

# Simple Steps to Help Prevent Fraud Losses

# 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](http://www.FraudWeek.com) for more information.

# Occupational Fraud: A Pervasive Problem



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.

# Occupational Fraud: A Pervasive Problem

- 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.

# Occupational Fraud: A Pervasive Problem

- More than 80% of the frauds in our study were committed by individuals in one of six departments: accounting, operations, sales, executive/upper management, customer service or purchasing.
- More than 85% of fraudsters in our study had never been previously charged or convicted for a fraud-related offense.

# Combating Occupational Fraud

The ACFE has identified a few simple steps any organization can take to identify and effectively manage potentially costly fraud losses.



# Combating Fraud: Step One

## **Step One: Be Proactive**

- Establish and maintain internal controls specifically designed to prevent and detect fraud.
- Adopt a code of ethics for management and employees.

# Combating Fraud: Step One

- Set a tone at the top that the company will not tolerate any unethical behavior:
  - 1) Provide regular communication with employees regarding anti-fraud policies.
  - 2) Punish fraud perpetrators when a violation is discovered.



# Combating Fraud: Step Two

## **Step Two: Establish Hiring Procedures**

- When hiring staff, conduct thorough background investigations.
- Check educational, credit and employment history (as permissible by law), as well as references.
- After hiring, incorporate evaluation of the employee's compliance with company ethics and antifraud programs into regular performance reviews.

# Combating Fraud: Step Three

## **Step Three: Train Employees in Fraud Prevention**

- Once carefully-screened employees are on the job, are they aware of procedures for reporting suspicious activity by customers or co-workers?
- Do workers know the warning signs of fraud?
- Ensure that staff know at least some basic fraud prevention techniques. Provide anti-fraud education in live trainings, and in employee newsletters or other communications tools.

# Combating Fraud: Step Four

## **Step Four: Conduct Regular Audits**

- High risk areas, such as financial or inventory departments, are obvious targets for routine audits. Surprise audits of those and all parts of the business are crucial.
- A good starting point in identifying fraud risks and establishing a strategy to prevent such losses is the ACFE's Fraud Prevention Check-up (visit [ACFE.com](https://www.acfe.com) to download).

# Combating Fraud: Step Five

## Step Five: Call in An Expert

- For most firms, fraud examination is not a core business component. That's why, when fraud is suspected or discovered, it is imperative to enlist the anti-fraud expertise of a Certified Fraud Examiner (CFE).



- The CFE credential is recognized by businesses and governments worldwide as the standard for fraud prevention and detection.
- Use the “Find a CFE” feature on [ACFE.com](https://www.acfe.com) to locate a Certified Fraud Examiner in your area.

# Additional Resources

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

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