

The Profile of a Fraudster

*Who is most likely to commit
occupational fraud?*

International Fraud Awareness Week

This presentation was created by the
Association of Certified Fraud Examiners (ACFE)
for **International Fraud Awareness Week.**



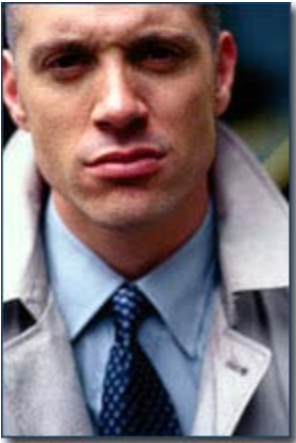
Visit www.FraudWeek.com for more information.

The Cost of Occupational Fraud

According to the ACFE's ***2012 Report to the Nations on Occupational Fraud & Abuse***, organizations lose an estimated five percent of their annual revenues to fraud.

- Applied to the estimated 2011 Gross World Product, this figure translates to a potential global fraud loss of more than \$3.5 trillion.
- The median loss caused by the occupational fraud cases in our study was \$140,000.
- More than one-fifth of the frauds involved losses of at least \$1 million.
- The frauds lasted a median of 18 months before being detected.

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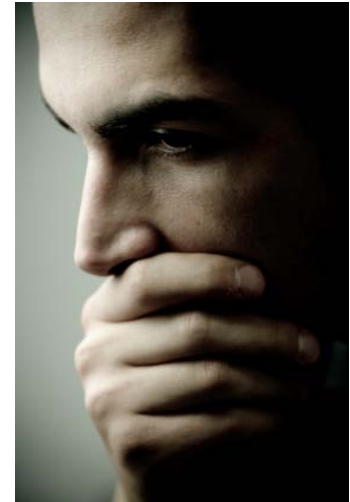


A fraud suspect might not be easy to pick out of a crowd - or from a rap sheet. However, ACFE research helps identify certain common traits and red flags.

Profile of a Fraudster

The Age Factor

- More than half of all cases in the study were committed by individuals between the ages of 31 and 45.
- Generally speaking, median losses tended to rise with the age of the perpetrator. This trend is also reflected in tenure at an organization.



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The Perpetrator's Department

Fraud offenders were most likely to be found in one of six departments:

- Accounting (22%)
- Operations (17%)
- Sales (13%)
- Executive/upper management (12%)
- Customer service (7%)
- Purchasing (6%)



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A Clean Record

- Most of the fraudsters in the study had never been previously charged or convicted for a fraud-related offense.
- Only six percent of the perpetrators had been previously convicted of a fraud offense. This finding is consistent with prior ACFE studies.

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Warning Signs and Red Flags

The most common behavioral red flags displayed by perpetrators:

- Living beyond one's means (36 percent of cases)
- Experiencing financial difficulties (27 percent of cases)



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More Behavioral Red Flags

- Unusually close association with vendor/customer (19%)
- Control issues; unwillingness to share duties (18%)
- “Wheeler-dealer” attitude (15%)
- Divorce/family problems (15%)
- Irritability, suspiciousness or defensiveness (13%)
- Addiction problems (8%)
- Refusal to take vacations (7%)

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Tone at the Top



High-level perpetrators cause the greatest damage to their organizations.

- Frauds committed by owners/executives were more than three times as costly as frauds committed by managers, and more than nine times as costly as employee frauds.
- Executive-level frauds also took much longer to detect.

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The most common crimes committed in the executive suite:

- Corruption (54%)
- Billing schemes (33%)
- Expense reimbursement fraud (21%)
- Fraudulent statements (21%)
- Non-cash (16%)
- Other schemes include skimming, cash on hand, payroll fraud, cash larceny, check tampering and register disbursements

Additional Resources

The ACFE's *2012 Report to the Nations on Occupational Fraud & Abuse* is drawn from a survey of 1,388 Certified Fraud Examiners (CFEs) who investigated fraud cases between January 2010 and December 2011.

In addition to studying the traits of perpetrators, the *Report* includes data on how occupational fraud is committed and detected, as well as the characteristics of the victim organization.

The *Report to the Nations* is available for download online at the ACFE's web site: **www.ACFE.com/RTTN**. The *Report* is in PDF format.

Additional Resources

Find more information about preventing and detecting fraud at the following web sites:

- The Association of Certified Fraud Examiners (www.ACFE.com)
- The Federal Bureau of Investigation (www.FBI.gov)
- The National White Collar Crime Center (www.nwc3.org)
- U.S. Government Accountability Office (www.GAO.gov)
- Internal Revenue Service (www.IRS.gov)

About the ACFE



- The ACFE is the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with nearly 65,000 members, the ACFE is reducing business fraud world-wide and inspiring public confidence in the integrity and objectivity within the profession. Visit ACFE.com for more information.