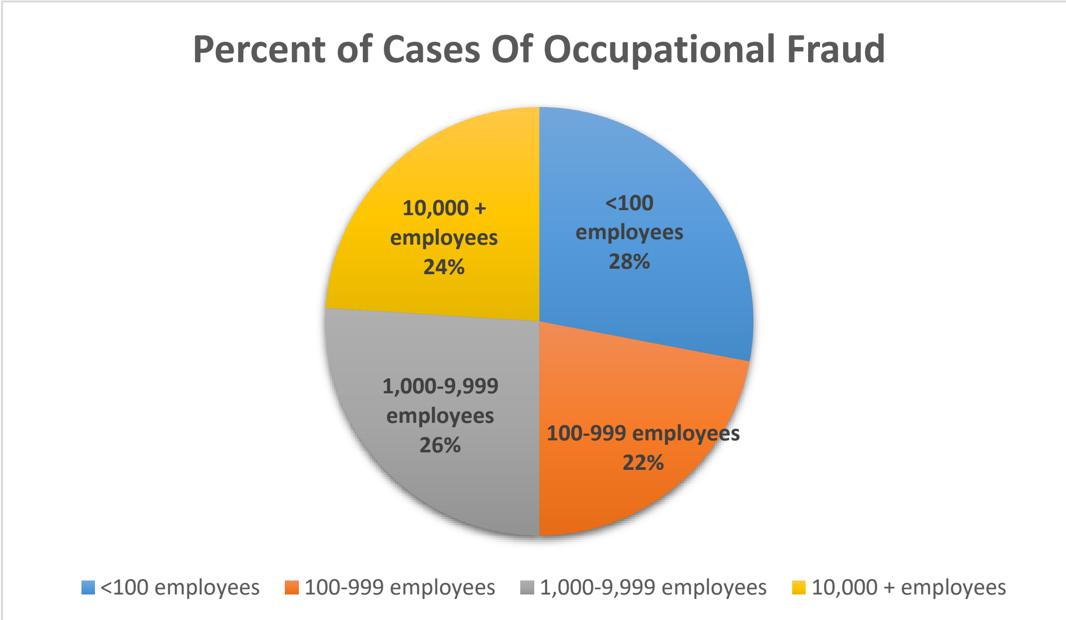

b. The 2018 Report found that cases of **corruption** had the highest level of occurrence for both small organizations (<100 employees) at 32% and large organizations (100+ employees) at 43%.
c. Risks of billing, check and payment tampering, expense reimbursement and skimming (among other **asset misappropriation** schemes) were more common in smaller organizations than in larger organizations.
d. Median losses were almost twice the amount for small organizations ($200,000) than for large organizations ($104,000). Smaller businesses typically have fewer anti-fraud controls than larger organizations, leaving them more vulnerable to fraud.
e. In the 2018 Report, 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	% of Cases	Median Loss
Private company	42%	$164,000
Public company	29%	$117,000
Government	16%	$118,000
Not-for-Profit	9%	$75,000
Other	4%	$120,000

f. The 2018 Report broke out the organizations into 24 distinct industries. The greatest number of cases examined were in banking and financial services (366 cases), manufacturing (212 cases), government and public administration (201cases), and healthcare (158 cases). The lowest number of cases were mining (27 cases), wholesale trade (24 cases), and communications and publishing (24 cases). The highest reported median losses were suffered by organizations in the following industries: communications and publishing at $525,000, energy at $300,000, and services (professional) at $258,000.

4. Organizational Weakness and Internal Controls

a. The most common controls in place at a victim organization were external audits (80% of cases), implemented codes of conduct (80% of cases), and Internal Audit Departments (73%). As noted in the chart below, the presence of every control correlated with lower fraud losses. See Table 4 below.

Table 4: The Relationship of Anti-Fraud Controls and Median Losses

Control	% of Cases	Control in Place	Control Not in Place	Percent Reduction
Code of Conduct	80%	$110,000	$250,000	56%
Proactive data monitoring/analysis	37%	$80,000	$165,000	52%
Surprise audits	37%	$75,000	$152,000	51%
External audit of internal controls over financial statements	67%	$100,000	$200,000	50%
Management Review	66%	$100,000	$200,000	50%
Hotline	63%	$100,000	$200,000	50%
Anti-fraud policy	54%	$100,000	$190,000	47%
Internal audit department	73%	$108,000	$200,000	46%
Fraud Training for employees	53%	$100,000	$169,000	41%
Formal fraud risk assessments	41%	$100,000	$162,000	38%
Fraud training for managers/executives	52%	$100,000	$153,000	35%
External audit of financial statements	80%	$120,000	$170,000	29%

b. Smaller organizations were found to have fewer anti-fraud controls implemented, and as a result, were found to be more vulnerable.
c. Companies with anti-fraud controls in place experienced 12% to 56% less fraud losses, and a 33% to 58% quicker detection of fraud.
d. The most cited organizational weakness was a lack of internal controls (30% of cases), while override of existing internal controls (19%) was found to be the second most common weakness.
e. The perpetrator's level of authority had a strong correlation to the size of the fraud. See Table 5 below.

Table 6: How Occupational Fraud is Initially Detected

Method of Detection	Method as a %
Tips	40%
Internal Audit	15%
Management Review	13%
By accident	7%
Other	6%
Account Reconciliation	5%
Document Examination	4%
External Audit	4%

c. The second most common forms of detection were from internal audit (15%), while only 4% of cases were discovered by external audits.
d. Companies with active methods of detection such as management review, surveillance/monitoring, IT controls, and account reconciliation experienced both lower median losses and quicker detection.

Conclusion

Regardless of the size or type of the company, as the ACFE's Report to the Nations consistently demonstrates year after year, 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/monitoring, the risk and potential for damages from fraudulent schemes can be reduced and/or mitigated. Contact your Anchin advisor for more information on how to improve your organization's anti-fraud controls or for assistance in the investigation of known or suspected fraud.

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