2012 ACFE Report to the Nations

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Randy Wilson is a Senior Manager in the Forensic and Valuation Services Group of Plante Moran. He is a certified public accountant certified in financial forensics and an attorney with over 25 years of experience as an auditor, consultant and fraud examiner covering many diverse industries.

Randy recently served as Project Leader of a major investigation for Metra – the Commuter Rail Division of the Regional Transportation Authority. This investigation focused on internal controls and risk assessment for a public transit agency. He has performed special investigations for the City of Chicago (“Hired Trucks” and “911 Center”) and other governmental and not-for-profit entities.

Randy has provided consultative and expert witness services to clients involved in litigation related to allegations of improper financial conduct. His experience in accounting, financial reporting and investigations have enabled him to provide valuable insight on investigative and accounting issues related to SEC inquiries and other regulatory investigations.

Randy earned his Bachelor of Science degree in Business from Indiana University, and his Juris Doctor from the Chicago - Kent College of Law. He is a Certified Public Accountant, Certified in Financial Forensics and Fellow of the American College of Forensic Examiners. He is a member of the American Institute of Certified Public Accountants, Illinois CPA Society, Better Government Association and the American Bar Association. randy.wilson@plantemoran.com
Defining Occupational Fraud

OCCUPATIONAL FRAUD IS DEFINED BY THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS AS:

“The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.”
Elements of Fraud

- Misrepresentations of material fact
- Made knowingly and with intent to defraud
- Reliance on the misrepresentations by the victim
- Resulting in injury from such reliance
Three Categories of Fraud

• Asset misappropriation – employees steal or misuse their employers’ assets

• Corruption – employees misuse their influence in business transactions in a way that violates their duty to their employers in order to gain direct or indirect benefits

• Financial statement fraud – employees intentionally cause misstatements or omissions of material information in their employers’ financial reports
Fraud Categories and Schemes

Occupational Fraud and Abuse Classification System

Corruption
- Conflicts of Interest
  - Purchasing Schemes
  - Sales Schemes
- Bribery
  - Invoice Fraud
  - Bid Rigging
- Illegal Gratuities
- Economic Expropriation

Asset Misappropriation
- Asset/Revenue Overstatements
  - Timing Differences
  - Fictitious Revenues
  - Concealed Liabilities and Expenses
  - Improper Valuations
- Asset/Revenue Understatements
  - Timing Differences
  - Understated Revenues
  - Overstated Liabilities and Expenses
  - Improper Valuations

Financial Statement Fraud
- Cash
  - Theft of Cash on Hand
    - Skimming
    - Sales
    - Receivables
    - Credits
    - Unrecorded
    - Lapping Schemes
    - Uncovered
  - Theft of Cash Receipts
    - Cash Larceny

Fraudulent Disbursements
- Fraudulent Disbursements
  - Bills
    - Billing Schemes
    - Payroll Schemes
    - Expense Reimbursement Schemes
    - Check Forgery
    - Access Disbursements
  - Inventories
    - Bill and Hold
    - False Sales and Shipping
    - False Sales and Receiving
    - Purchasing and Receiving

Inventory and All Other Assets
- Larceny
  - Asset Requisitions and Transfers
  - False Sales and Shipping
  - False Sales and Receiving

Source – “2012 Report to the Nations” by the Association of Certified Fraud Examiners
## Asset Misappropriation Schemes

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Examples</th>
<th>Number of Cases</th>
<th>Percent of All Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCHEMES INVOLVING THEFT OF CASH RECEIPTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skimming</td>
<td>Any scheme in which cash is stolen from an organization before it is</td>
<td>• Employee accepts payment from a customer but does not record the sale</td>
<td>203</td>
<td>14.6%</td>
<td>$68,000</td>
</tr>
<tr>
<td></td>
<td>recorded on the organization’s books and records</td>
<td>and instead pockets the money</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Larceny</td>
<td>Any scheme in which cash is stolen from an organization after it has been</td>
<td>• Employee steals cash and checks from daily receipts before they can be</td>
<td>152</td>
<td>11.0%</td>
<td>$54,000</td>
</tr>
<tr>
<td></td>
<td>recorded on the organization’s books and records</td>
<td>deposited in the bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCHEMES INVOLVING FRAUDULENT DISBURSEMENTS OF CASH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing</td>
<td>Any scheme in which a person causes his or her employer to issue a payment</td>
<td>• Employee creates a shell company and bills employer for services not</td>
<td>346</td>
<td>24.9%</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>by submitting invoices for fictitious goods or services, inflated invoices</td>
<td>actually rendered</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>or invoices for personal purchases</td>
<td>• Employee purchases personal items and submits an invoice to employer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>for payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense Reimbursements</td>
<td>Any scheme in which an employee makes a claim for reimbursement of</td>
<td>• Employee steals blank company checks and makes them out to himself or</td>
<td>201</td>
<td>14.5%</td>
<td>$26,000</td>
</tr>
<tr>
<td></td>
<td>fictitious or inflated business expenses</td>
<td>an accomplice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee steals an outgoing check to a vendor and deposits it into his</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>or her own bank account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Check Tampering</td>
<td>Any scheme in which a person steals his or her employer’s funds by</td>
<td>• Employee claims overtime for hours not worked</td>
<td>165</td>
<td>11.9%</td>
<td>$143,000</td>
</tr>
<tr>
<td></td>
<td>intercepting, forging or altering a check drawn on one of the</td>
<td>• Employee adds ghost employees to the payroll</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>organization’s bank accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>Any scheme in which an employee causes his or her employer to issue a</td>
<td>• Employee fraudulently voids a sale on his or her cash register and</td>
<td>129</td>
<td>9.3%</td>
<td>$40,000</td>
</tr>
<tr>
<td></td>
<td>payment by making false claims for compensation</td>
<td>steals the cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Register Disbursements</td>
<td>Any scheme in which an employee makes false entries on a cash register</td>
<td>• Employee steals cash from a company vault</td>
<td>164</td>
<td>11.8%</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>to conceal the fraudulent removal of cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee steals inventory from a warehouse or storeroom</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee steals or misuses confidential customer financial information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER ASSET MISAPPROPRIATION SCHEMES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misappropriation of Cash on</td>
<td>Any scheme in which the perpetrator misappropriates cash kept on hand at</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hand</td>
<td>the victim organization’s premises</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Cash Misappropriations</td>
<td>Any scheme in which an employee steals or misuses non-cash assets of the</td>
<td>• Employee steals inventory from a warehouse or storeroom</td>
<td>239</td>
<td>17.2%</td>
<td>$58,000</td>
</tr>
<tr>
<td></td>
<td>victim organization</td>
<td>• Employee steals or misuses confidential customer financial information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Corruption Schemes

Conflict of interest
Purchasing Schemes, Sales Schemes, Other

Bribery
Invoice Kickbacks, Bid Rigging, Other

Illegal Gratuities
Cash, Entertainment, Travel

Economic Extortion
Threat of economic harm to cause an action or inaction
Fraudulent Statement Schemes

FINANCIAL STATEMENTS

Asset or revenue overstatements
• Timing Differences, Fictitious Revenues, Concealed Liabilities and Expenses, Improper Disclosures, Improper Asset Valuations

Asset or revenue understatements
• Timing Differences, Unrecorded Revenues, Concealed Assets and Income, Improper Disclosures, Improper Asset Valuations

NON-FINANCIAL STATEMENTS

Employment Credentials, Internal Documents, External Documents, Government Certifications
Frauds by Category: Frequency & Severity

Source – “2012 Report to the Nations” by the Association of Certified Fraud Examiners
Magnitude of Losses

Distribution of Dollar Losses

- 2012
- 2010
- 2008

Percent of Cases

Dollar Loss

- Less than $200,000
- $200,000 - $399,999
- $400,000 - $599,999
- $600,000 - $799,999
- $800,000 - $999,999
- $1,000,000 and up

55.5% 51.9% 51.4%
12.8% 12.7% 10.6%
5.7% 6.9% 7.3%
3.5% 2.9% 3.3%
1.9% 2.0% 2.1%
20.6% 23.7% 25.3%
Duration of Fraud by Scheme

Duration of Fraud Based on Scheme Type

- Payroll
- Check Tampering
- Financial Statement Fraud
- Expense Reimbursements
- Billing
- Skimming
- Cash on Hand
- Cash Larceny
- Corruption
- Non-Cash
- Register Disbursements

Median Months to Detection
How Fraud was Detected

**Initial Detection of Occupational Frauds**

- **Tip**: 43.3% (2012) vs. 40.2% (2010)
- **Management Review**: 14.6% (2012) vs. 15.4% (2010)
- **Internal Audit**: 14.4% (2012) vs. 13.9% (2010)
- **By Accident**: 7.0% (2012) vs. 8.3% (2010)
- **Account Reconciliation**: 4.8% (2012) vs. 6.1% (2010)
- **Document Examination**: 4.1% (2012) vs. 5.2% (2010)
- **External Audit**: 3.3% (2012) vs. 4.6% (2010)
- **Notified by Police**: 3.0% (2012) vs. 1.8% (2010)
- **Surveillance/Monitoring**: 1.9% (2012) vs. 2.6% (2010)
- **Confession**: 1.5% (2012) vs. 1.0% (2010)
- **IT Controls**: 1.1% (2012) vs. 0.8% (2010)
- **Other**: 1.1% (2012)

*Percent of Cases*

**Source** – "2012 Report to the Nations" by the Association of Certified Fraud Examiners
Source of Tips

The chart illustrates the sources of tips, with the following breakdown:

- Employee: 50.9%
- Customer: 22.1%
- Anonymous: 12.4%
- Other: 11.6%
- Vendor: 9.0%
- Shareholder/Owner: 2.3%
- Competitor: 1.5%

The largest source of tips is from employees, followed by customers and anonymous sources.
Impact of Hotlines

The chart illustrates the percentage of cases detected by various methods in organizations with and without hotlines. The methods include:

- **Tip**: 50.9% (with hotlines), 34.6% (without hotlines)
- **Internal Audit**: 16.3% (with), 12.8% (without)
- **Management Review**: 13.8% (with), 16.5% (without)
- **Account Reconciliation**: 4.5% (with), 4.8% (without)
- **Document Examination**: 3.0% (with), 5.8% (without)
- **By Accident**: 2.8% (with), 11.3% (without)
- **Surveillance/Monitoring**: 2.4% (with), 1.5% (without)
- **Notified by Police**: 1.7% (with), 3.7% (without)
- **Confession**: 1.3% (with), 1.8% (without)
- **IT Controls**: 1.3% (with), 0.5% (without)
- **External Audit**: 1.0% (with), 5.7% (without)
- **Other**: 1.0% (with), 1.0% (without)

This data indicates that tips are the most common method of detection in organizations with hotlines, while without hotlines, detection methods vary more significantly, with a higher reliance on accident and surveillance/monitoring.
Detection Method by Category

Detection Method by Scheme Type

Detection Method

Percent of Cases
Frequency & Severity by Entity Type

Source – “2012 Report to the Nations” by the Association of Certified Fraud Examiners
Industry of Victim Organizations

Banking and Financial Services: 16.7% in 2012, 16.6% in 2010
Government and Public Administration: 10.3% in 2012, 9.8% in 2010
Manufacturing: 6.7% in 2012, 6.0% in 2010
Health Care: 6.1% in 2012, 5.8% in 2010
Education: 6.4% in 2012, 6.0% in 2010
Retail: 6.6% in 2012, 6.6% in 2010
Insurance: 5.7% in 2012, 6.1% in 2010
Services (Professional): 4.0% in 2012, 2.5% in 2010
Religious, Charitable or Social Services: 3.9% in 2012, 2.3% in 2010
Services (Other): 3.0% in 2012, 4.8% in 2010
Construction: 3.4% in 2012, 4.3% in 2010
Oil and Gas: 3.2% in 2012, 3.2% in 2010
Telecommunications: 2.1% in 2012, 3.1% in 2010
Technology: 2.8% in 2012, 3.6% in 2010
Transportation and Warehousing: 2.6% in 2012, 3.6% in 2010
Arts, Entertainment and Recreation: 2.3% in 2012, 2.7% in 2010
Real Estate: 2.0% in 2012, 3.2% in 2010
Wholesale Trade: 2.0% in 2012, 2.3% in 2010
Utilities: 2.6% in 2012, 2.6% in 2010
Agriculture, Forestry, Fishing and Hunting: 1.8% in 2012, 1.5% in 2010
Mining: 0.7% in 2012, 0.7% in 2010
Communications and Publishing: 0.7% in 2012, 0.9% in 2010
Other*: 0.5% in 2012

**Other* category was not included in the 2010 Report.**
Government and Public Administration and Education – Fraud Schemes

### Government and Public Administration

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Number of Cases</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>50</td>
<td>35.5%</td>
</tr>
<tr>
<td>Billing</td>
<td>33</td>
<td>23.4%</td>
</tr>
<tr>
<td>Non-Cash</td>
<td>27</td>
<td>19.1%</td>
</tr>
<tr>
<td>Skimming</td>
<td>25</td>
<td>17.7%</td>
</tr>
<tr>
<td>Expense Reimbursements</td>
<td>19</td>
<td>13.5%</td>
</tr>
<tr>
<td>Payroll</td>
<td>18</td>
<td>12.8%</td>
</tr>
<tr>
<td>Check Tampering</td>
<td>15</td>
<td>10.6%</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>12</td>
<td>8.5%</td>
</tr>
<tr>
<td>Cash Larceny</td>
<td>10</td>
<td>7.1%</td>
</tr>
<tr>
<td>Financial Statement Fraud</td>
<td>9</td>
<td>6.4%</td>
</tr>
<tr>
<td>Register Disbursements</td>
<td>4</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

### Education

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Number of Cases</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing</td>
<td>28</td>
<td>31.8%</td>
</tr>
<tr>
<td>Expense Reimbursements</td>
<td>23</td>
<td>26.1%</td>
</tr>
<tr>
<td>Corruption</td>
<td>21</td>
<td>23.9%</td>
</tr>
<tr>
<td>Skimming</td>
<td>19</td>
<td>21.6%</td>
</tr>
<tr>
<td>Payroll</td>
<td>13</td>
<td>14.8%</td>
</tr>
<tr>
<td>Check Tampering</td>
<td>11</td>
<td>12.5%</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>11</td>
<td>12.5%</td>
</tr>
<tr>
<td>Cash Larceny</td>
<td>8</td>
<td>9.1%</td>
</tr>
<tr>
<td>Non-Cash</td>
<td>7</td>
<td>8.0%</td>
</tr>
<tr>
<td>Register Disbursements</td>
<td>5</td>
<td>5.7%</td>
</tr>
<tr>
<td>Financial Statement Fraud</td>
<td>4</td>
<td>4.5%</td>
</tr>
</tbody>
</table>
Usage of Anti-Fraud Controls

Frequency of Anti-Fraud Controls

- External Audit of F/S: 80.1% (2012), 80.8% (2010)
- Code of Conduct: 78.0% (2012), 74.8% (2010)
- Management of Certification of F/S: 68.5% (2012), 67.9% (2010)
- Internal Audit/FE Department: 68.4% (2012), 69.2% (2010)
- External Audit of ICOFR: 67.5% (2012), 65.4% (2010)
- Management Review: 60.5% (2012), 58.8% (2010)
- Independent Audit Committee: 58.8% (2012), 58.4% (2010)
- Employee Support Programs: 59.8% (2012), 54.6% (2010)
- Hotline: 54.0% (2012), 51.2% (2010)
- Fraud Training for Managers/Executives: 47.4% (2012), 46.2% (2010)
- Fraud Training for Employees: 46.8% (2012), 44.0% (2010)
- Anti-fraud Policy: 46.6% (2012), 42.9% (2010)
- Formal Fraud Risk Assessments*: 35.5% (2012), 32.2% (2010)
- Surprise Audits: 32.2% (2012), 32.3% (2010)
- Job Rotation/Mandatory Vacation: 16.7% (2012), 16.6% (2010)
- Rewards for Whistleblowers: 9.4% (2012), 9.6% (2010)

*“Formal Fraud Risk Assessments” category was not included in the 2010 Report.

Note: The percentages for frequency of anti-fraud controls reflected in 2010 Report contained a computational inaccuracy. The percentages included in this chart have been corrected.
Primary Internal Control Weaknesses

Primary Internal Control Weakness Observed by CFE

**most important contributing factors**

<table>
<thead>
<tr>
<th>Weakness</th>
<th>2012</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Internal Controls</td>
<td>35.5%</td>
<td>37.8%</td>
</tr>
<tr>
<td>Override of Existing Internal Controls</td>
<td>19.4%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Lack of Management Review</td>
<td>18.7%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Poor Tone at the Top</td>
<td>9.1%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Lack of Competent Personnel in Oversight Roles</td>
<td>7.3%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Lack of Independent Checks/Audits</td>
<td>3.3%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Lack of Employee Fraud Education</td>
<td>2.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Other*</td>
<td>2.2%</td>
<td></td>
</tr>
<tr>
<td>Lack of Clear Lines of Authority</td>
<td>1.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Lack of Reporting Mechanism</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

**"Other" category was not included in the 2010 Report.**
Position of Perpetrator –
Frequency and Severity

Position of Perpetrator — Frequency

Position of Perpetrator — Median Loss

**Other** category was not included in the prior years’ Reports.
Number of Perpetrators – Frequency and Severity

Number of Perpetrators — Frequency

<table>
<thead>
<tr>
<th>Percent of Cases</th>
<th>One</th>
<th>Two or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>58.0%</td>
<td>57.0%</td>
</tr>
<tr>
<td>2010</td>
<td>57.0%</td>
<td>56.0%</td>
</tr>
<tr>
<td>2008</td>
<td>56.0%</td>
<td>55.0%</td>
</tr>
</tbody>
</table>

Number of Perpetrators — Median Loss

<table>
<thead>
<tr>
<th>Median Loss</th>
<th>One</th>
<th>Two or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$100,000</td>
<td>$850,000</td>
</tr>
<tr>
<td>2010</td>
<td>$150,000</td>
<td>$950,000</td>
</tr>
<tr>
<td>2008</td>
<td>$250,000</td>
<td>$550,000</td>
</tr>
</tbody>
</table>
Gender of Perpetrator – Frequency and Severity

Gender of Perpetrator — Frequency

Gender of Perpetrator — Median Loss

Percent of Cases

Median Loss

Gender of Perpetrators

Gender of Perpetrator

Female Male

2012 2010 2008

35.0% 33.3% 40.9%

65.0% 66.7% 59.1%

$91,000 $100,000 $110,000

$200,000 $222,000 $250,000
Position of Perpetrator – Severity Based on Gender

Position of Perpetrator — Median Loss Based on Gender

- **Employee**
  - Male: $75,000
  - Female: $50,000

- **Manager**
  - Male: $200,000
  - Female: $150,000

- **Owner/Executive**
  - Male: $300,000
  - Female: $699,000
Age of Perpetrator – Frequency and Severity

Age of Perpetrator — Frequency

Age of Perpetrator — Median Loss
Tenure of Perpetrator – Frequency and Severity

Tenure of Perpetrator — Frequency

Tenure of Perpetrator — Median Loss
Education of Perpetrator – Frequency and Severity

Education of Perpetrator – Frequency

Education of Perpetrator – Median Loss

**“Other” category was not included in the prior year’s report.**

**“Other” category was not included in the prior year’s report.**
Department of Perpetrator - Frequency

Department of Perpetrator — Frequency

- Accounting: 22.0% (2012), 22.0% (2010)
- Operations: 17.4% (2012), 18.6% (2010)
- Sales: 12.8% (2012), 13.6% (2010)
- Executive/Upper Management: 11.9% (2012), 13.6% (2010)
- Other*: 5.9% (2012), 6.2% (2010)
- Purchasing: 5.7% (2012), 6.2% (2010)
- Warehousing/Inventory: 4.2% (2012), 4.7% (2010)
- Finance: 3.7% (2012), 4.2% (2010)
- Information Technology: 2.0% (2012), 2.8% (2010)
- Manufacturing and Production: 1.9% (2012), 1.7% (2010)
- Board of Directors: 1.4% (2012), 1.4% (2010)
- Human Resources: 1.2% (2012), 1.3% (2010)
- Marketing/Public Relations: 1.1% (2012), 2.0% (2010)
- Research and Development: 0.7% (2012), 0.8% (2010)
- Legal: 0.6% (2012), 0.8% (2010)
- Internal Audit: 0.2% (2012), 0.8% (2010)

**“Other” category was not included in the 2010 Report.**
Schemes Committed by Perpetrators in the Accounting Department

Source – "2012 Report to the Nations" by the Association of Certified Fraud Examiners
Perpetrator’s Criminal Background and Employment Background

**Perpetrator’s Criminal Background**

- **Never Charged or Convicted**: 87.3%
- **Had Prior Convictions**:
  - 2012: 5.6%
  - 2010: 6.7%
  - 2008: 6.8%
- **Charged But Not Convicted**:
  - 2012: 5.9%
  - 2010: 7.7%
  - 2008: 5.7%
- **Other**:
  - 2012: 1.2%

**Percent of Cases**

**Perpetrator’s Employment Background**

- **Never Punished or Terminated**: 83.7%
- **Previously Terminated**:
  - 2012: 7.1%
  - 2010: 9.5%
  - 2008: 12.3%
- **Previously Punished**:
  - 2012: 8.1%
  - 2010: 8.1%
  - 2008: 5.1%
- **Other**:
  - 2012: 1.2%

**Percent of Cases**

**“Other” category was not included in the prior years’ reports.**
Primary Internal Controls
Weakness Observed by CFEs

Source – “2012 Report to the Nations” by the Association of Certified Fraud Examiners
Behavioral Red Flags of Perpetrators

Percent of Cases

Note: The percentages for behavioral red flags displayed by perpetrators in the 2010 Report contained a computational inaccuracy. The percentages included in this chart have been corrected.

Source — “2012 Report to the Nations” by the Association of Certified Fraud Examiners
Behavioral Red Flags of Perpetrators Based on Position

![Behavioral Red Flags of Perpetrators Based on Position](chart.png)
Behavioral Red Flags of Perpetrators Based on Scheme Type

Behavioral Red Flags of Perpetrators Based on Scheme Type

<table>
<thead>
<tr>
<th>Behavioral Red Flags</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living Beyond Means</td>
<td>38.1%</td>
</tr>
<tr>
<td>Financial Difficulties</td>
<td>30.1%</td>
</tr>
<tr>
<td>Unusually Close Association with Vendor/Customer</td>
<td>29.2%</td>
</tr>
<tr>
<td>Control Issues, Unwillingness to Share Duties</td>
<td>29.0%</td>
</tr>
<tr>
<td>Divorce/Family Problems</td>
<td>24.0%</td>
</tr>
<tr>
<td>Wheeler-Dealer Attitude</td>
<td>22.9%</td>
</tr>
<tr>
<td>Irritability, Suspiciousness or Defensiveness</td>
<td>22.1%</td>
</tr>
<tr>
<td>Addiction Problems</td>
<td>15.1%</td>
</tr>
<tr>
<td>Past Employment-Related Problems</td>
<td>15.1%</td>
</tr>
<tr>
<td>Complained About Inadequate Pay</td>
<td>15.0%</td>
</tr>
<tr>
<td>Refusal to Take Vacations</td>
<td>15.0%</td>
</tr>
<tr>
<td>Excessive Pressure from Within Organization</td>
<td>14.9%</td>
</tr>
<tr>
<td>Past Legal Problems</td>
<td>13.9%</td>
</tr>
<tr>
<td>Complained About Lack of Authority</td>
<td>13.8%</td>
</tr>
<tr>
<td>Excessive Family Pressure for Success</td>
<td>13.8%</td>
</tr>
<tr>
<td>Instability in Life Circumstances</td>
<td>13.7%</td>
</tr>
</tbody>
</table>
Cases Referred to Law Enforcement

Cases Referred to Law Enforcement

Percent of Cases

Case Reported to Police

Yes

No

2012

2010

2008

65.2%

64.1%

69.0%

34.8%

35.9%

31.0%
Result of Cases Referred to Law Enforcement and Reasons Cases Were Not Referred to Law Enforcement

**Result of Cases Referred to Law Enforcement**

- Pleaded Guilty/No Contest: 55.6% (2012), 65.9% (2010), 71.3% (2008)
- Declined to Prosecute: 19.2% (2012), 13.7% (2010), 12.5% (2008)
- Convicted at Trial: 16.4% (2012), 22.7% (2010), 15.6% (2008)
- Other*: 7.2% (2012), 11.2% (2010), 0.0% (2008)

**Reason(s) Case Not Referred to Law Enforcement**

- Fear of Bad Publicity: 28.3% (2012), 22.9% (2010), 40.7% (2008)
- Internal Discipline Sufficient: 33.3% (2012), 35.7% (2010), 30.6% (2008)
- Private Settlement: 42.9% (2012), 20.5% (2010), 28.5% (2008)
- Too Costly: 14.5% (2012), 23.0% (2010), 23.5% (2008)
- Other*: 8.1% (2012), 11.7% (2010), 8.4% (2008)
- Civil Suit: 3.8% (2012), 1.8% (2010), 8.4% (2008)
- Perpetrator Disappeared: 0.7% (2012), 0.7% (2010), 0.7% (2008)

*Other* category was not included in the prior year’s reports.
Cases Resulting in Civil Suit and Results of Civil Suits

Cases Resulting in Civil Suit

<table>
<thead>
<tr>
<th>Civil Suit Filed</th>
<th>2012</th>
<th>2010</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23.5%</td>
<td>24.1%</td>
<td>21.7%</td>
</tr>
<tr>
<td>No</td>
<td>76.5%</td>
<td>75.9%</td>
<td>78.3%</td>
</tr>
</tbody>
</table>

Result of Civil Suits

<table>
<thead>
<tr>
<th>Civil Suit Outcome</th>
<th>2012</th>
<th>2010</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judgment for Victim</td>
<td>49.4%</td>
<td>62.6%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Settled</td>
<td>31.0%</td>
<td>20.9%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Judgment for Perpetrator</td>
<td>14.8%</td>
<td>16.5%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Other*</td>
<td>1.6%</td>
<td>1.6%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

**Other** category was not included in the prior years' Reports.
Recovery of Losses

Recovery of Victim Organization’s Losses

Percent of Cases

No Recovery

1 – 25%

26 – 50%

51 – 75%

76 – 99%

100%

Percent of Loss Recovered

2012

2010

2008

Percent of Cases

0% 10% 20% 30% 40% 50% 60%
References and Credits

AICPA fraud resource center
http://www.aicpa.org/antifraud/homepage.htm

Association of Certified Fraud Examiners
http://www.cfenet.com/home.asp

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