

# Can You Identify a Fraudster?

*by Eric S. Taylor, CPA, CGFM*

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Occupational fraud, which is fraud committed by persons within an organization, is problematic throughout the world. This type of fraud causes significant, costly damages to organizations due to the fraudulent activities of its employees. Organizations often are not equipped, or able, to see the warning signs or red flags of typical fraudsters within their organization. This allows fraud schemes to linger on for long periods of time before being discovered, costing organizations dearly.

The [Association of Certified Fraud Examiners \(ACFE\)](#) conducted a global study of 2,504 fraud cases in 125 countries. The results of the study are presented in the [Report to the Nations 2020 Global Study on Occupational Fraud and Abuse](#). Part of that report summarizes common characteristics of the perpetrators who committed the frauds. Below are some of the statistics and traits of fraudsters, from that study, that might help your organization identify and detect fraud sooner, rather than later.

## **Perpetrator's Position**

According to the study's report, the employee's level of authority correlates with the amount of loss. Owners and executives committed less than half the percentage of frauds as employees did, but caused 10 times the median loss at \$600,000.

## **Perpetrator's Tenure**

The study concluded that the longer the perpetrator works for a company, the greater the loss due to the fraud incident. Fraudsters that worked for a company for more than 10 years caused a median loss of \$200,000, which is 4 times greater than the median loss for frauds committed by employees with less than one year in the organization.

### **Perpetrator's Gender**

Globally, 72% of fraud cases were committed by males, while in the United States and Canada the percentage of male fraudsters is lower, at 59%. The median loss for frauds committed by males was \$150,000, compared to \$85,000 for those committed by females.

### **Perpetrator's Age**

Fifty-three percent of fraud perpetrators are between the ages of 31 and 45. Only 9% of the fraud perpetrators were committed by people age 55 or older. However, the median loss for fraud cases committed by that age group was the highest.

### **Perpetrator's Educational Level**

According to the study, there is a correlation between the fraudster's education level and the median loss in fraud cases. Twenty-two percent of the perpetrators were high school graduates or less with median losses of \$80,000. The median loss more than doubles to \$200,000 for frauds committed by people with a postgraduate degree. Sixty-four percent of frauds were committed by a person with a university degree or higher.

### **Collusion by Multiple Perpetrators**

Just under half of the frauds studied were committed by just one perpetrator with a median loss of \$90,000, while nearly a third of the frauds were committed by three or more perpetrators working in collusion, with a median loss of \$350,000.

### **Perpetrator's Criminal Background**

The report indicated that most occupational fraud perpetrators had no prior criminal history. Nearly 90% of the fraud perpetrators had never been charged or convicted of fraud in the past. Only 4% had prior convictions.

### **Perpetrator's Employment History**

Most fraud perpetrators have no prior employment-related disciplinary actions for fraud. Eighty-six percent of the fraud perpetrators studied had never been punished or terminated for fraud-related incidents by their employers. Part of that could be because 26% of fraudsters either received no punishment, were permitted to resign, or signed private settlement agreements after committing fraud, according to the study's report.

### **Behavioral Red Flags Displayed by Perpetrators**

In addition to the above statistics about fraudsters, the study concluded that at least one behavioral red flag was present in 85% of the cases studied. The top 7 behavioral red flags listed below are in order by percentage of fraudsters that exhibited the behaviors.

1. Living beyond means
2. Financial difficulties
3. Unusually close relationship with a vendor or customer
4. Excessive control issues or unwillingness to share duties
5. Unusual irritability, suspiciousness, or defensiveness
6. A general "wheeler-dealer" attitude involving shrewd or unscrupulous behavior
7. Recent divorce or family problems

Organizations should remain vigilant in keeping an eye out for behavioral red flags and perpetrator traits. It would be beneficial to pass on and communicate red flags to all levels of the organization because co-workers may recognize these behaviors more readily. Knowing what to look for is key for timely fraud prevention and detection to prevent losses within the organization.

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