ACFE - Occupational Fraud 2024: A Report to the Nations

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The Association of Certified Fraud Examiners (ACFE) recently published Occupational Fraud 2024: A Report to the Nations (the "2024 Report to the Nations" or "2024 Report"), its thirteenth edition published since 1996. For the past 28 years, the ACFE has reviewed thousands of cases of occupational fraud[1] in which insiders stole billions of dollars from their employers. The organizations in these studies included private, public, government, and not-for-profit entities. The 2024 Report explores 1,921 real cases of occupational fraud from January 2022 to September 2023 that were investigated by Certified Fraud Examiners (CFEs) throughout 138 countries and territories. The goal of the report is to compile detailed information about occupational fraud in six critical areas:

- The methods by which occupational fraud is committed;
- The financial harm caused by occupational fraud;
- The means by which occupational frauds are detected;
- The characteristics of the organizations that are victimized by occupational fraud;
- The characteristics of the people who commit occupational fraud; and
- The results of the cases after the frauds have been detected and the perpetrators identified.

Anchin has summarized key findings of the 2024 Report and included data and information from previous reports where applicable for comparison.

1. REVENUE LOSSES TO OCCUPATIONAL FRAUD

The 2024 Report estimates that a typical organization loses 5% of revenue each year due to fraud. From 1996 to 2024, losses as a percent of total revenue have varied from 5% to 6% per annum *(See Table 1 below)*. According to the 2024 Report, 22% of the cases involved losses of $1 million or more, with the median loss amounting to $145,000, and combined total identified losses exceeded $3.1 billion. The 2024 Report noted that the median duration of a fraud scheme was 12 months.

TABLE 1: HISTORICAL SUMMARY OF REVENUE LOST TO FRAUD

Report Year	% Of Revenue	Estimate of Revenue Lost to Fraud	Estimate Based On[2]
1996	6%	$400 Billion	1996 GDP $7 Trillion
2002	6%	$600 Billion	2002 GDP $10 Trillion
2004	6%	$660 Billion	2003 GDP $11.0 Trillion
2006	5%	$652 Billion	2006 GDP $13.0 Trillion
2008	7%	$994 Billion	2008 GDP $14.2 Trillion

[1]Occupational fraud is defined as "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." (2024 Report)
[2]The ACFE Reports prior to 2010 were based on studies of U.S. based organizations. After 2010, the study was expanded to include international organizations.

2010	5%	$2.9 Trillion	2009 GWP $58.1 Trillion
2012	5%	$3.5 Trillion	2011 GWP $70.3 Trillion
2014	5%	$3.7 Trillion	2013 GWP $73.9 Trillion
2016	5%	$3.8 Trillion	2014 GWP $74.2 Trillion
2018	5%	$4.0 Trillion	2017 GWP $79.6 Trillion
2020	5%	$4.5 Trillion	2019 GWP $90.52 Trillion
2022	5%	$4.7 Trillion	2021 GWP $94.94 Trillion
2024	**5%**	**$5 Trillion**	**2022 GWP $101 Trillion**

Source: ACFE Report to the Nations
GDP (U.S. Gross Domestic Product) is the value of all finished U.S. goods and services produced yearly.
GWP (Estimated Gross World Product) is the value of all finished world goods and services produced yearly.

2. TYPES OF FRAUD

The ACFE has identified three primary categories of occupational fraud:

- **Asset Misappropriation** – "A scheme in which an employee steals or misuses the employing organization's resources (e.g., theft of company cash, false billing schemes, or inflated expense reports)."
- **Corruption** – "A scheme in which an employee misuses his or her influence in a business transaction in a way that violates their duty to the employer in order to gain a direct or indirect benefit (e.g., schemes involving bribery or conflicts of interest)."
- **Financial Statement Fraud** – "A scheme in which an employee intentionally causes a misstatement or omission of material information in the organization's financial reports (e.g., recording fictitious revenues, understating reported expenses, or artificially inflating reported assets)."

As noted in *Table 2* below, while asset misappropriation occurs more frequently than the other categories of fraud, it results in the lowest median loss. While financial statement fraud occurs less frequently, it results in the greatest median loss.

TABLE 2: FREQUENCY & MEDIAN LOSS EFFECT

Occupational Fraud by Category		
Category	**Occurence in Cases (%)[3]**	**Median Loss**
Asset Misappropriation	89%	$120,000

Source: ACFE 2024 Report

[3]The total occurrences exceed 100% due to many cases involving multiple types of fraud.

Corruption	48%	$200,000
Financial Statement Fraud	5%	$766,000

3. OCCUPATIONAL FRAUD TRENDS AND THE IMPACT OF COVID

Based on the cases of fraud examined by the ACFE, 53% of cases in the 2024 Report included at least one COVID-19 pandemic-related factor attributable to the fraud identified. The following list includes examples of pandemic-related factors that contributed to fraud:

- Organizational staffing changes
- Shift to remote work
- Operating process changes
- Internal control changes
- Changes to strategic priorities
- Changes to the anti-fraud program
- Supply chain disruptions
- Technology challenges

Median loss of frauds increased by 24% from 2022 to 2024. This uptick in fraud was present in all three of the main categories of occupational fraud. This marked the end of a streak of three periods of studies where there was a drop in fraud losses incurred by organizations.[4]

4. CRYPTOCURRENCY SCHEMES

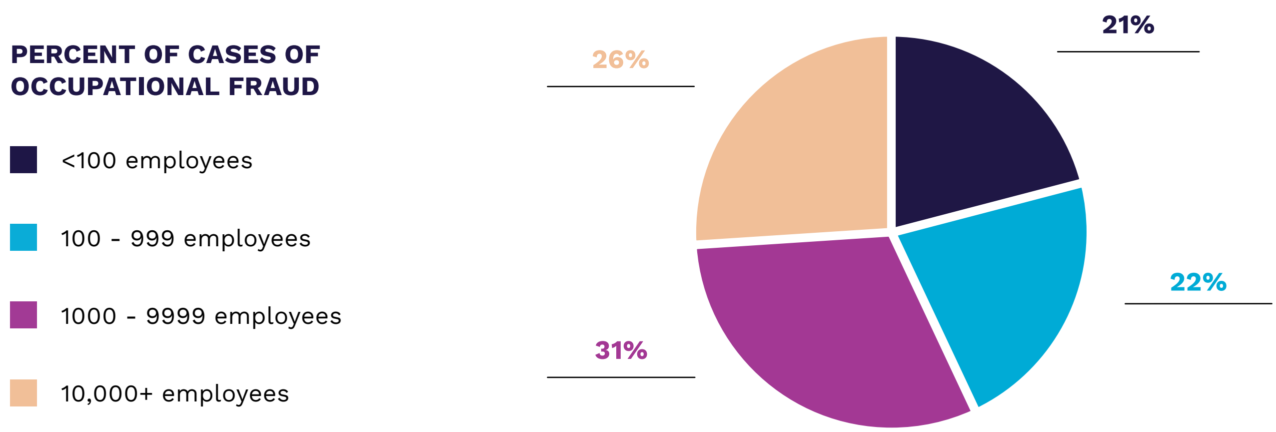
Cryptocurrency fraud schemes were a newly added mechanism for perpetrating occupational fraud in the 2022 ACFE report. Cryptocurrency-related frauds comprised 8% and 4% of cases in the 2022 and 2024 studies, respectively. Although there was a decline in the number of cases involving cryptocurrency fraud, the advent and continued adoption of cryptocurrencies in the financial landscape means that organizations and anti-fraud professionals should be aware of how these assets might affect occupational fraud risks. Below are ways in which cryptocurrency fraud was conducted:

- Conversion of misappropriated assets to cryptocurrency;
- Bribery or kickback payments made in cryptocurrency;
- Misappropriation of organizational cryptocurrency assets;
- Proceeds of fraud laundered using cryptocurrency and
- Manipulation of cryptocurrency assets on the financial statements.

5. TYPES & SIZES OF ORGANIZATIONS' FRAUD RISKS

Organizations vary in size and, as a result, have varying exposure to distinct types of occupational fraud. The 2024 Report includes organizations with a range of numbers of employees as demonstrated in the pie chart in the following page.

[4]The increase in median loss of 24% from 2022 to 2024 occurred despite detection time to uncover fraud remaining the same, on average 12 months in 2022 and 2024, respectively *(2024, report 18)*. Fraud losses were on the decline for three straight reporting periods from 2018 to 2022 *(2022, report 18)*.



The 2024 Report found that cases of corruption had the highest level of occurrence for both small organizations (<100 employees) at 44% and large organizations (100 + employees) at 52%.

Risks of billing, check and payment tampering, expense reimbursement, and skimming (among other asset misappropriation schemes) were more common in smaller organizations than in larger organizations.

The largest organizations (10,000 employees or more) experienced median loss of $200,000. The smaller companies (those with fewer than 100 employees) had a median loss of $141,000, which was the second largest loss among the organizational size categories. Smaller businesses typically have fewer anti-fraud controls than larger organizations, leaving them more vulnerable to fraud.

The 2024 Report showed that private companies suffered the greatest median loss, and not-for-profit organizations suffered the smallest median loss. *(See Table 3 below.)*

TABLE 3: MEDIAN LOSS BY ORGANIZATION TYPE

Type of Organization	Occurence in Cases (%)	Median Loss
Private companies	42%	$150,000
Public companies	26%	$150,000
Government	17%	$150,000
Not-for-Profit	10%	$76,000
Other	4%	$212,000

The 2024 Report broke out its study of fraud into twenty-two (22) distinct industries. The largest numbers of cases examined were in banking and financial services (305 cases), manufacturing (175 cases), government and public administration (171 cases), and healthcare (117 cases). The lowest numbers of cases were mining (24 cases), wholesale trade (15 cases), and real estate (29 cases). The highest reported median losses were suffered by organizations in the following industries: mining at $550,000, wholesale trade at $361,000, and manufacturing at $267,000. The lowest median losses were in retail ($48,000) and education ($50,000).

6. ORGANIZATIONAL WEAKNESS & INTERNAL CONTROLS

The most common controls in place at a victim organization were external audits (84% of cases), implemented codes of conduct (85% of cases), and internal audit departments (80%). As noted in the chart *(Table 4)* below, the presence of every control correlated with lower fraud losses.

TABLE 4: THE RELATIONSHIP OF ANTI-FRAUD CONTROLS & MEDIAN LOSSES

Control	% of Cases	Control in Place	Control Not in Place	Percent Reduction
Code of Conduct	85%	$121,000	$200,000	40%
External audit of financial statements	84%	$121,000	$250,000	52%
Internal audit department	80%	$120,000	$210,000	43%
Management certification of financial statements	77%	$120,000	$200,000	40%
Management review	72%	$100,000	$250,000	60%
External audit of internal controls over financial statements	72%	$119,000	$199,000	40%
Hotline	71%	$100,000	$200,000	50%
Independent audit committee	68%	$120,000	$165,000	27%
Fraud training for employees	63%	$100,000	$187,000	47%
Fraud training for managers & executives	62%	$100,000	$200,000	50%
Anti-fraud policy	60%	$100,000	$200,000	50%
Employee support programs	59%	$101,000	$150,000	33%

Dedicated fraud department, function, or team	50%	$109,000	$184,000	41%
Formal fraud risk assessments	48%	$100,000	$187,000	47%
Proactive data monitoring/analysis	45%	$100,000	$200,000	50%
Suprise audits	42%	$75,000	$200,000	63%
Job rotation/mandatory vacation	23%	$115,000	$150,000	23%
Rewards for whistleblowers	14%	$110,000	$145,000	24%

Smaller organizations were found to have fewer anti-fraud controls implemented and were therefore found to be more vulnerable.

Companies with anti-fraud controls in place experienced a reduction in the duration of the fraud, ranging from a 14% to 50% reduction in duration.

The most cited organizational weakness was a lack of internal controls (32% of cases), while override of existing internal controls (19%) was found to be the second most common weakness.

The perpetrator's level of authority had a strong correlation to the size of the fraud.

TABLE 5: PERPETRATOR'S LEVEL OF AUTHORITY RELATED TO OCCUPATIONAL FRAUD

Level of Authority	Median Losses	Percent of Cases
Owner/executive	$500,000	19%
Manager	$184,000	41%
Employee	$60,000	37%
Other	$122,000	3%

7. WARNING SIGNS & DETECTION

Most perpetrators who were first-time offenders (87%) had never been charged or convicted.[5] At least one of over twenty behavioral red flags existed in each case. Some of the more common red flags included:

- Living beyond means
- Financial difficulties
- Unusually close association with a vendor or customer
- Control issues, unwillingness to share duties
- Divorce/family problems
- "Wheeler-dealer" attitude
- Bullying or intimidation
- Addiction problems

TABLE 6: HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?

Method of Detection	Method as a %
Tip	43%
Internal Audit	14%
Management Review	13%
Document Examination	6%
Account Reconciliation	5%
By Accident	5%
External Audit	3%
Automated Transaction/Data Monitoring	3%
Surveillance/Monitoring	2%
Other	2%
Notification by law enforcement	2%
Confession	1%

43% of detection, the highest percentage of detection, resulted from tips. 71% of cases from the 2024 Report involved victim organizations that had anonymous fraud reporting hotlines. Fraud losses were 50% smaller at organizations with hotlines than those without.

[5]Pursuant to the 2024 Report, previous offenders of occupational fraud may be understated given that 86% of fraudsters in the ACFE study received no punishment from their employers, while 7% were terminated for fraudulent actions and 7% were previously punished by employers. *(2024 Report, 65)*

Tips came from the following sources:

- Employees
- Customers
- Vendors

The most common mechanisms to report fraud tips were:

- Employees
- Customers
- Vendors

The second most common forms of detection were from Internal Audit (14%), while only 3% of cases were discovered by external audits.

Companies with active methods of detection, such as management review, surveillance/monitoring, internal audit, document examination, automated transaction/data monitoring, and account reconciliation, experienced both lower median losses and quicker detection.

Regardless of the size or type of a company, the “ACFE’s Report to the Nations” consistently demonstrates year after year that a significant portion of an organization’s revenue is vulnerable to occupational fraud schemes and theft. Through the diligent use of appropriate, proactive fraud detection mechanisms, such as internal controls and policies that include thorough management review, account reconciliations, and surveillance and monitoring, the risk and potential for damages from fraudulent schemes can be significantly reduced and/or mitigated.

For more information on how to improve your organization’s anti-fraud controls or for assistance in the investigation of known or suspected fraud, please contact a member of Anchin’s Litigation Support, Forensic & Valuation Services (LFVS) or Regulatory Compliance & Investigations (RCI) groups.

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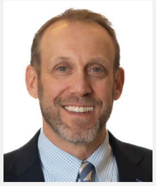

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