

COSTS OF UNETHICAL BEHAVIOR

Did you know that...

A typical organization loses 5% of revenues in a given year as a result of unethical behavior.

Unethical behavior resulted in losses world-wide of over 7 Billion dollars.

Companies with weak ethical cultures experience 10 times more misconduct than companies with strong ethical cultures.

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

Percentage of fraud loss by levels of government: National (38%), Local (31%), State (26%).

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, and only 8.3% had previously been fired by an employer for fraud-related conduct.

Employee tips are by far the most common initial detection method. Organizations with an Ethics Line detect unethical behavior at a higher rate than organizations without an Ethics Line.

Organizations with a hotline experienced fraud losses 50% smaller than organizations without a hotline.

Common detection methods were **TIPS** (40%), Internal Audit (15%), Management Review (13%), By Accident (7%), Account Reconciliation (5%), External Audit (4%), Surveillance (3%) and Other (13%).

Sources:

ACFE 2018 Report to the Nations
Corporate Executive Board Report