Internal Control Weaknesses That Contribute to Occupational Fraud

Various factors can facilitate a perpetrator’s ability to commit and conceal an occupational fraud scheme.

What are the primary internal control weaknesses that contribute to occupational fraud?

- Lack of internal controls, 32%
- Override of existing internal controls, 18%
- Lack of management review, 18%
- Poor tone at the top, 10%
- Lack of employee fraud education, 3%
- Lack of independent checks/audits, 5%
- Lack of competent personnel in oversight roles, 6%
- Other, 6%

Manager-level perpetrators are more likely than other perpetrators to override existing controls.

- Employees 15%
- Managers 22%
- Owner/executives 17%

Small companies are more likely to lack internal controls, while large companies are more likely to have controls overridden.

- Lack of internal controls: 43% (100+ employees), 28% (<100 employees)
- Override of existing internal controls: 12% (100+ employees), 20% (<100 employees)

Poor tone at the top was the primary risk factor in 22% of all financial statement frauds.

- Asset misappropriation: 8%
- Corruption: 15%
- Financial statement fraud: 22%

Manager-level perpetrators are more likely than other perpetrators to override existing controls.

- Lack of internal controls: 37% (2 or more perpetrators), 27% (1 perpetrator)
- Override of existing internal controls: 20% (2 or more perpetrators), 16% (1 perpetrator)
- Poor tone at the top: 14% (2 or more perpetrators), 5% (1 perpetrator)

Sole perpetrators take advantage of a lack of controls, while schemes involving collusion are supported by poor tone at the top and an ability to override controls.