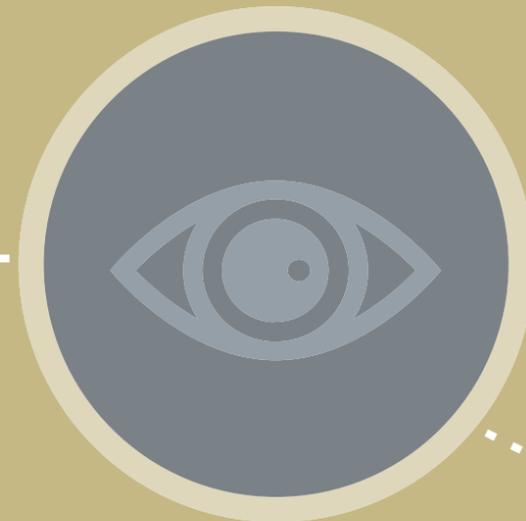


10 FRAUD FACTS

And tips to protect your people, brand, and profits.



LowersRiskGroup[®]



The 2014 edition of the Association of Certified Fraud Examiners (ACFE) report on occupational fraud confirms and extends previous findings that fraud is a persistent threat across time and borders.

Here we highlight 10 facts about fraud from the ACFE's 2014 report and offer tips to help your organization develop an effective fraud prevention program.

01

A typical organization loses 5% of revenues each year to fraud.

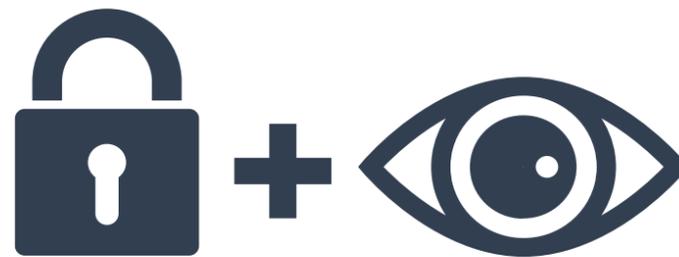


Applied to the 2013 estimated Gross World Product, this translates to a potential projected global fraud loss of nearly **\$3.7 trillion.**



The cost of fraud is the equivalent of a financial iceberg; some of the direct losses are plainly visible but there is a huge mass of hidden harm that we cannot see.”

– ACFE REPORT TO THE NATIONS ON OCCUPATIONAL FRAUD AND ABUSE



FRAUD PREVENTION TIP:

Combine effective controls with observation of peoples’ behaviors in order to intervene before fraud takes place.



02

The median duration for fraud cases is 18 months.



The longer frauds last, the more damage they cause.

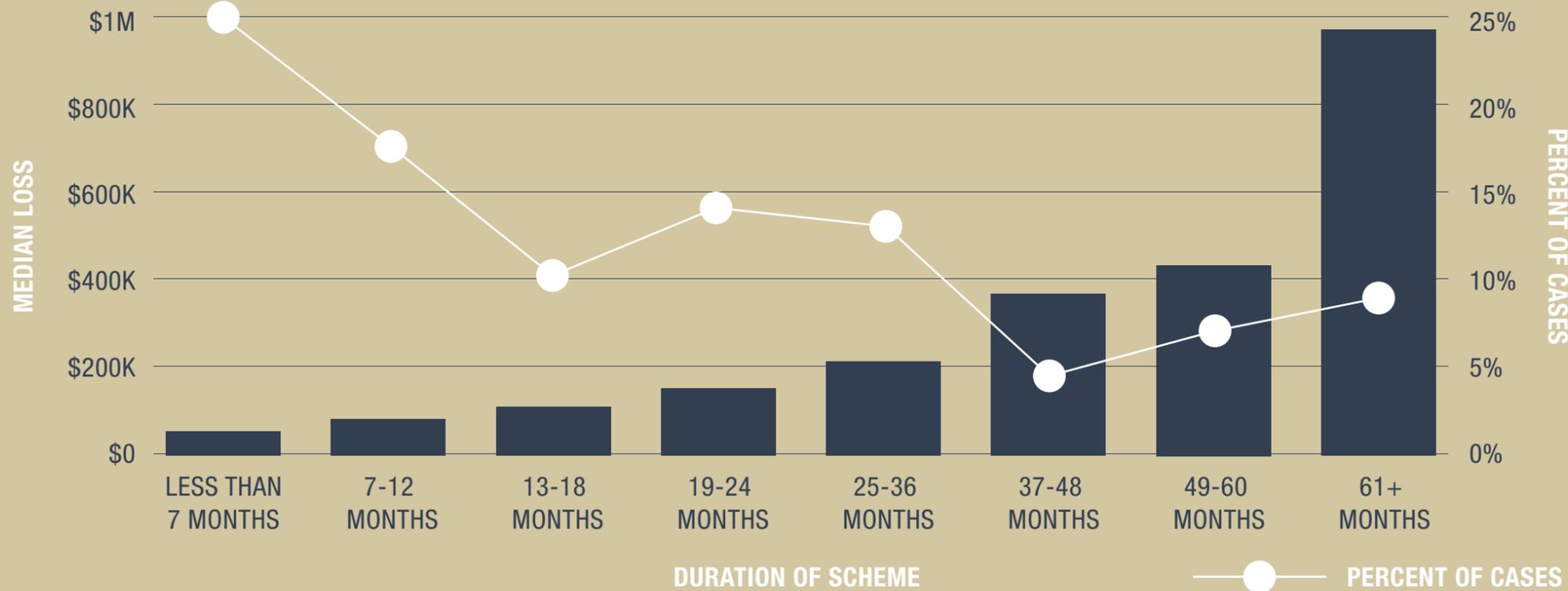


COMMENCEMENT
of Fraud



DETECTION
of Fraud

FREQUENCY & MEDIAN LOSS BASED ON DURATION OF FRAUD

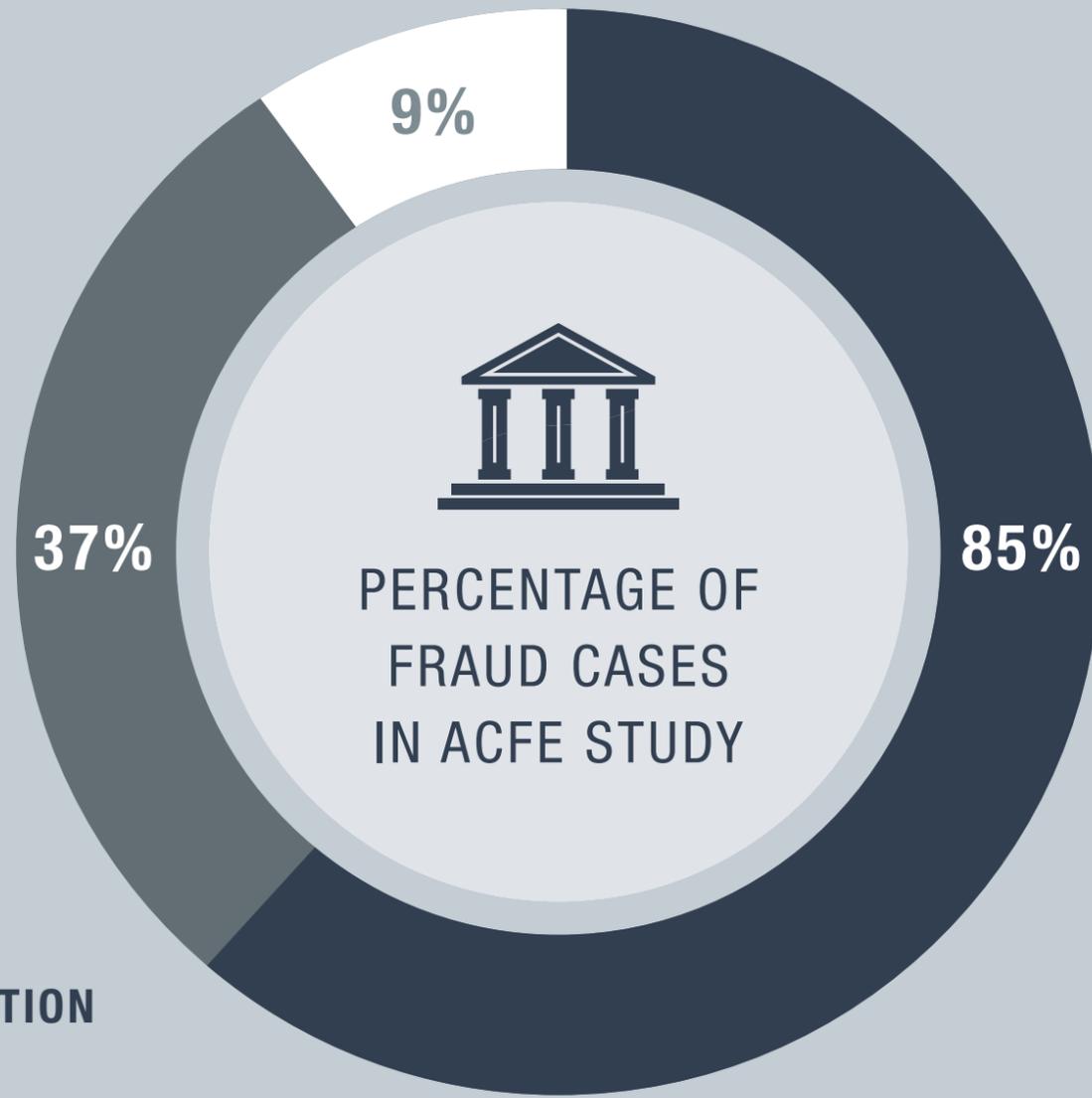


Proactive measures are vital to detect fraud sooner:

- ✓ **Hotlines**
- ✓ **Management reviews**
- ✓ **Audits**
- ✓ **Employee monitoring**

03

Asset misappropriations are the most common category of fraud.



- ASSET MISAPPROPRIATION
- CORRUPTION
- FINANCIAL STATEMENT FRAUD

3 ASSET MISAPPROPRIATION SCHEMES POSE THE GREATEST RISK:



CHECK TAMPERING



BILLING



NON-CASH MISAPPROPRIATIONS



A formal risk assessment can help identify and prioritize the areas at greatest risk for asset misappropriation schemes.

04

Financial statement fraud cases have the greatest financial impact.



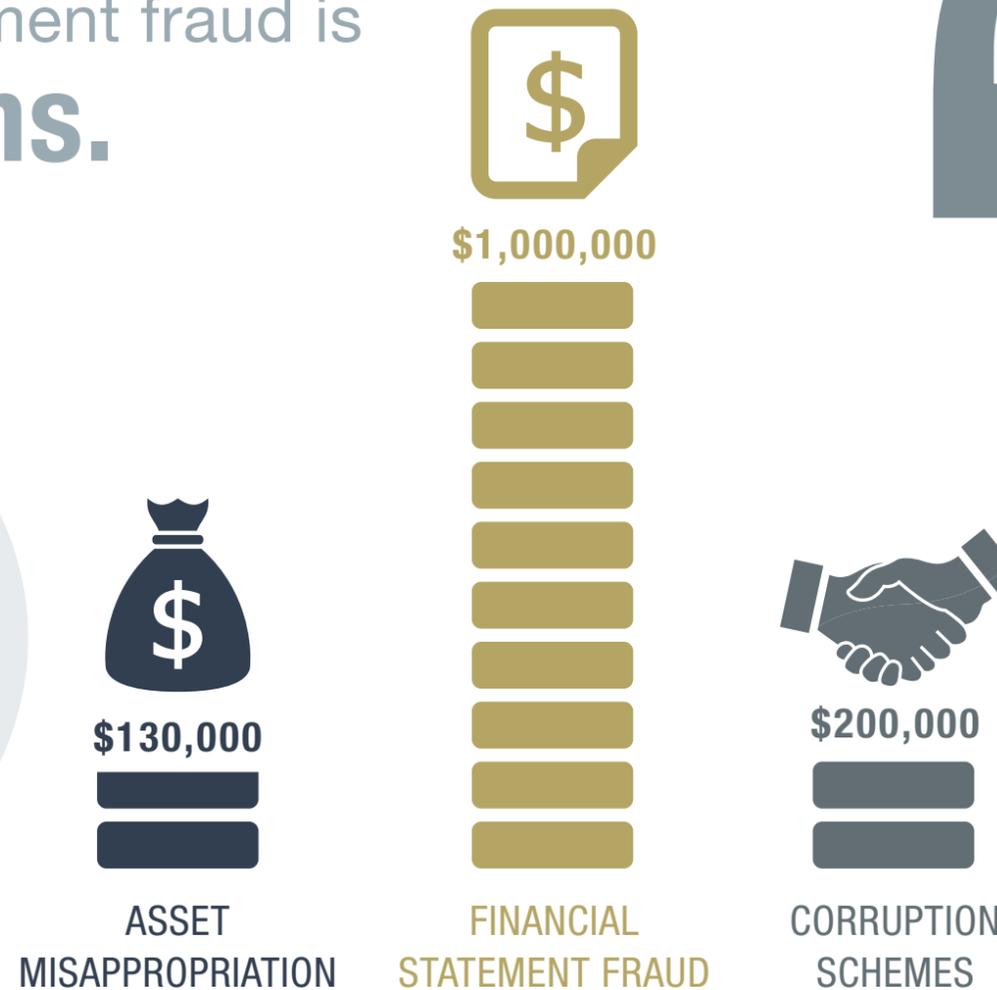
The median duration of financial statement fraud is **24 months.**



In 75.9% of financial statement frauds, the perpetrator was also undertaking at least one other form of occupational fraud.” – ACFE

“Financial statement fraud is usually a means to an end rather than an end in itself.”

– FRAUD MAGAZINE

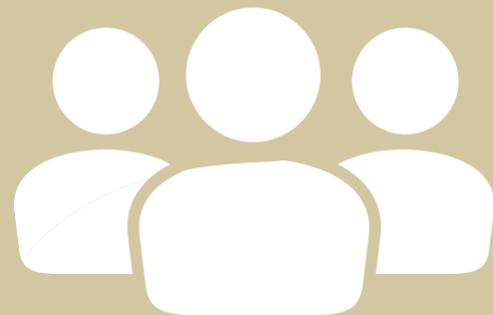
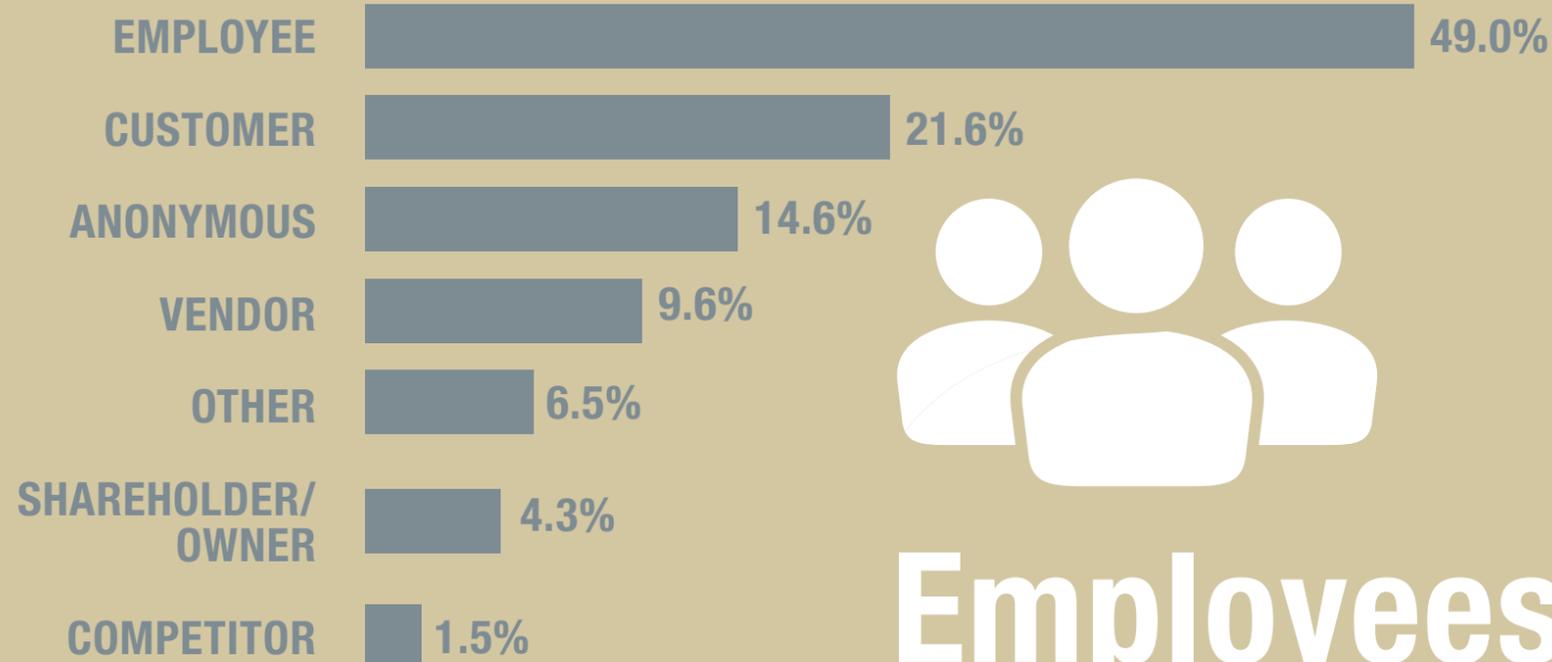


MEDIAN LOSS BY FRAUD CATEGORY

05

“Tips” are consistently and by far the most common fraud detection method.

SOURCE OF TIPS



Employees

accounted for nearly half of all tips that led to the discovery of fraud.



Over 40%

of all cases were detected by a tip — more than twice the rate of any other detection method.



Reporting hotlines have a substantial impact on initial fraud detection methods.

06

The smallest organizations tend to suffer disproportionately large losses.



Median loss for large entities (greater than 10k employees)

= **\$160,000**



The median losses for small businesses (less than 100 employees)

= **\$154,000**

DISPROPORTIONATELY HIGH!

Top 3 fraud scheme types affecting small business:



CORRUPTION



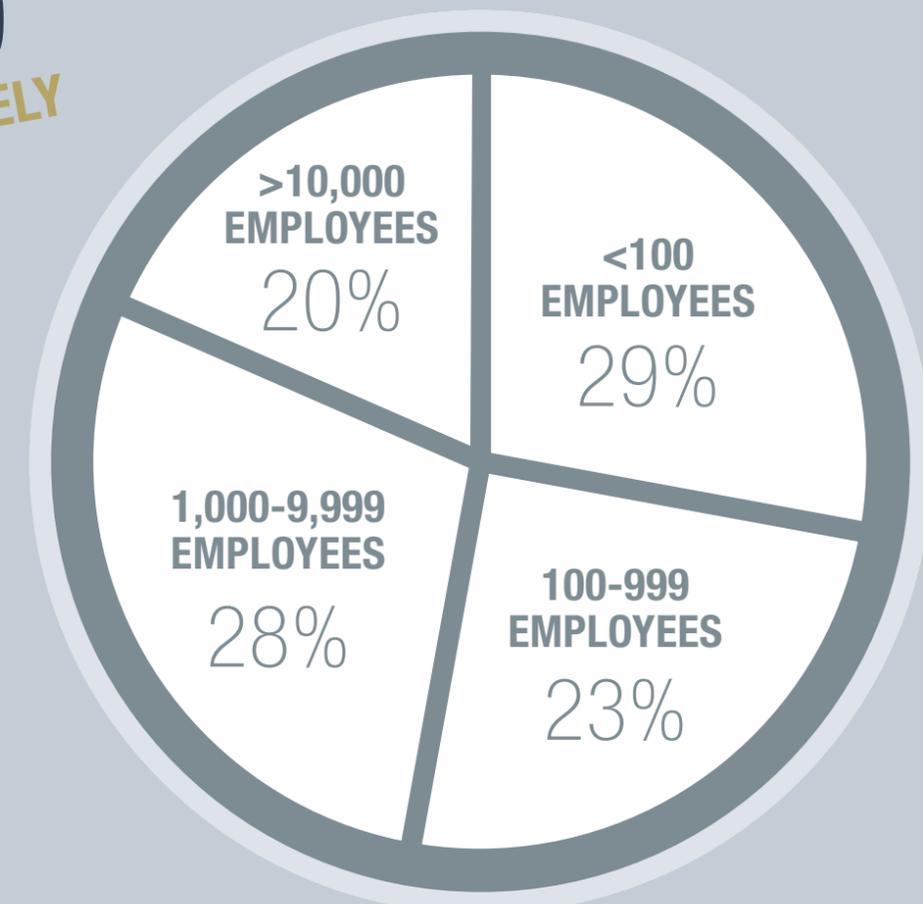
BILLING



CHECK TAMPERING

3 Fraud Prevention Tips for Small Business:

- 1 Anti-fraud policy
- 2 Management review
- 3 Fraud prevention training



% OF FRAUD CASES

07

The higher the perpetrator's level of authority, the greater fraud losses tend to be.



Employees commit 42% of occupational frauds causing a median loss of \$75,000



Managers commit 36% of frauds with a median loss of \$130,000



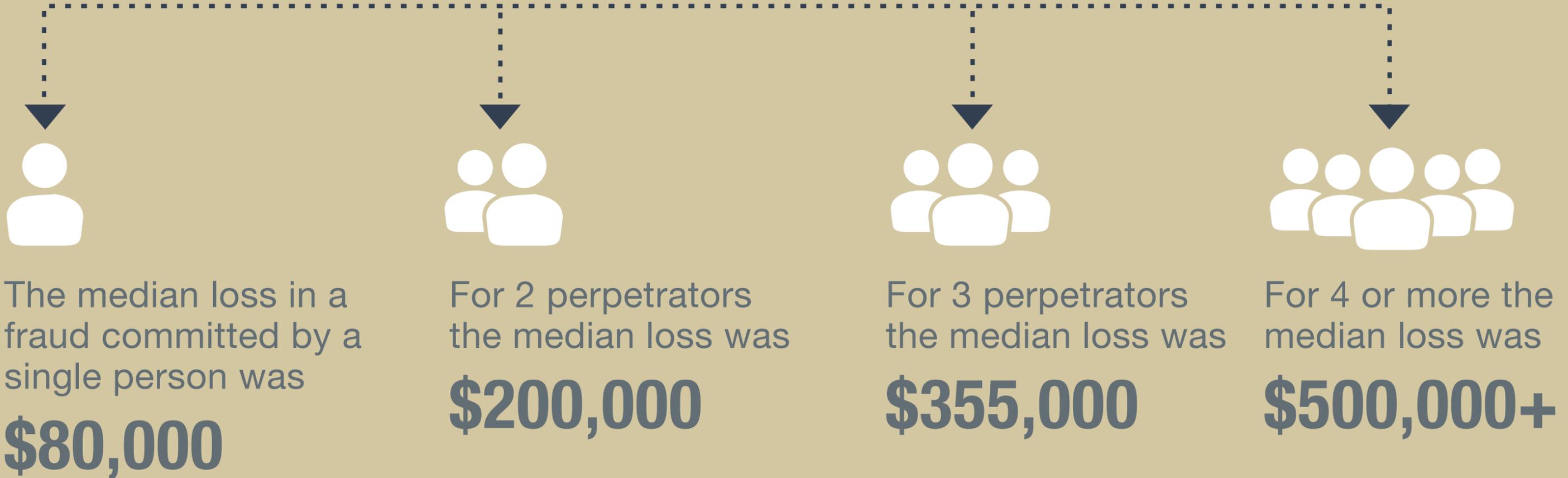
Owners/executives commit 19% of all cases, causing a median loss of \$500,000

08

Collusion compounds losses.

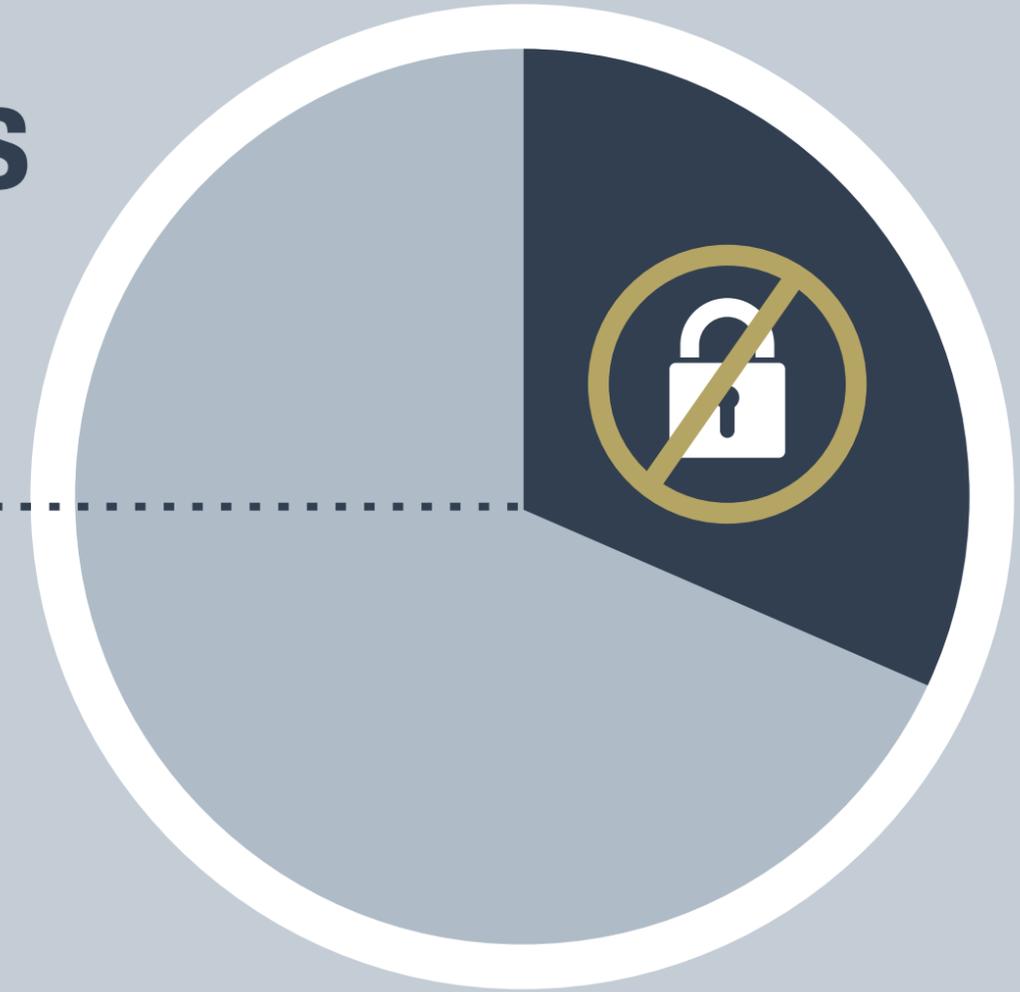


Through collusion, employees evade anti-fraud controls to steal larger amounts.



09

1/3 of victim organizations lack anti-fraud controls.

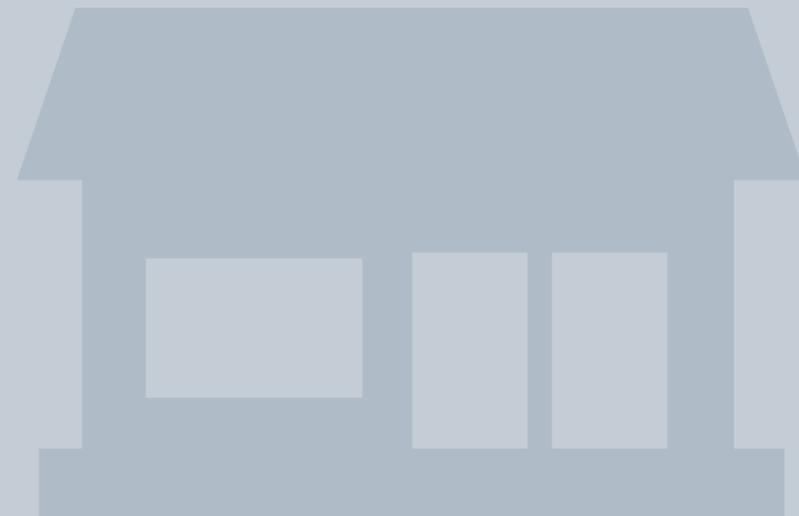


Lack of controls was the primary weakness in **more than 41%** of cases at organizations with fewer than 100 employees.



One-fifth of the reported cases could have been prevented

if managers had done a sufficient job of reviewing transactions, accounts, or processes.



10

Proactive data monitoring and analysis are most effective at limiting the duration and cost of fraud schemes.

Why Should You Use Data Analytics for Fraud Prevention?



Data volume is increasing exponentially.



Typical internal audit controls can be subverted by clever fraudsters.



Data analytics can be a cost effective option in a cost-cutting world.



Victim organizations that implemented this control experienced

losses 60% smaller and schemes 50% shorter

than organizations that did not.

Protect your company from avoidable loss and harm.

Lowers Risk Group provides comprehensive [enterprise risk management solutions](#) to organizations operating in high-risk, highly-regulated environments and organizations that value risk mitigation.

Our human capital and specialized industry enterprise risk management solutions protect people, brands, and profits from avoidable loss and harm.

With Lowers Risk Group you can expect a strategic, focused approach to risk assessment, compliance, and mitigation to help drive your organization forward with confidence.

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