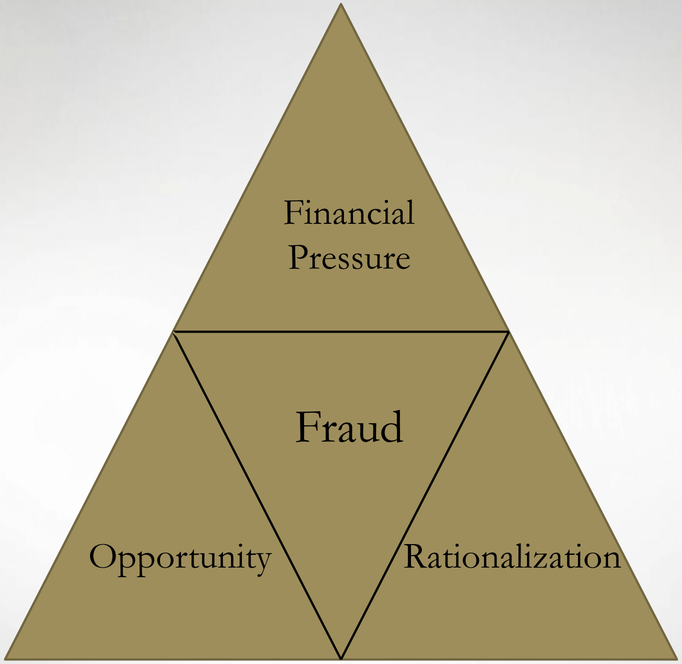
FOUR MYTHS ABOUT FRAUD IN THE WORKPLACE

Presented by

Office of the State Inspector General

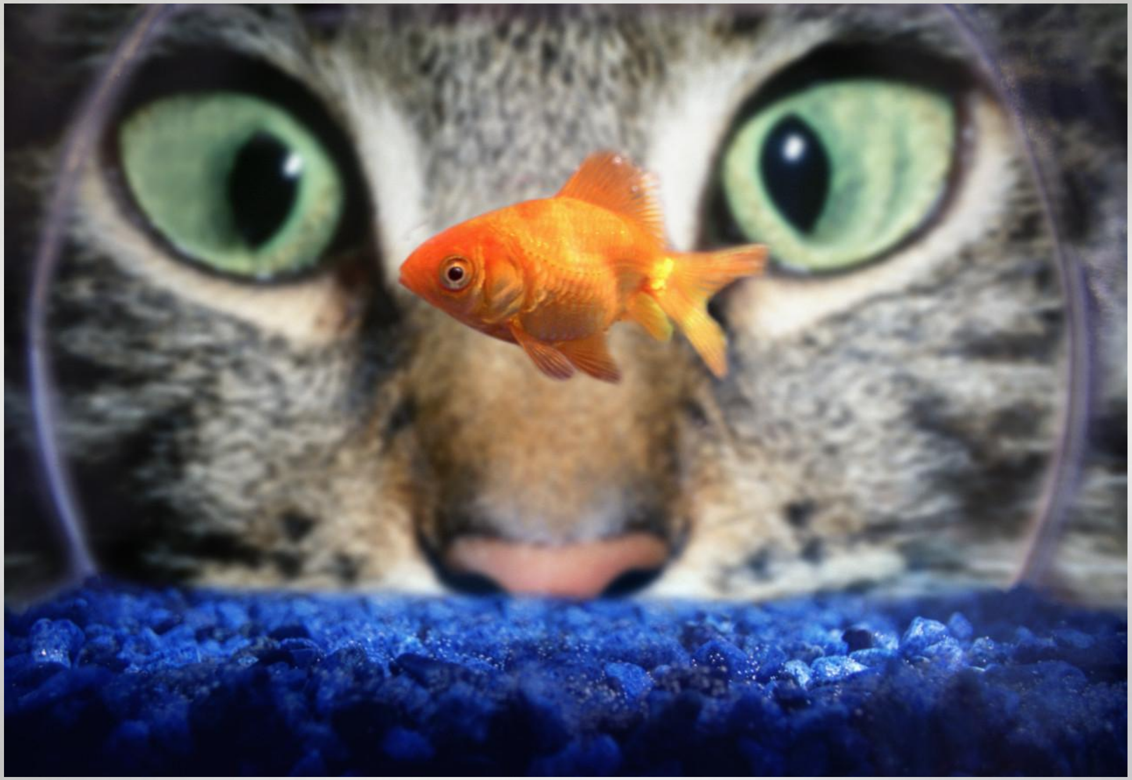
Myth No 1: Most people would never steal.



How fraud occurs.

THE 10-10-80 RULE

More than 85% of people committing occupational fraud have never been previously charged or convicted of a fraud related offense.



Myth No. 2: We don’t have a problem.

Typical organization loses 5% of annual revenue to fraud.

The industries most commonly victimized by fraud are:

Banking and financial services;

Manufacturing; and

Government.

Myth No. 3: The auditors will catch it.

According to the 2010 Report on Occupational Fraud by the ACFE:

Only 13.9% of occupational fraud cases were detected through internal audits.

Only 4.6% were detected by external audits.

According to this same report, 40.2% of occupational fraud cases were initially detected as a result of tips.

The majority of tips reporting fraud come from employees of the victim organization.

Preventing fraud requires proactive measures:

(1) Understand why fraud occurs;
(2) Assess your vulnerabilities;
(3) Institute and maintain strong internal controls;
(4) Education;
(5) Create effective hotline;
(6) Effective employment policies; and
(7) Strong leadership

Myth No. 4: Don’t sweat the small stuff.

According to the ACFE, over 50% of fraud perpetrators had worked for the victim organization for over six years.

Approximately one-third of occupational fraud cases are not referred to law enforcement authorities for prosecution.

Why?

Fear of bad publicity

Internal discipline sufficient

Private settlement

The End