

COSTS OF UNETHICAL BEHAVIOR

Did you know that...

A typical organization loses 5% of revenues (median loss per case - \$125K and avg. loss per case - \$1.5M) each year as a result of unethical behavior.

Unethical behavior resulted in losses world-wide of over \$3.6B.

The most prominent organizational control weakness that contributed to unethical behavior in the study was a lack of internal controls.

Percentage of fraud loss by levels of government: National (45%), Local (32%), State (21%).

Organizations of different sizes tend to have different fraud risks. Corruption was more prevalent in larger organizations, while check tampering, skimming, payroll and cash larceny schemes were twice as common in small organizations.

Most occupational fraudsters are first-time offenders. Only 4% of offenders in the study had previously been convicted of a fraud-related offense.

Despite the increasingly sophisticated fraud detection techniques available to organizations, employee tips were by far the most common initial method for fraud detection. Organizations with an Ethics Line detected unethical behavior at a higher rate than organizations without an Ethics Line.

Organizations with a hotline detected fraud by employee tip more often than organizations without a hotline.

Common detection methods were **TIPS** (40%), Internal Audit (15%), Management Review (12%), By Accident (5%), Account Reconciliation (4%), External Audit (4%), Surveillance (3%) and Other (6%).

According to our research, when a minimum standard program is present, employees are:

1. More than 2X likely to report suspected wrongdoing to management
2. Almost 4X as likely to express satisfaction with their company's response to their reporting
3. More than 4X as likely to say that they work in a strong ethical culture

Sources:

ACFE 2022 Report to the Nations

ACUA Measuring the Impact of Ethics and Compliance Programs