

FRAUD IN THE WAKE OF COVID-19: BENCHMARKING REPORT



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Association of Certified Fraud Examiners

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INTRODUCTION

COVID-19 has affected—and will continue to affect—the business environment in countless ways. Travel bans, employees working remotely, an increased reliance on technology, and economic uncertainty have become the reality for many organizations around the world. And while these and other hurdles present numerous logistical and operational challenges, they also open the door to the increased pressure, opportunity, and rationalization that can lead to fraud.

To illuminate the global pandemic's impact on the fight against fraud, the ACFE is undertaking a series of benchmarking surveys exploring how fraud risks and anti-fraud programs are changing in the current environment. This report summarizes the results of our first of these surveys, which was conducted from late-April to mid-May 2020. Consequently, all findings in this report related to expected changes over the next 12 months pertain to the approximate period of May 2020 to May 2021.

We are exceptionally grateful to the ACFE members who contributed their time and insight into the current and anticipated state of the anti-fraud profession during this unprecedented time. We hope that the information highlighted in this report will be useful for those both in and outside of the anti-fraud profession to understand how fraud risk is evolving and the importance of staying ever vigilant in protecting against its harms in the wake of the coronavirus.

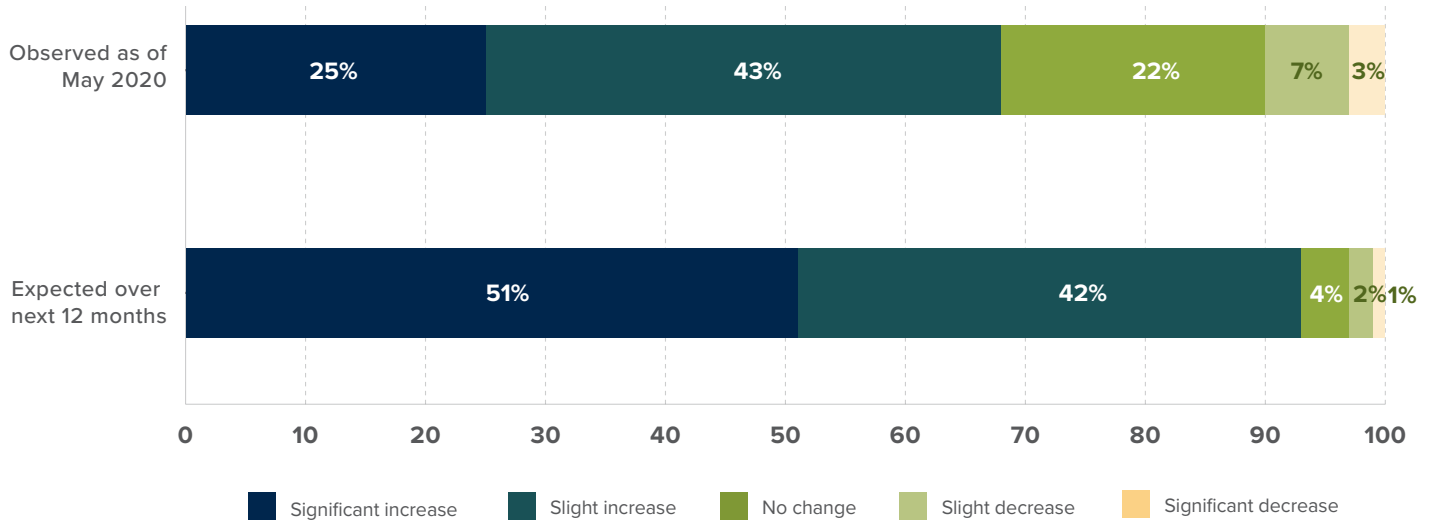


HOW COVID-19 IS AFFECTING THE OVERALL LEVEL OF FRAUD

We asked survey respondents about their current observations regarding the overall level of fraud in the wake of COVID-19. As of May 2020, 68% of survey respondents had already experienced or observed an increase in fraud levels, with one-quarter saying the observed increase has been significant.

Looking forward, anti-fraud professionals expect an even greater shift in the overall fraud level. Nearly all of our survey respondents (93%) said they anticipate an increase in fraud in the next year (i.e., through May 2021), with more than half of respondents predicting a significant increase.

FIG. 1 Change in the overall level of fraud





HOW COVID-19 IS AFFECTING SPECIFIC FRAUD RISKS

In addition to trends in the overall level of fraud, survey respondents provided information about their current observations and expected changes regarding ten specific types of fraud. Across the board, anti-fraud professionals are already seeing increased levels for each of these risks, and they anticipate further increases through May 2021.

As reflected in Figure 2, the threat that has risen the most during the COVID-19 pandemic is cyberfraud, which includes schemes such as business email compromise, hacking, ransomware, and malware. The majority of survey respondents (81%) have already seen an increase in these schemes, and 93% expect them to increase over the next 12 months.

Frauds perpetrated by vendors and sellers (e.g., price gouging, product misrepresentation, and overbilling) are also a top risk in the wake of the coronavirus; 86% of respondents expect to see more of this type of fraud over the coming year, and 68% have already seen an increase in these schemes. Payment fraud (e.g., credit card fraud and fraudulent mobile payments) and health care fraud ranked third and fourth, respectively, in terms of frauds that are expected to increase over the coming year.

FIG. 2 Change in specific fraud risks



HOW COVID-19 IS AFFECTING ORGANIZATIONS' ANTI-FRAUD PROGRAMS

INVESTMENT IN ANTI-FRAUD PROGRAMS

Looking forward through the next year (i.e., through May 2021), respondents are generally optimistic about their organizations' expected investments in anti-fraud programs and initiatives. As shown in Figure 3, half of the anti-fraud professionals who participated in our study anticipate an increased anti-fraud budget over the next 12 months, with 15% expecting a significant increase. In contrast, 8% anticipate budget cuts to affect their anti-fraud programs and initiatives, with 3% expecting this decrease to be significant.

ANTI-FRAUD STAFFING

At the time of our survey, the majority (62%) of survey respondents did not expect any changes in their organizations' level of anti-fraud staffing through May 2021, and more than one-quarter expected to hire additional anti-fraud staff during that time. However, 10% expected a reduction in their anti-fraud staffing over the next year, with 2% anticipating this cutback to be significant.

FIG. 3 Expected change in investment in anti-fraud programs over the next 12 months

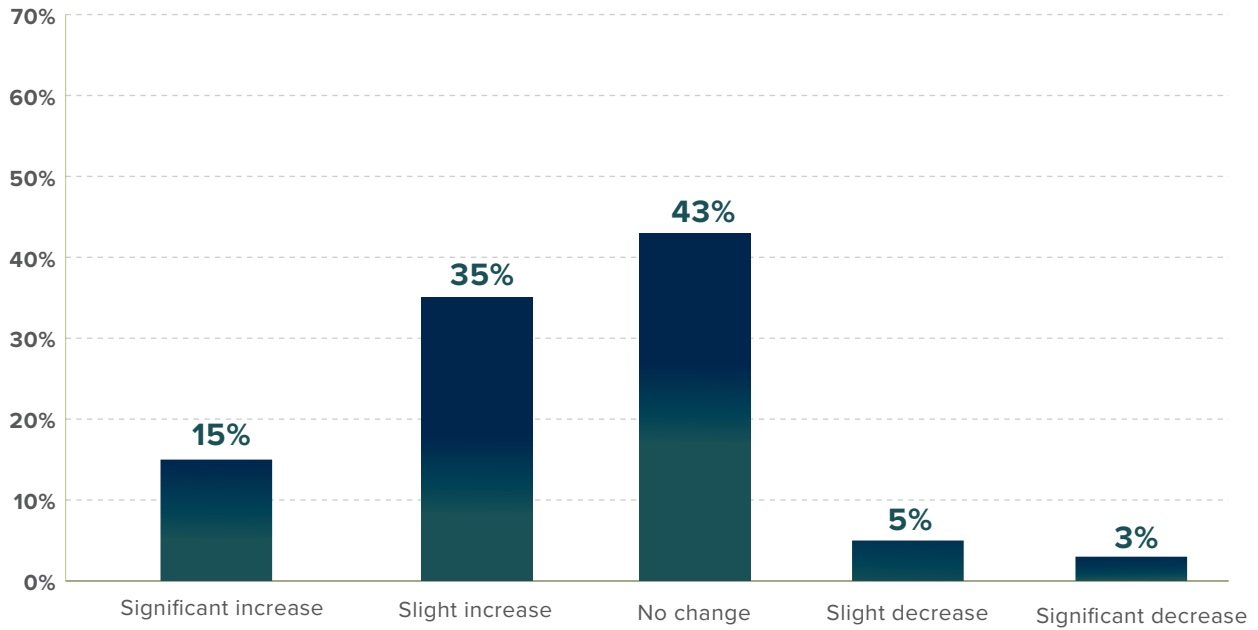
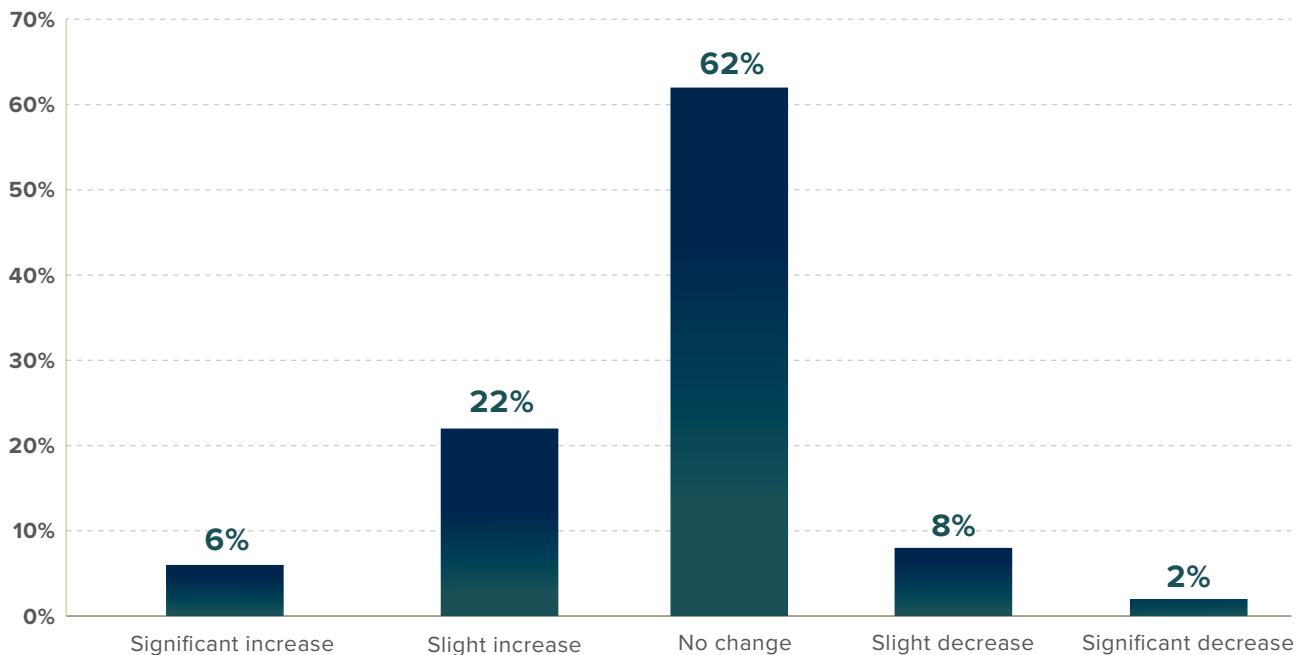


FIG. 4 Expected change in investment in anti-fraud staffing over the next 12 months



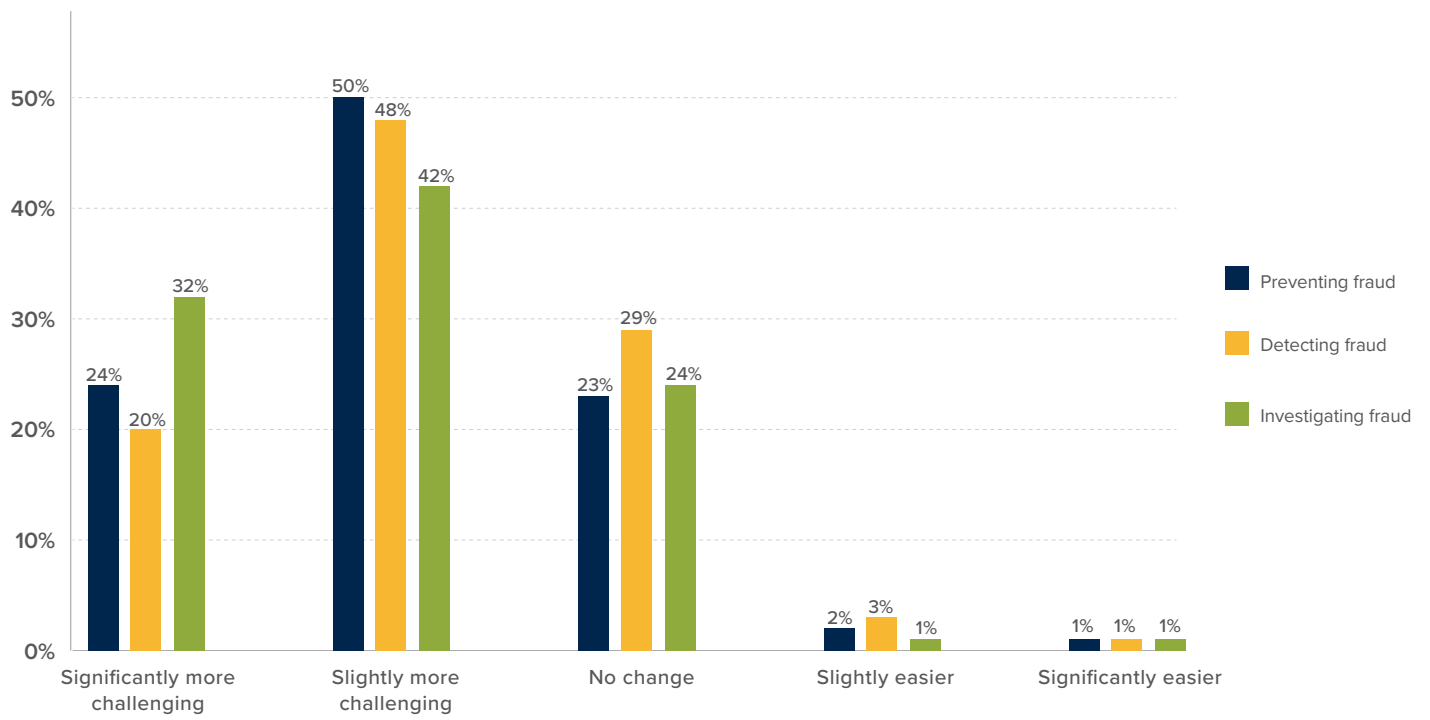


HOW COVID-19 IS AFFECTING THE ABILITY TO FIGHT FRAUD

DIFFICULTY IN PREVENTING, DETECTING, AND INVESTIGATING FRAUD

We asked survey respondents about how the difficulty level of preventing, detecting, and investigating fraud has changed in the wake of the coronavirus. As shown in Figure 5, anti-fraud professionals say that all three of these activities have become notably more difficult in the current environment. Nearly three-quarters of respondents face additional challenges in preventing and investigating fraud—with 24% and 32%, respectively, saying that those activities have become significantly more difficult. Likewise, 68% of anti-fraud professionals note that detecting fraud has become more difficult during the global pandemic.

FIG. 5 Change in difficulty level of anti-fraud activities

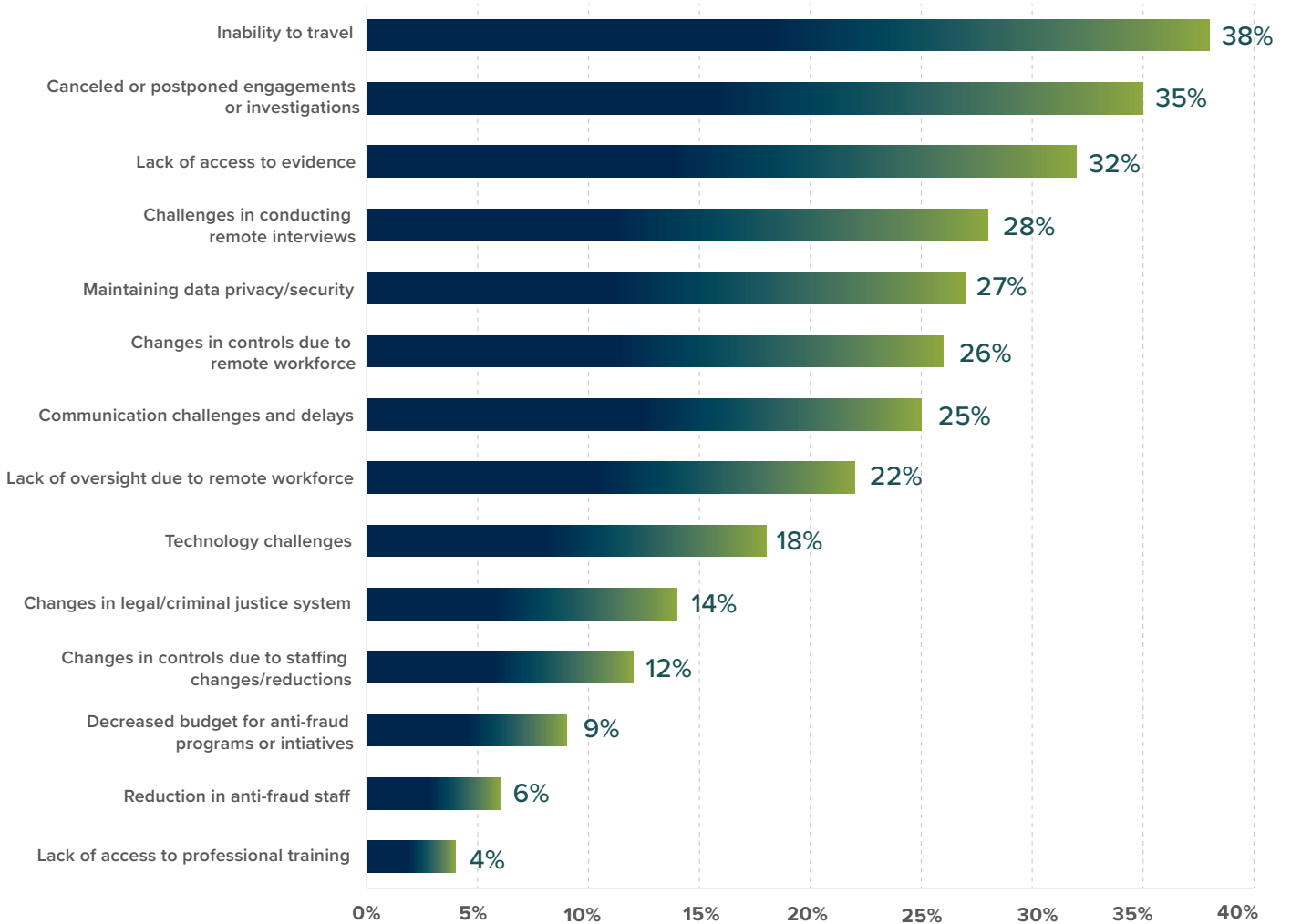




COMMON CHALLENGES IN FIGHTING FRAUD

In order to understand what specific challenges are making the fight against fraud more difficult during the pandemic, we asked survey respondents to identify their three most prominent challenges in combating fraud in the wake of the coronavirus. Their responses are reflected in Figure 6. The most common issues anti-fraud professionals are currently facing are the inability to travel, the cancellation or postponement of their engagements and investigations, and a lack of access to evidence.

FIG. 6 Most prominent challenges in combating fraud in the wake of COVID-19





METHODOLOGY AND DEMOGRAPHICS OF SURVEY RESPONDENTS

In April 2020, we invited 77,198 randomly selected ACFE members to participate in a 13-question survey. Survey responses were collected anonymously. We received 1,851 survey responses that were usable for purposes of this report; all findings presented herein are based on these responses.

INDUSTRY

We asked survey respondents to identify the industry in which they work. Almost one-quarter are in the government and public administration sector, and 21% are in banking and financial services. Another 16% work in professional services, with the remaining 39% distributed across other industries.

FIG. 7 Industry of respondents' organizations

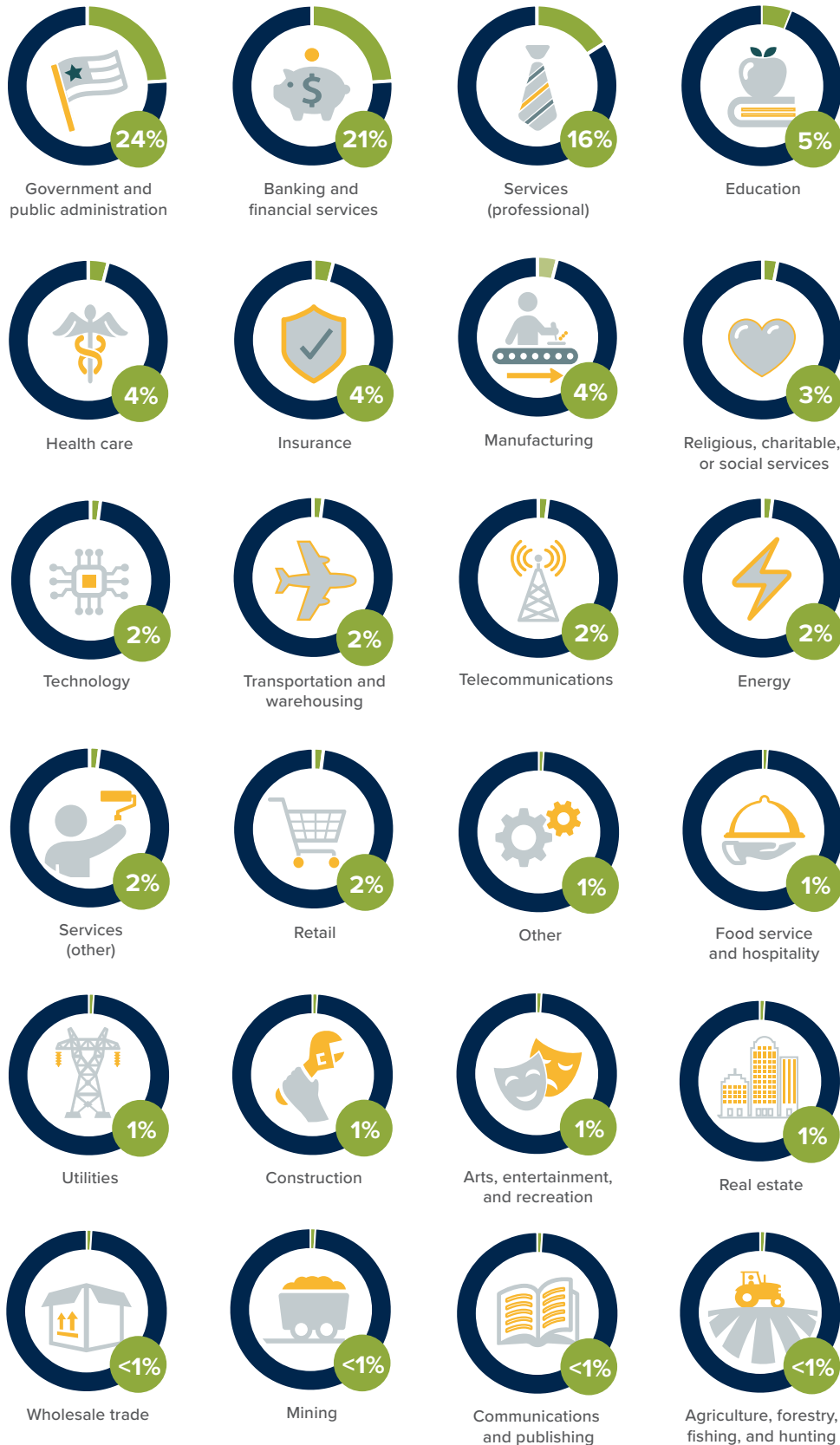


FIG. 8 Region of respondents' organizations



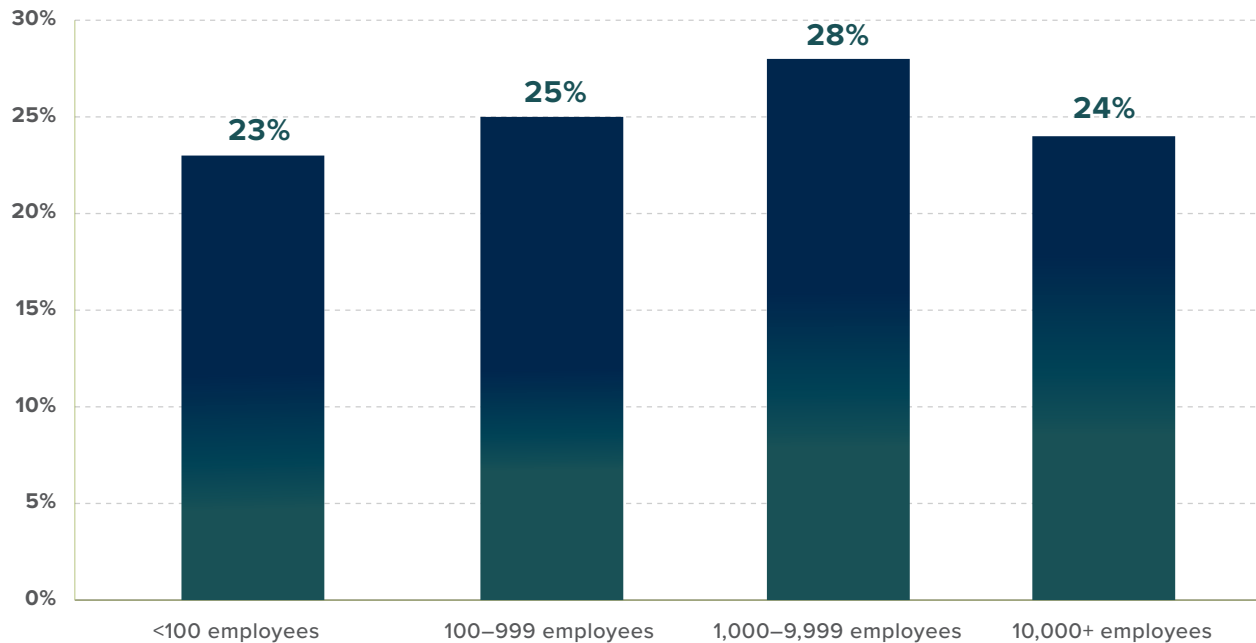
REGION

Survey respondents were geographically dispersed, providing a global view into fraud in the wake of the coronavirus. Just over half (54%) of survey respondents live in the United States or Canada; 13% live in Sub-Saharan Africa; 7% each live in Western Europe, Asia-Pacific, and Southern Asia; and 5% each live in the Middle East and North Africa and Latin America and the Caribbean.

ORGANIZATION SIZE

Respondents were fairly evenly split with regard to how large their employing organizations are. Approximately one-quarter each worked for organizations in each of the four size categories reflected in Figure 9.

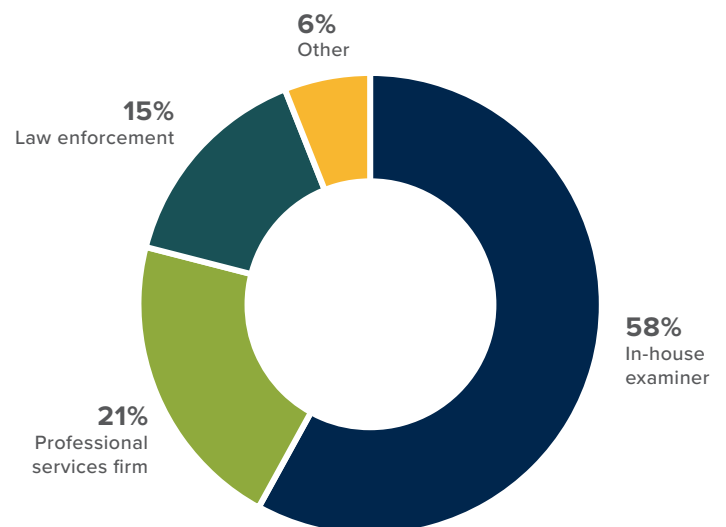
FIG. 9 Size of respondents' organizations



PROFESSIONAL ROLE

More than half of the respondents in our study (58%) work in-house and conduct fraud-related engagements within a single company or agency. In contrast, 21% work for a professional services firm that conducts fraud-related engagements on behalf of client organizations, and 15% work in law enforcement and conduct fraud investigations of other parties under their agency's authority.

FIG. 10 Respondents' professional roles



ABOUT THE ACFE

Founded in 1988 by Dr. Joseph T. Wells, CFE, CPA, the ACFE is the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with more than 85,000 members in more than 150 countries, the ACFE is reducing business fraud worldwide and providing the training and resources needed to fight fraud more effectively.

The positive effects of anti-fraud training are far-reaching. Clearly, the best way to combat fraud is to educate anyone engaged in fighting fraud on how to effectively prevent, detect and investigate it. By educating, uniting and supporting the global anti-fraud community with the tools to fight fraud more effectively, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity of the profession. The ACFE offers its members the opportunity for professional certification. The Certified Fraud Examiner (CFE) credential is preferred by businesses and government entities around the world and indicates expertise in fraud prevention and detection.

MEMBERSHIP

Immediate access to world-class anti-fraud knowledge and tools is a necessity in the fight against fraud. Members of the ACFE include accountants, internal auditors, fraud investigators, law enforcement officers, lawyers, business leaders, risk/compliance professionals and educators, all of whom have access to expert training, educational tools and resources. Members from all over the world have come to depend on the ACFE for solutions to the challenges they face in their professions. Whether their career is focused exclusively on preventing and detecting fraudulent activities or they just want to learn more about fraud, the ACFE provides the essential tools and resources necessary for anti-fraud professionals to accomplish their objectives.

CERTIFIED FRAUD EXAMINERS

Certified Fraud Examiners (CFEs) are anti-fraud experts who have demonstrated knowledge in four critical areas: Financial Transactions and Fraud Schemes, Law, Investigation, and Fraud Prevention and Deterrence. In support of CFEs and the CFE credential, the ACFE:

- Provides bona fide qualifications for CFEs through administration of the CFE Exam
- Requires CFEs to adhere to a strict code of professional conduct and ethics
- Serves as the global representative for CFEs to business, government and academic institutions
- Provides leadership to inspire public confidence in the integrity, objectivity and professionalism of CFEs

For more information, visit [ACFE.com](https://www.acfe.com).



GLOBAL HEADQUARTERS • THE GREGOR BUILDING
716 West Ave • Austin, TX 78701-2727 • USA
Phone: (800) 245-3321 / +1 (512) 478-9000
Web: [ACFE.com](https://www.acfe.com) • info@acfe.com