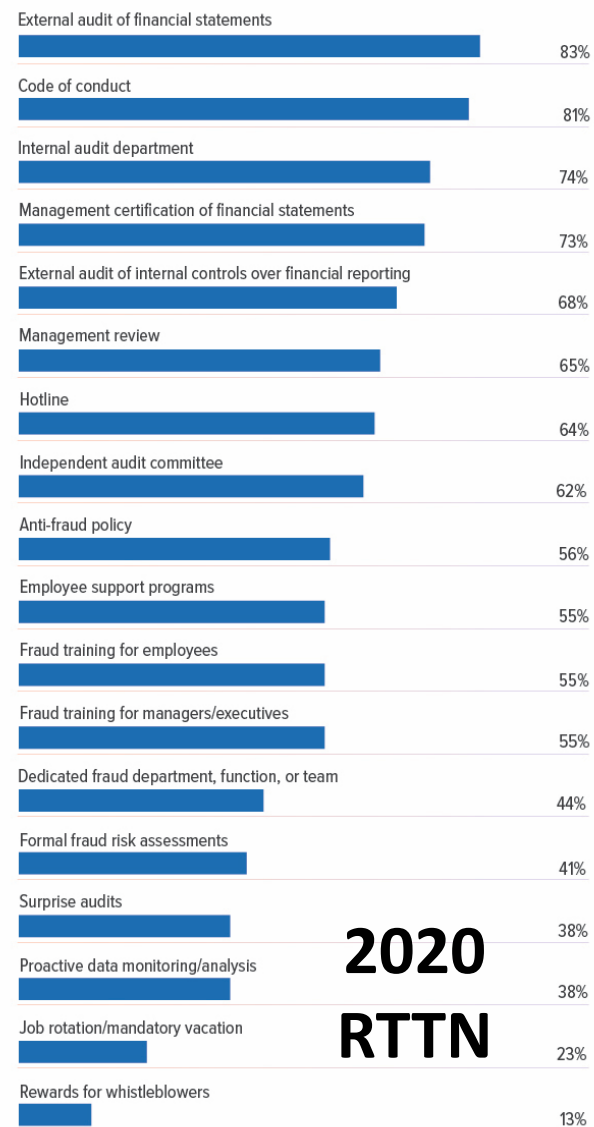
Active vs. Passive Detection Methods



Most Common Anti-Fraud Controls



**2018
RTTN**







**2020
RTTN**

Effectiveness of Controls

How has the use of anti-fraud controls changed over the last decade?

Over the last ten years of our studies, four of the controls we've analyzed have seen a consistent and notable increase in implementation rates. These controls are among those most commonly associated with a robust anti-fraud program, which indicates that increasing numbers of organizations are taking the threat of fraud seriously and implementing measures specifically designed to help them mitigate these risks.

	2010	2020	Increase
 HOTLINE	51%	64%	13%
 ANTI-FRAUD POLICY	43%	56%	13%
 FRAUD TRAINING FOR EMPLOYEES	44%	55%	11%
 FRAUD TRAINING FOR MANAGERS/EXECUTIVES	46%	55%	9%

Effectiveness of Controls

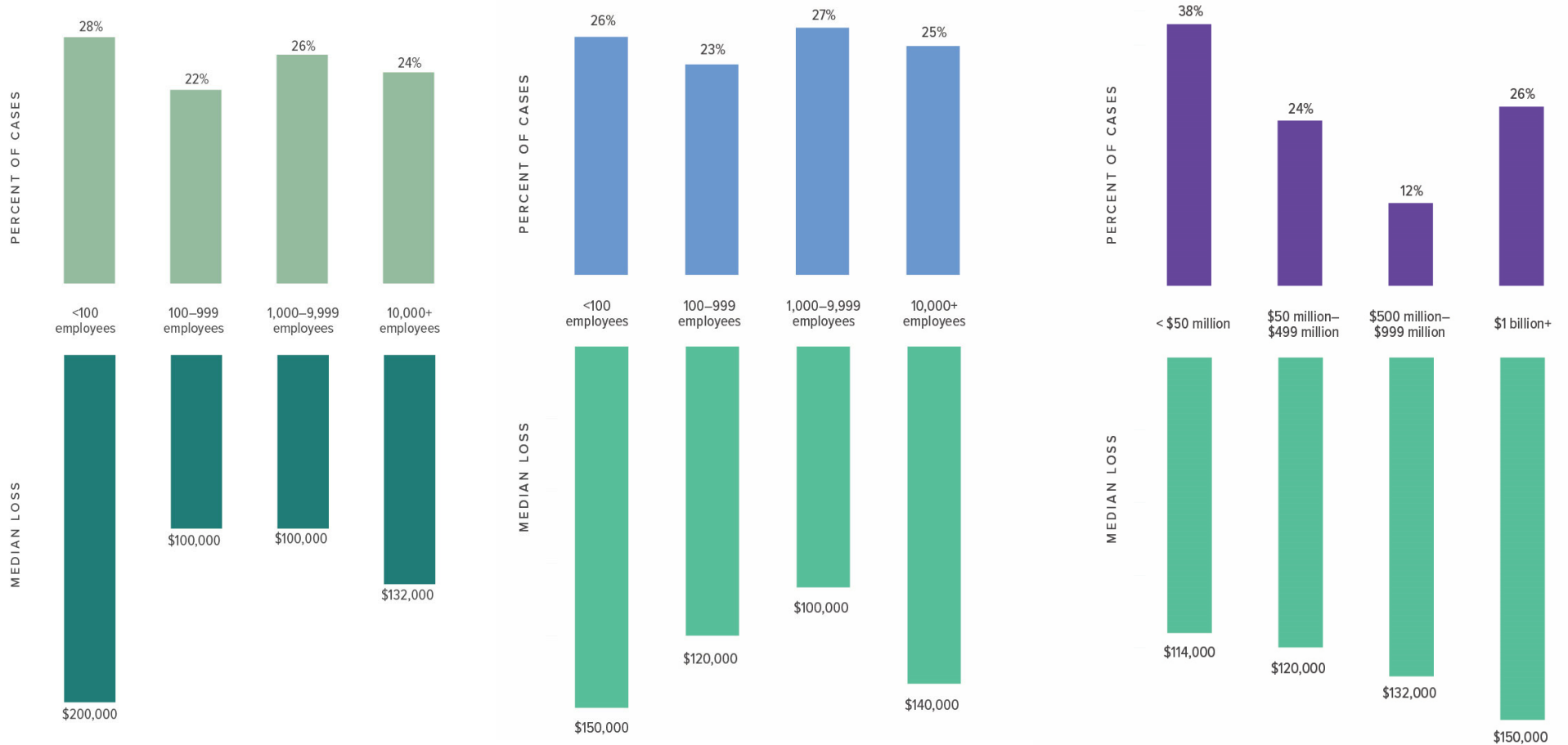
Control	Percent of cases	Control in place	Control not in place	Percent reduction
Code of conduct	81%	\$100,000	\$205,000	51%
Internal audit department	74%	\$100,000	\$200,000	50%
Management certification of financial statements	73%	\$100,000	\$200,000	50%
External audit of internal controls over financial reporting	68%	\$100,000	\$200,000	50%
Management review	65%	\$100,000	\$200,000	50%
Hotline	64%	\$100,000	\$198,000	49%
External audit of financial statements	83%	\$110,000	\$204,000	46%
Fraud training for employees	55%	\$100,000	\$160,000	38%
Anti-fraud policy	56%	\$100,000	\$150,000	33%
Proactive data monitoring/analysis	38%	\$100,000	\$150,000	33%
Surprise audits	38%	\$100,000	\$150,000	33%
Formal fraud risk assessments	41%	\$100,000	\$150,000	33%
Employee support programs	55%	\$100,000	\$150,000	33%
Fraud training for managers/executives	55%	\$100,000	\$150,000	33%
Independent audit committee	62%	\$100,000	\$150,000	33%
Dedicated fraud department, function, or team	44%	\$100,000	\$145,000	31%
Job rotation/mandatory vacation	23%	\$100,000	\$130,000	23%
Rewards for whistleblowers	13%	\$120,000	\$122,000	2%

Control	Percent of cases	Control in place	Control not in place	Percent reduction
Code of conduct	81%	12 months	24 months	50%
Job rotation/mandatory vacation	23%	9 months	18 months	50%
Internal audit department	74%	12 months	24 months	50%
Management certification of financial statements	73%	12 months	24 months	50%
Management review	65%	12 months	24 months	50%
External audit of financial statements	83%	13 months	24 months	46%
Surprise audits	38%	11 months	18 months	39%
External audit of internal controls over financial reporting	68%	12 months	19 months	37%
Proactive data monitoring/analysis	38%	12 months	18 months	33%
Hotline	64%	12 months	18 months	33%
Formal fraud risk assessments	41%	12 months	18 months	33%
Anti-fraud policy	56%	12 months	18 months	33%
Fraud training for employees	55%	12 months	18 months	33%
Fraud training for managers/executives	55%	12 months	18 months	33%
Independent audit committee	62%	12 months	18 months	33%
Dedicated fraud department, function, or team	44%	12 months	18 months	33%
Rewards for whistleblowers	13%	11 months	16 months	31%
Employee support programs	55%	12 months	16 months	25%

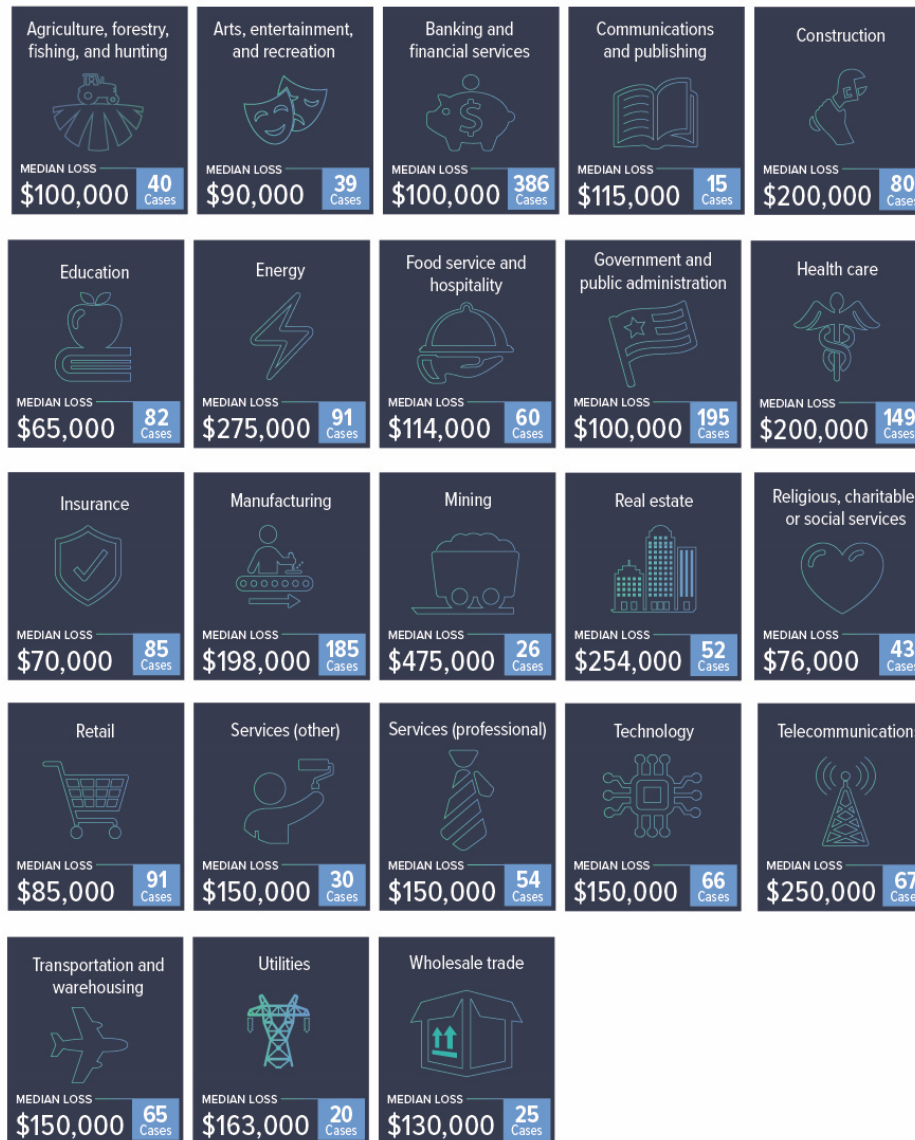
Organization Size vs. Size of Fraud

2018 RTTN

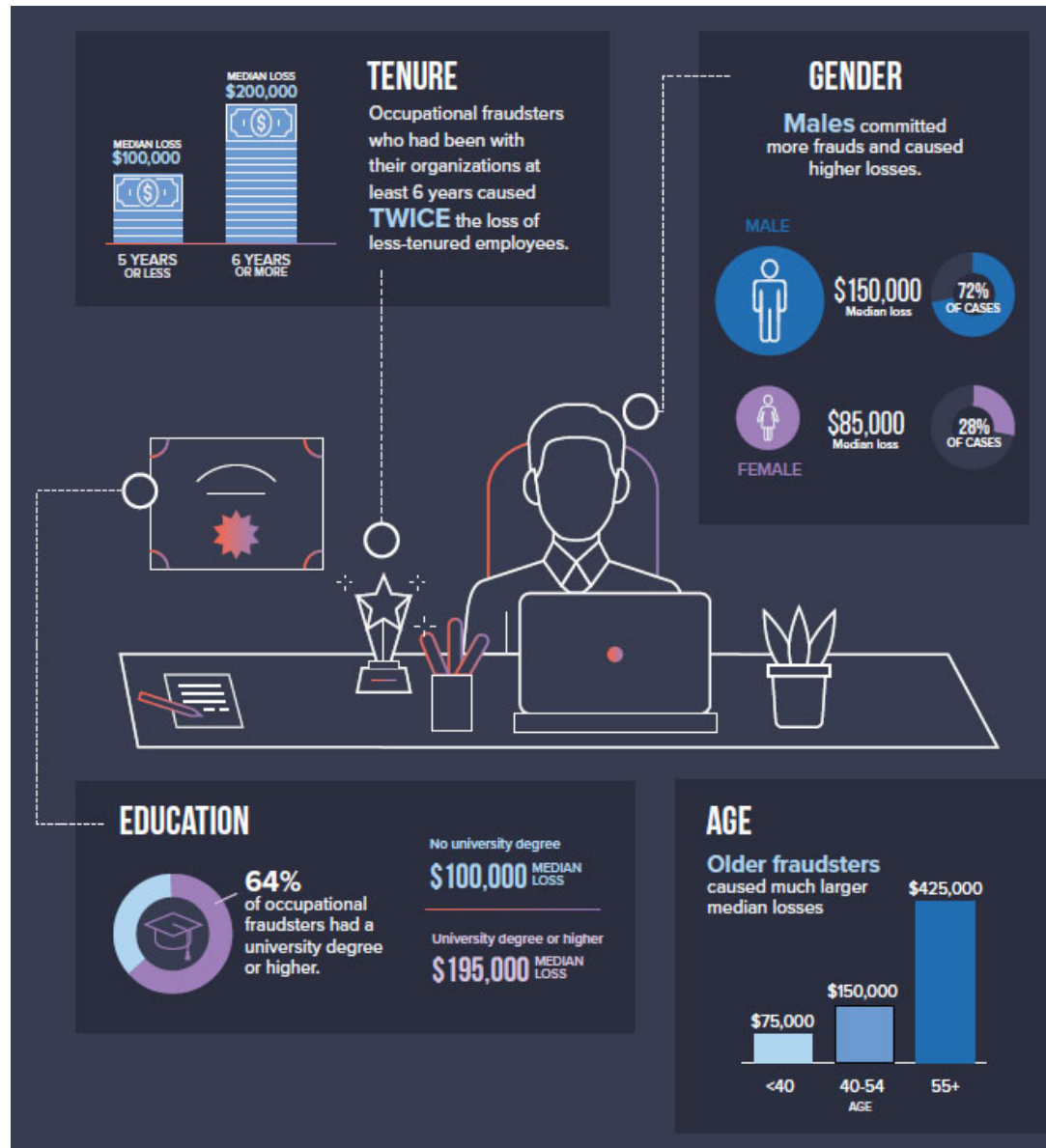
2020 RTTN



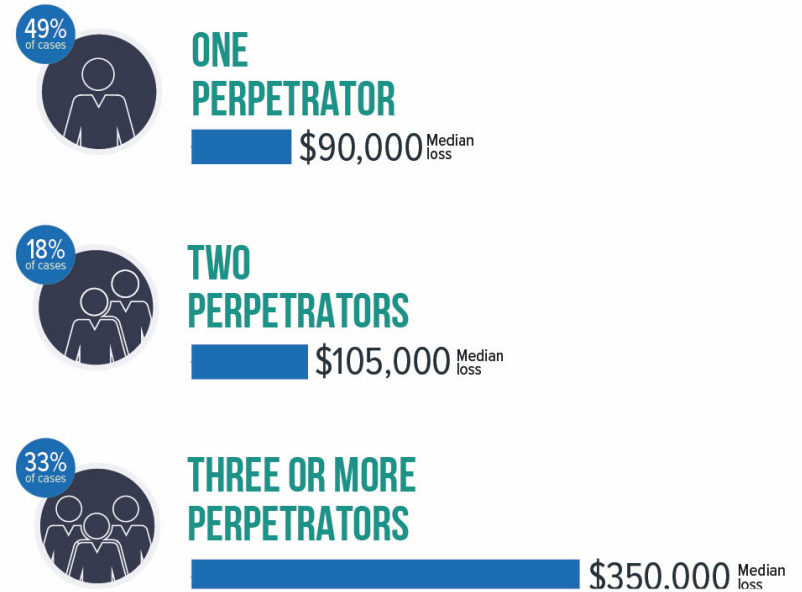
Frauds Based on Industries



Profile of a Fraudster



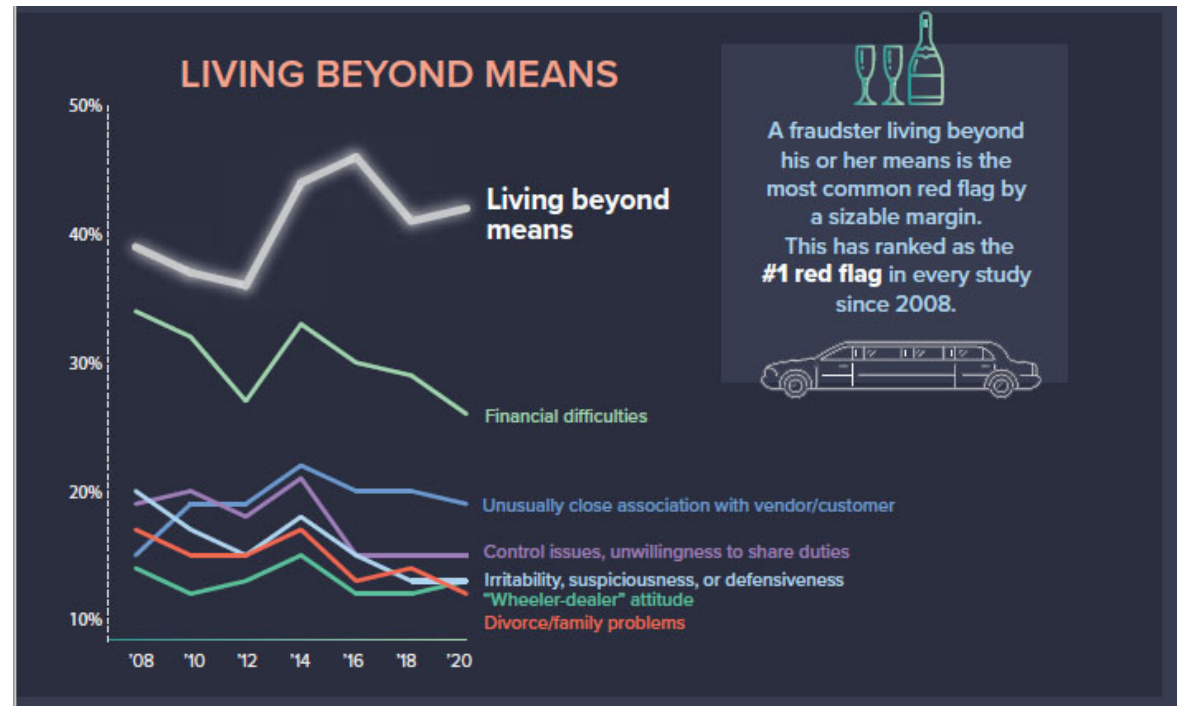
Collusion



	Median loss	Median duration	Scheme velocity (loss per month)
One perpetrator	\$90,000	14 months	\$6,400
Two perpetrators	\$105,000	14 months	\$7,500
Three or more perpetrators	\$350,000	15 months	\$23,300
Employee	\$60,000	12 months	\$5,000
Manager	\$150,000	18 months	\$8,300
Owner/executive	\$600,000	24 months	\$25,000

Behavioral Red Flags

85% OF ALL FRAUDSTERS displayed at least one **BEHAVIORAL RED FLAG** while committing their crimes.

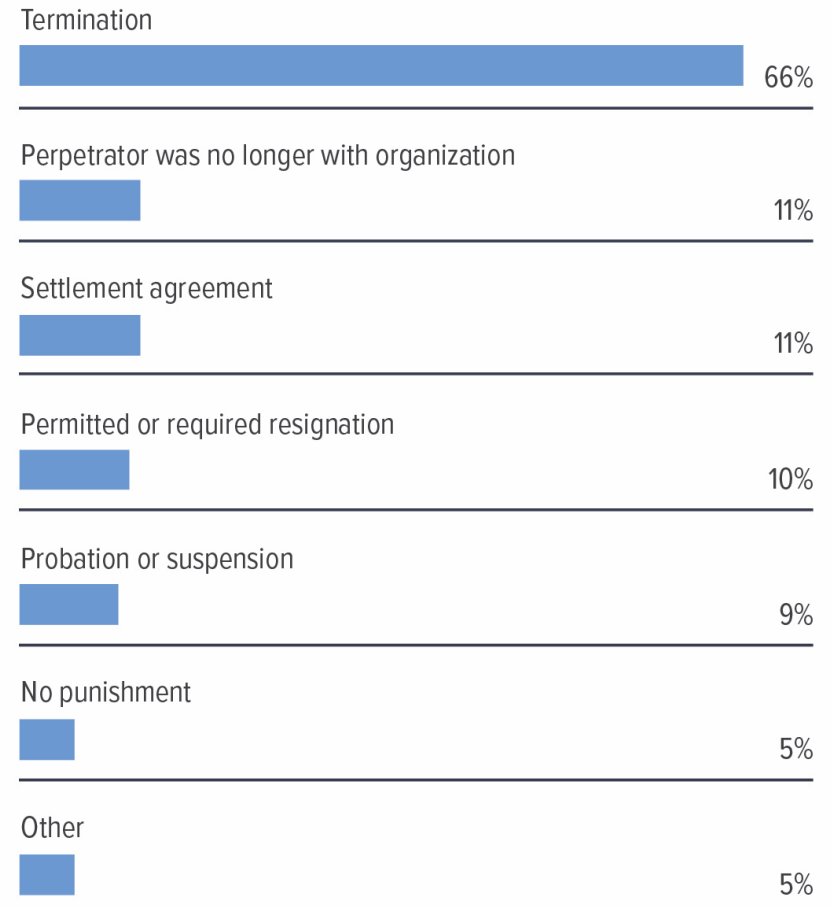


Case Results – How to Punish a Fraudster

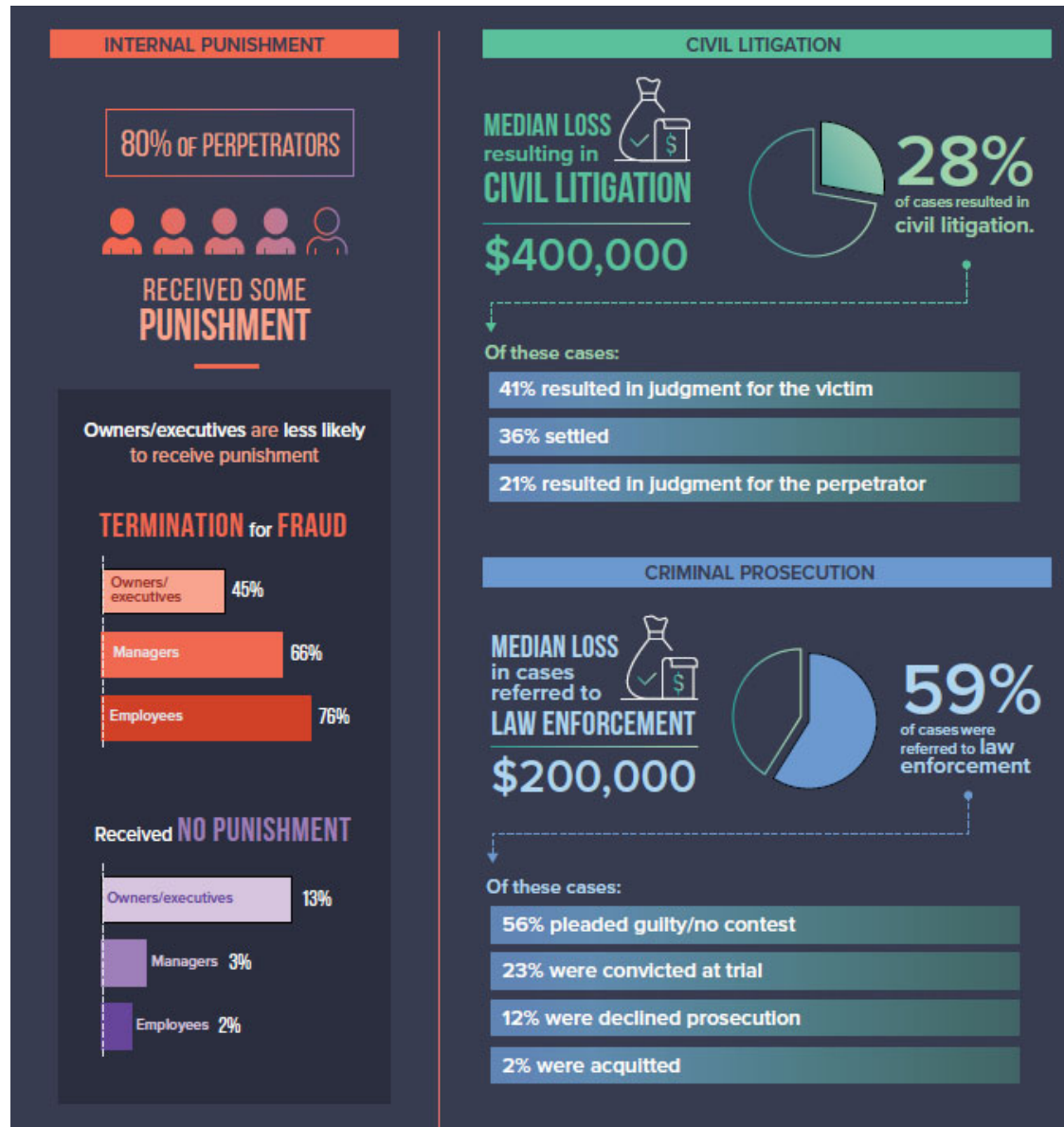
2018 RTTN



2020 RTTN



Types of Punishment



Criminal Litigation

