The Impact of ANTI-FRAUD CONTROLS

Data from the ACFE's 2014 Global Fraud Study, *Report to the Nations on Occupational Fraud and Abuse.*

Download the full Report and view interactive graphs at **ACFE.com/RTTN**.

Our study includes an analysis of the fraud prevention and detection **CONTROLS** that organizations had in place at the time they were victimized by fraud.

EFFECTIVENESS OF ANTI-FRAUD CONTROLS

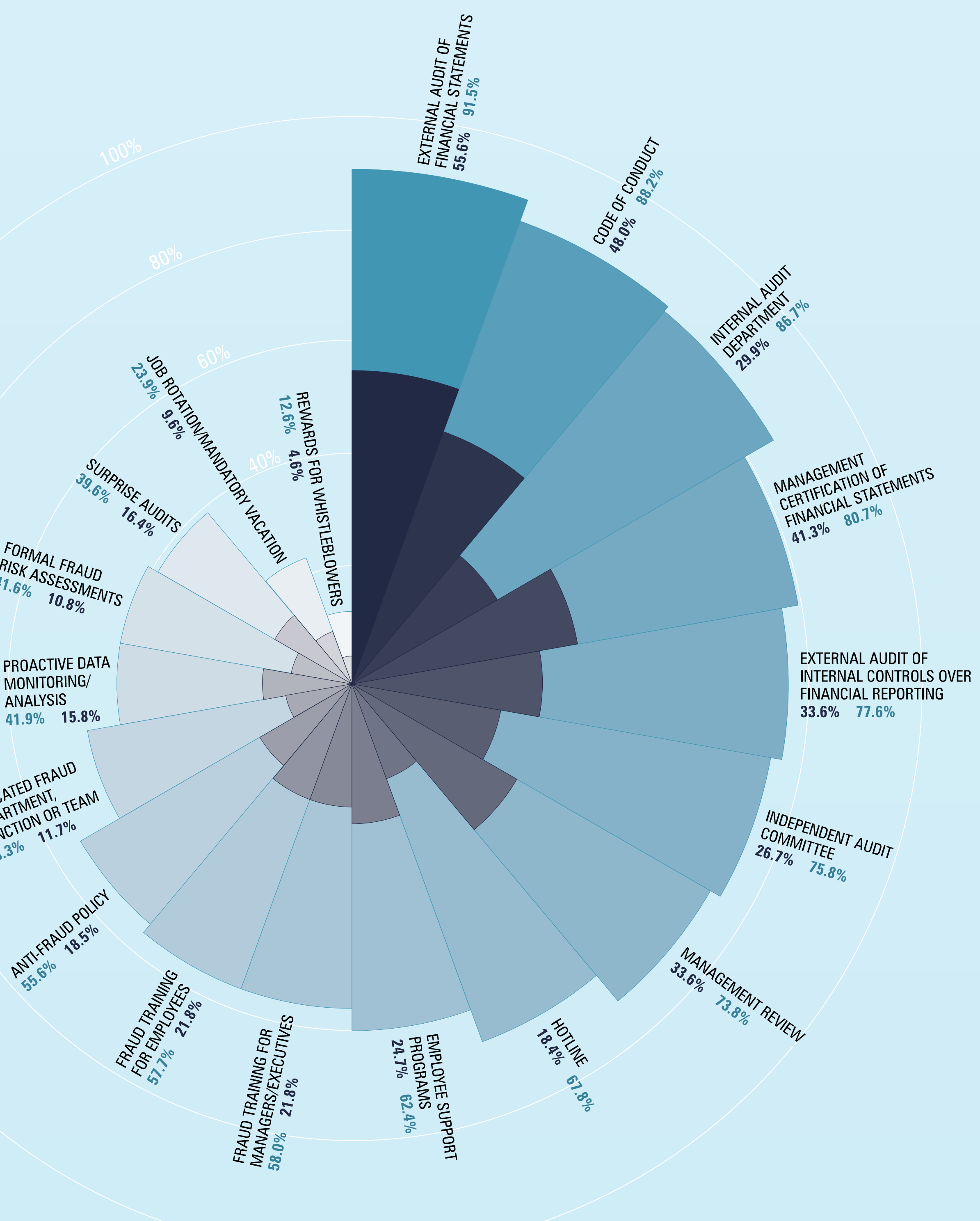
Control	MEDIAN LOSS WITH CONTROL (IN THOUSANDS)	MEDIAN LOSS WITHOUT CONTROL (IN THOUSANDS)
Proactive Data Monitoring/Analysis	$73	$181
Employee Support Programs	$90	$200
Management Review	$100	$208
Code of Conduct	$100	$200
Internal Audit Department	$100	$180
Formal Fraud Risk Assessments	$94	$168
Surprise Audits	$93	$164
External Audit of Internal Controls Over Financial Reporting	$103	$180
Fraud Training for Managers/Executives	$100	$168
Hotline	$100	$168
Dedicated Fraud Department, Function or Team	$100	$164
Fraud Training for Employees	$100	$164
Anti-Fraud Policy	$100	$155
Management Certification of Financial Statements	$120	$184
Job Rotation/Mandatory Vacation	$100	$150
External Audit of Financial Statements	$125	$186
Rewards for Whistleblowers	$100	$135
Independent Audit Committee	$120	$150

Organizations that had anti-fraud controls in place experienced **LOWER FRAUD LOSSES** than organizations without these controls.

ANTI-FRAUD CONTROLS IN SMALL BUSINESSES

The chart below shows the percentage of organizations that had implemented various anti-fraud controls

ORGANIZATIONS WITH <100 EMPLOYEES
ORGANIZATIONS WITH 100+ EMPLOYEES



Small companies had a significantly lower implementation rate for all anti-fraud controls than larger organizations did, leaving them **PARTICULARLY VULNERABLE TO FRAUD.**

IMPORTANCE OF HOTLINES

54 PERCENT OF ORGANIZATIONS HAD HOTLINES

42 PERCENT OF FRAUDS WERE DETECTED BY TIP

TIPS ARE THE MOST COMMON MEANS BY WHICH FRAUDS ARE DETECTED, but only 54% of victim organizations had a formal reporting mechanism in place.

RELIANCE ON EXTERNAL AUDITS

81 PERCENT OF ORGANIZATIONS HAD EXTERNAL AUDITS OF THEIR FINANCIAL STATEMENTS

...YET ONLY

3 PERCENT OF FRAUDS WERE DETECTED BY EXTERNAL AUDITS

External financial statement audits serve many useful purposes and were the most common control implemented by victim organizations. However, they were responsible for uncovering **ONLY 3% OF FRAUDS** in our study.

CONTROL WEAKNESSES CONTRIBUTING TO FRAUD

- **32.2%** Lack of Internal Controls
- **20.0%** Lack of Management Review
- **18.9%** Override of Existing Internal Controls
- **8.4%** Poor Tone at the Top
- **7.1%** Lack of Competent Personnel in Oversight Roles
- **4.9%** Other
- **3.5%** Lack of Independent Checks/Audits
- **2.9%** Lack of Employee Fraud Education
- **1.5%** Lack of Clear Lines of Authority
- **0.7%** Lack of Reporting Mechanism

CFEs cited the lack of effective internal controls as the primary contributing factor in nearly 1/3 of fraud cases.

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