



BUSINESS FRAUD

The following statistics regarding fraud and white-collar crime are from the 2002 Report to the Nation. This report, conducted by the Association, provides the most detailed view yet of how occupational fraud affects organizations in the U.S. The entire 2002 Report to the Nation is also available for download at <http://www.cfenet.com/media/2002RttN/>. (US Figures)

- It is estimated that 6% of revenues will be lost in 2002 as a result of occupational fraud and abuse. Applied to the U.S. Gross Domestic Product, this translates to losses of approximately \$600 billion, or about \$4,500 per employee.
- Organizations with fraud hotlines cut their fraud losses by approximately 50% per scheme. Internal audits, external audits, and background checks also significantly reduce fraud losses.
- Small businesses are the most vulnerable to occupational fraud and abuse. The average scheme in a small business causes \$127,500 in losses. The average scheme in the largest companies costs \$97,000.
- The most common method for detecting occupational fraud is through tips from employees, customers, vendors and anonymous sources. The second most common method of discovery is by accident.
- The typical occupational fraud perpetrator is a first-time offender. Only 7% of occupational fraudsters in this study were known to have prior convictions for fraud-related offences.
- All occupational frauds fall into one of three categories: asset misappropriations, corruption, or fraudulent statements.
- Over 80% of occupational frauds involve asset misappropriations. Cash is the targeted asset 90% of the time.
- Corruption schemes account for 13% of all occupational frauds and they cause over \$500,000 in losses, on average.
- Fraudulent statements are the most costly form of occupational fraud with median losses of \$4.25 million per scheme.
- Frauds committed by employees cause median losses of \$60,000, while frauds committed by managers or executives cause median losses of \$250,000. When managers and employees conspire in a fraud scheme, the median loss rises to \$500,000.
- Losses caused by perpetrators older than 60 are 27 times higher than losses caused by employees 25 and younger.
- The average fraud scheme lasted 18 months before it was detected.