

FRAUD IN THE WAKE OF COVID-19: BENCHMARKING REPORT

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ACFE®

Association of Certified Fraud Examiners

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INTRODUCTION

As the COVID-19 pandemic enters another calendar quarter, its effects continue to permeate numerous aspects of global business operations—including organizations' fraud risks and anti-fraud programs. Following our initial benchmarking report on fraud trends in the wake of COVID-19 (released in June 2020), we conducted a second survey from late July to mid-August 2020 to gauge how these effects continue to unfold for organizations around the world. This report summarizes the results of this second survey.

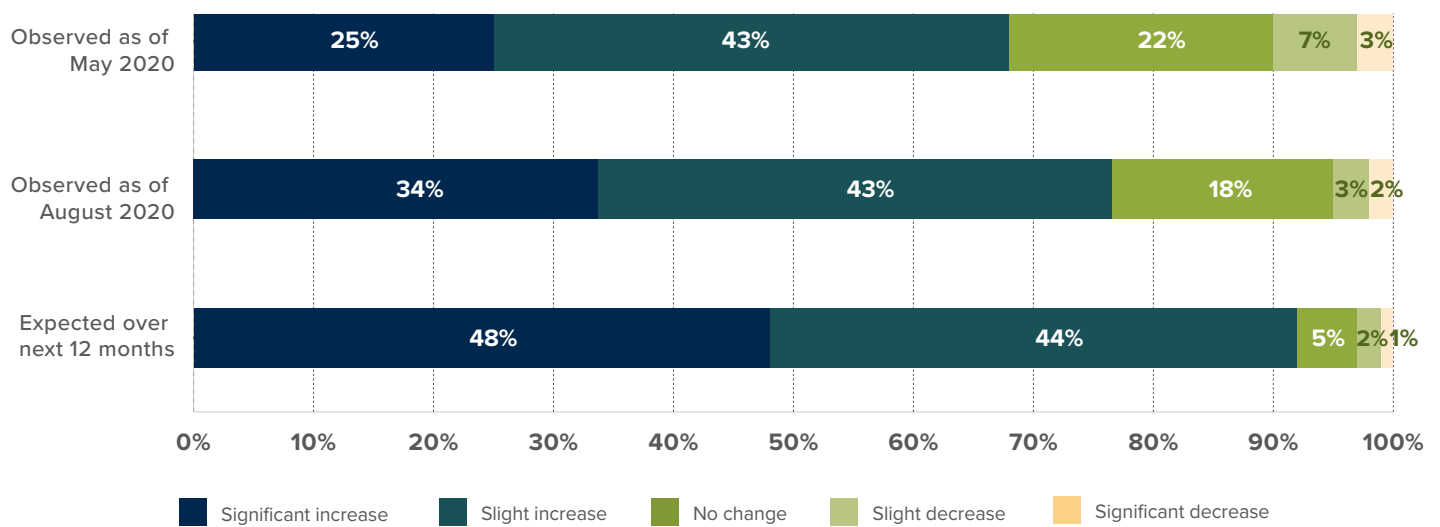
As with our previous research, we are exceptionally grateful to the ACFE members who contributed their time and insight into the current and anticipated state of the anti-fraud profession during the global pandemic. We hope that the information provided in this series of studies is useful to anti-fraud practitioners, business leaders, and the general public in understanding the evolution of fraud in the wake of the coronavirus, as well as the importance of heightening anti-fraud measures to protect against fraudulent activity during this unprecedented time.



HOW COVID-19 IS AFFECTING THE OVERALL LEVEL OF FRAUD

As of August 2020, 77% of respondents said they had observed an increase in the overall level of fraud, with one-third noting that this increase has been significant. The observed level of fraud has grown since our May 2020 study, in which 68% of respondents had seen an increase in fraud, with one-quarter observing a significant increase. Our findings indicate this uptick is likely to continue; 92% of respondents expect to see a further increase in the overall level of fraud during the next year, and nearly half expect that increase to be significant.

FIG. 1 Change in the overall level of fraud





HOW COVID-19 IS AFFECTING SPECIFIC FRAUD RISKS

While the overall level of fraud has increased in the wake of COVID-19, certain types of fraud are presenting more pervasive risks to organizations than others. We asked survey respondents about the current and expected change in 12 individual categories of fraud risks; while the majority of respondents noted an increase in each of these categories, several risks appear to be more prominent across the board.

As in our May 2020 study, cyberfraud (e.g., business email compromise, hacking, ransomware, and malware) continues to be the most heightened risk for organizations, with 83% of respondents already observing an increase in these schemes and 90% anticipating a further increase over the next year. Other significant risks in terms of both observed and expected increases include unemployment fraud, payment fraud (e.g., credit card fraud and fraudulent mobile payments), and fraud by vendors and sellers (e.g., price gouging, product misrepresentation, and overbilling).

FIG. 2 Change in specific fraud risks



*Unemployment fraud and bankruptcy fraud were not included in May 2020 benchmarking study.

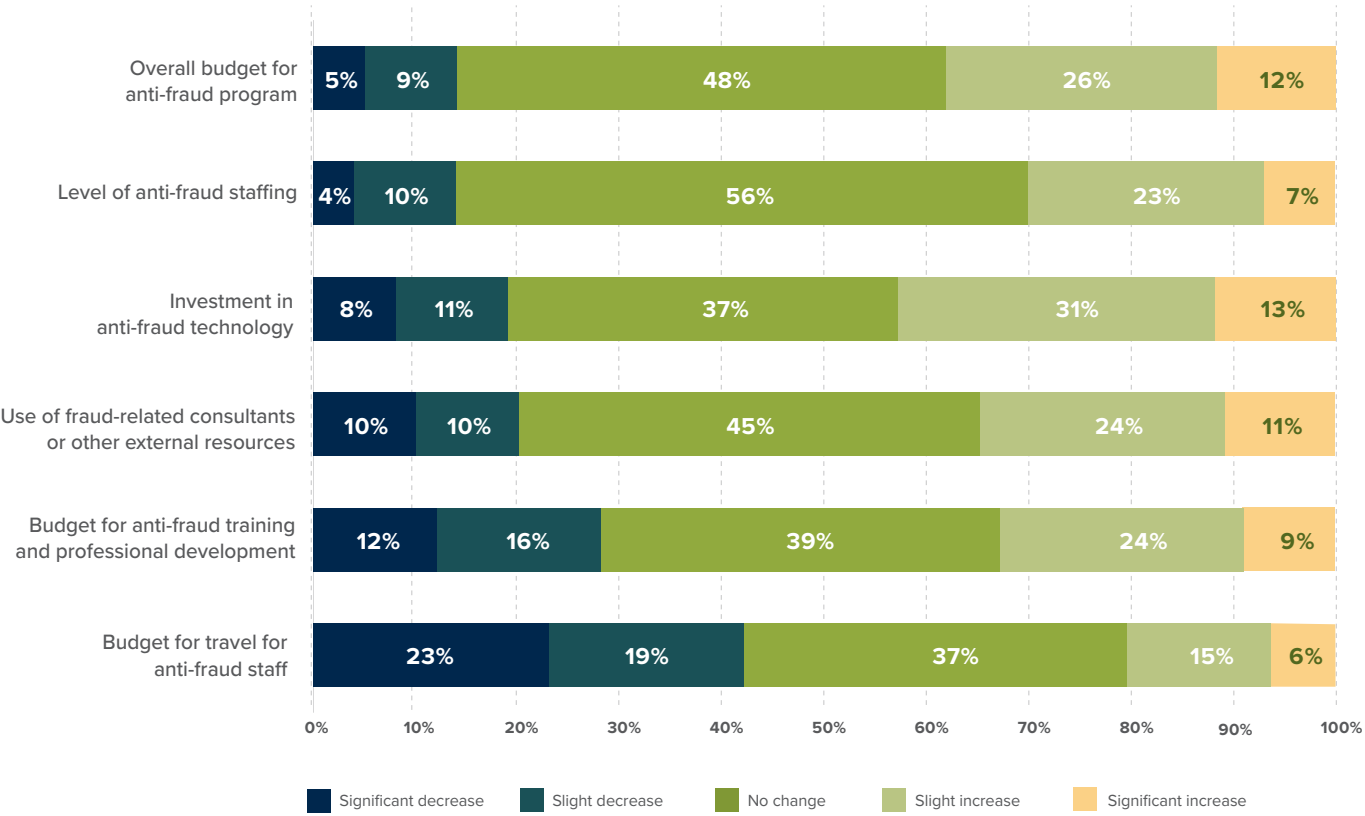


HOW COVID-19 IS AFFECTING ORGANIZATIONS' ANTI-FRAUD PROGRAMS

To understand how the effects of COVID-19 translate specifically to organizations' anti-fraud programs, we asked respondents about the expected changes in their program budgets and resources over the next 12 months. Overall budgets for anti-fraud programs are generally expected to either increase (38%) or remain about the same (48%); only 14% of respondents anticipate a decreased budget for their anti-fraud programs during the next year. However, within those budgets, there is some variation regarding the anticipated level and type of changes for individual components.

Budgets for travel for anti-fraud staff are expected to decrease the most, with 42% of respondents predicting a slight or significant decrease in this area. On the other end of the spectrum, 44% of respondents' organizations are likely to increase their spending on anti-fraud technology, and approximately one-third will likely increase their budgets for both fraud-related consultants and anti-fraud training during the same period. Staffing levels for anti-fraud teams are also expected to hold steady or increase for the vast majority of organizations, with only 14% of respondents noting that they expect a reduction in their anti-fraud staff during the next 12 months.

FIG. 3 Expected change in anti-fraud program budgets and resources over the next 12 months



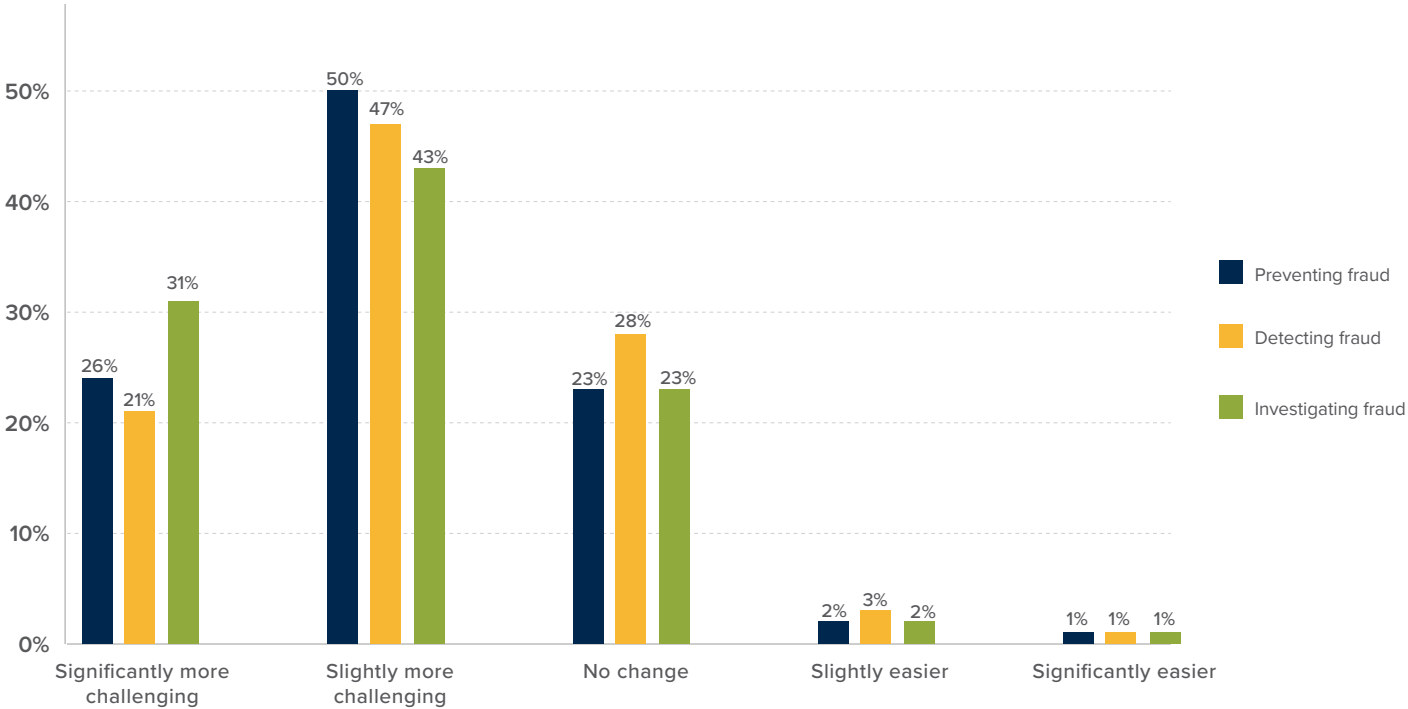


HOW COVID-19 IS AFFECTING THE ABILITY TO FIGHT FRAUD

DIFFICULTY IN PREVENTING, DETECTING, AND INVESTIGATING FRAUD

We asked survey respondents about the difficulty level of preventing, detecting, and investigating fraud in the wake of COVID-19. Unsurprisingly, respondents overwhelmingly indicated that all three of these activities are more difficult now than they were previously. More than three-quarters indicated that preventing fraud is more challenging in the current environment, with 26% noting that it is significantly so. Similarly, 74% of respondents have found investigating fraud more difficult (31% significantly more challenging), and 68% have found fraud detection more difficult (21% significantly more challenging).

FIG. 4 Change in difficulty level of anti-fraud activities

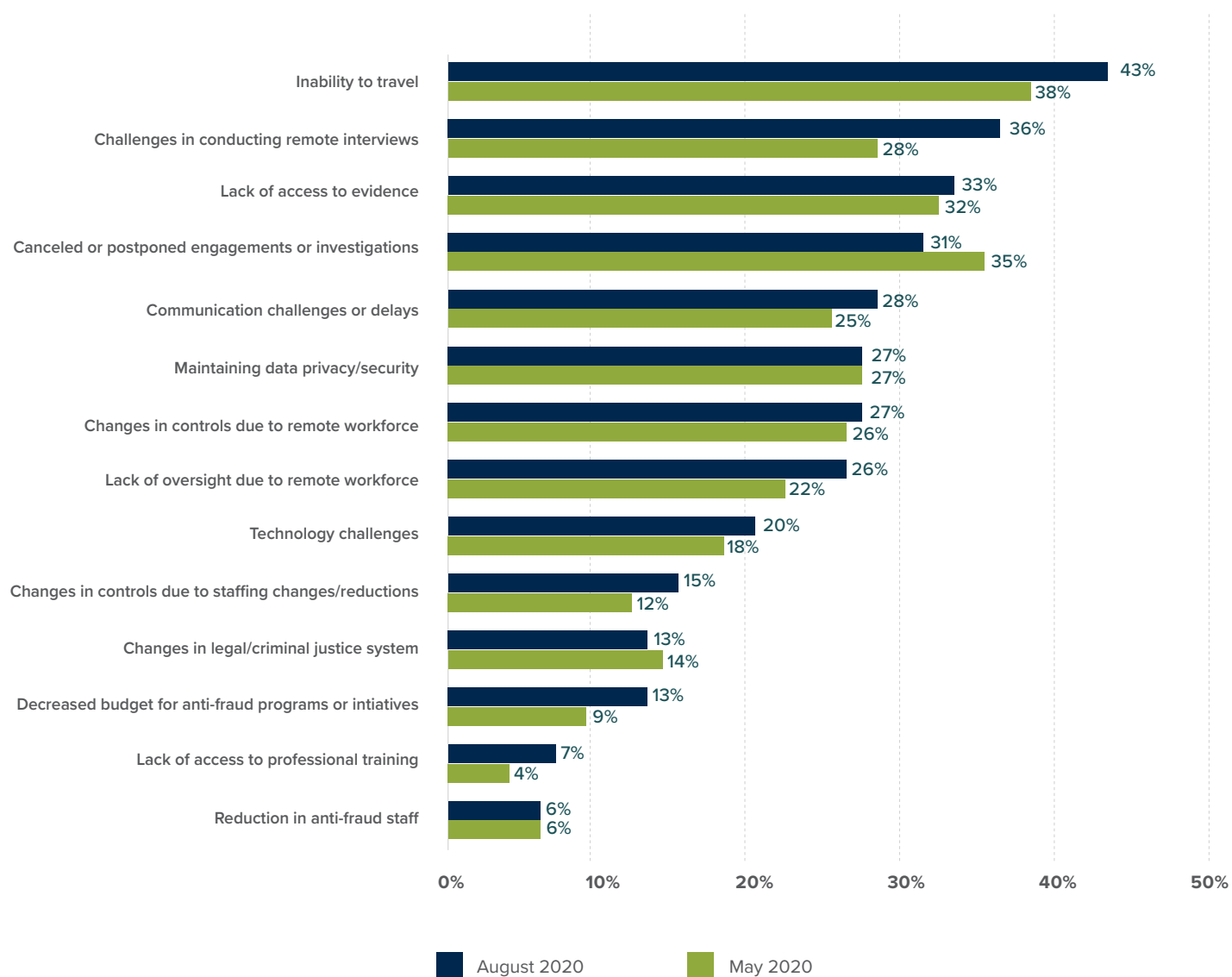




COMMON CHALLENGES IN FIGHTING FRAUD

Our study shows that the primary reasons that fighting fraud has become more difficult are tied predominantly to the physical restrictions currently placed on individuals in many locations. When asked about their most prominent challenges in combating fraud in the current environment, respondents noted the inability to travel, issues with conducting remote interviews, and lack of access to evidence as their top difficulties. These findings have shifted somewhat from our initial study in May 2020, when slightly more individuals were challenged by canceled or postponed engagements (35% in May versus 31% in August), and slightly fewer noted remote interviews as a top challenge (28% in May versus 36% in August).

FIG. 5 Most prominent challenges in combating fraud in the wake of COVID-19





METHODOLOGY AND DEMOGRAPHICS OF SURVEY RESPONDENTS

In late July 2020, we invited 81,049 ACFE members to participate in a 12-question survey. Survey responses were collected anonymously. We received 2,096 survey responses that were usable for purposes of this report; all findings presented herein are based on these responses.

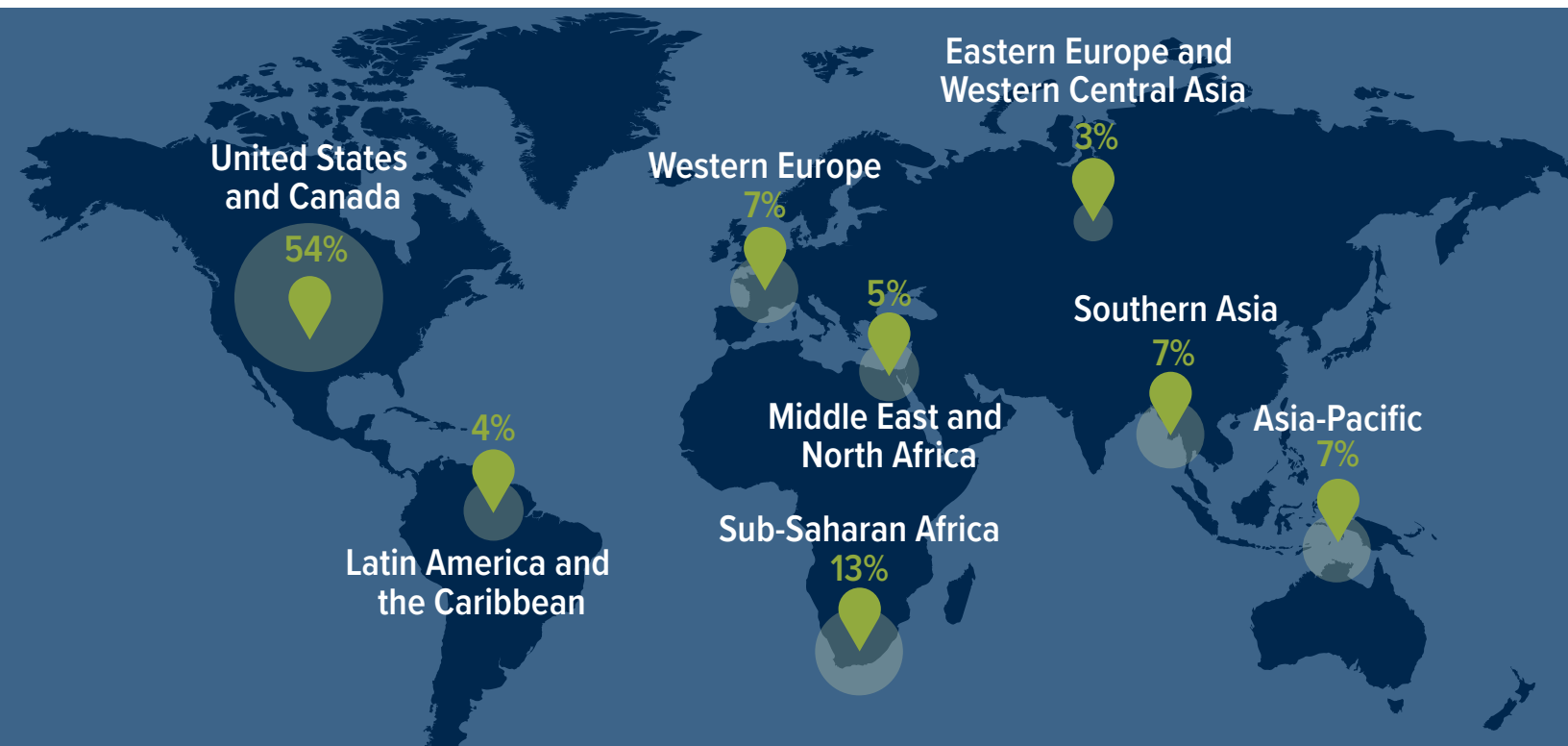
INDUSTRY

Nearly one-quarter of survey respondents work in the banking and financial services industry, 20% are in the government and public administration sector, and 15% work in professional services. The remaining 42% of respondents are distributed across other industries.

FIG. 6 Industry of respondents' organizations



FIG. 7 Region of respondents' organizations



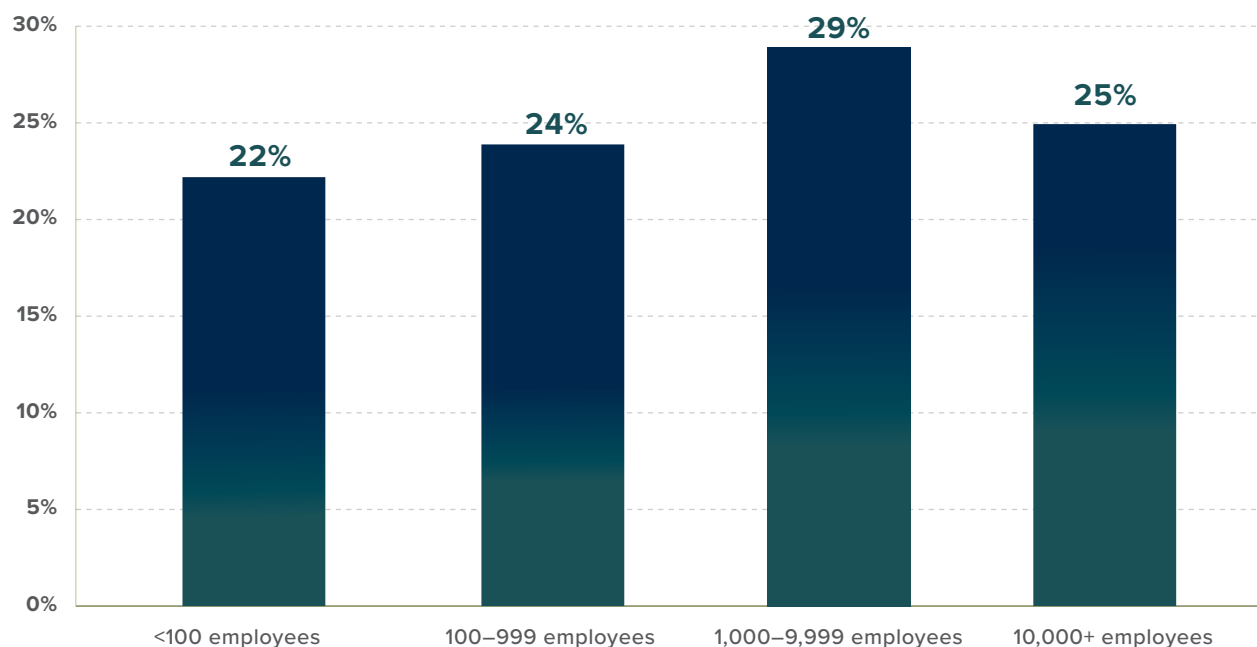
REGION

Our survey respondents reflect the geographic makeup of ACFE membership, providing a global view into fraud in the wake of COVID-19. Just over half (54%) of the respondents to our survey reside in the United States and Canada; 13% live in Sub-Saharan Africa; 7% each live in the Asia-Pacific region, Southern Asia, and Western Europe; 5% live in the Middle East and North Africa; 4% live in Latin America and the Caribbean; and 3% live in Eastern Europe and Western/Central Asia.

ORGANIZATION SIZE

We asked respondents about the size of their employing organizations. As shown in Figure 8, respondents were fairly evenly split among the four size categories.

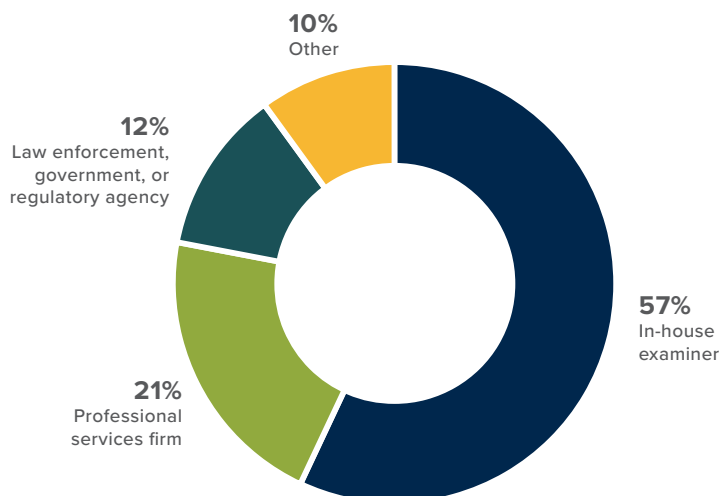
FIG. 8 Size of respondents' organizations



PROFESSIONAL ROLE

More than half (57%) of the respondents in our study work in-house and conduct fraud-related engagements within a single company or agency, while 21% work for a professional services firm that conducts fraud-related engagements on behalf of client organizations. Another 12% work for a law enforcement, government, or regulatory agency that conducts fraud investigations of other parties under their employing agency's authority.

FIG. 9 Respondents' professional roles



ABOUT THE ACFE

Founded in 1988 by Dr. Joseph T. Wells, CFE, CPA, the ACFE is the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with more than 85,000 members in more than 180 countries, the ACFE is reducing business fraud worldwide and providing the training and resources needed to fight fraud more effectively.

The positive effects of anti-fraud training are far-reaching. Clearly, the best way to combat fraud is to educate anyone engaged in fighting fraud on how to effectively prevent, detect and investigate it. By educating, uniting and supporting the global anti-fraud community with the tools to fight fraud more effectively, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity of the profession. The ACFE offers its members the opportunity for professional certification. The Certified Fraud Examiner (CFE) credential is preferred by businesses and government entities around the world and indicates expertise in fraud prevention and detection.

MEMBERSHIP

Immediate access to world-class anti-fraud knowledge and tools is a necessity in the fight against fraud. Members of the ACFE include accountants, internal auditors, fraud investigators, law enforcement officers, lawyers, business leaders, risk/compliance professionals and educators, all of whom have access to expert training, educational tools and resources. Members from all over the world have come to depend on the ACFE for solutions to the challenges they face in their professions. Whether their career is focused exclusively on preventing and detecting fraudulent activities or they just want to learn more about fraud, the ACFE provides the essential tools and resources necessary for anti-fraud professionals to accomplish their objectives.

CERTIFIED FRAUD EXAMINERS

Certified Fraud Examiners (CFEs) are anti-fraud experts who have demonstrated knowledge in four critical areas: Financial Transactions and Fraud Schemes, Law, Investigation, and Fraud Prevention and Deterrence. In support of CFEs and the CFE credential, the ACFE:

- Provides bona fide qualifications for CFEs through administration of the CFE Exam
- Requires CFEs to adhere to a strict code of professional conduct and ethics
- Serves as the global representative for CFEs to business, government and academic institutions
- Provides leadership to inspire public confidence in the integrity, objectivity and professionalism of CFEs

For more information, visit [ACFE.com](https://www.acfe.com).



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