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Occupational Fraud - An Attack From Within

BUSINESS ADVISORS, FRAUD/INVESTIGATIVE & FORENSIC ACCOUNTING
BY ALYSSA BRUNATTI

In the Association of Certified Fraud Examiners' ("ACFE") 2018 *Report to the Nations*, the ACFE presents its findings related their study of 2,690 cases of occupational fraud that were investigated between January 2016 and October 2017.

As defined in this report, occupational fraud is fraud committed against an organization by its own officers, directors or employees. In short, it is an attack from within.

The three major types of occupational fraud are asset misappropriation, corruption and financial statement fraud.

Asset misappropriation is the most common form of occupational fraud, in terms of frequency, representing 89% of cases in the ACFE's study. However, the median loss related to asset misappropriation cases was only \$114,000, which is significantly less than the other two types.

Corruption schemes fell in the middle, representing 38% of cases and a median loss of \$250,000.

Financial statement fraud was seen in only 10% of the cases investigated; however, it was certainly the most expensive type of fraud with a reported median loss of \$800,000.

Based on the 2,690 cases studied, the ACFE reported over \$7.1 billion in total losses, with a median loss of \$130,000 per case.

It is important to note that fraud schemes often consist of more than one form of fraud. Almost one-third of the cases in the ACFE's study involved multiple forms of occupational fraud. This is a very important fact to take into consideration when designing or evaluating an organization's control environment.

The study also showed that each of the 18 entity-level anti-fraud controls assessed in the study were associated with both reduced fraud losses and quicker fraud detection.

For example, the study showed that surprise audits and the use of proactive data monitoring and analysis cut fraud losses in half. However, smaller organizations tend to have fewer, if any, anti-fraud controls, leaving these organizations often more susceptible to fraud.

Should you identify fraud, or have concerns of fraud occurring in your organization, contact Joel Rosenthal at 412.697.5387 or jrosenthal@sdcpa.com or Alyssa Brunatti at

412.697.5371 or abrunatti@sdcpa.com to see how we can help you address those risks.

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