

# Occupational Fraud: How to Detect it & Prevent it



Did you know that the average company loses 5% of revenue each year to fraud, which translates to a projected global fraud loss of almost \$3.7 trillion, according to the [Report to the Nations on Occupational Fraud and Abuse](#) by the [Association of Certified Fraud Examiners](#)?

From padding expense reports to participating in sophisticated billing schemes, there's a number of fraudulent business behaviors that can happen. And the longer fraud lasts, the more financial damage they cause to your business. While occupational criminals come in various shapes and sizes, it's important to understand the most common characteristics.

According to the report:

- Approximately 77% of the frauds were committed by individuals working in one of the following departments: accounting, operations, sales, executive/upper management, customer service, purchasing, and finance
- The vast majority of occupational fraudsters are first-time offenders; only 5% had been convicted of a fraud-related offense prior to committing their crimes
- Two-thirds of the fraudsters identified in the study were male
- The largest group of fraud perpetrators (41%) had been employed by their company between one and five years before committing their crimes

Occupational fraud is a universal problem affecting large and small businesses alike. However, small businesses could be more susceptible to such deception as they aren't as protected by anti-fraud policies, as compared to larger organizations. So how can any businesses detect and prevent occupational fraud from happening?

Below are four best practices:

### **1. Establish Fraud Procedures and Policies**

While it goes without saying, it's important to implement well-documented fraud procedures and policies to ensure everyone in the business knows what to do when illicit activity is suspected or uncovered.

### **2. Look for Red Flags**

Fraudsters often display certain behavioral traits that can be identified as red flags. For example, if an employee is living beyond their means or having abnormally close associations with vendors or customers, it could mean that the individual is behaving deceitfully. Make sure that managers and other employees are trained to identify these types of warning signs.

### **3. Implement a Hotline**

The most common fraud detection method is tips from others within the organizations. However, employees must feel comfortable enough to come forward with a suspicion or evidence. Try implementing a hotline in which employees can call in anonymously. The ACFE study found that organizations that leveraged hotlines experienced frauds that were 41% less costly.

### **4. Get IT Involved**

Your data is vulnerable to attacks from the inside so make sure that your IT department has invested in the necessary software, such as network security and remote access controls, to reduce the risk of fraudsters getting a hold of sensitive data.

Prevention is the best medicine when it comes to fighting occupational theft. Make sure you have an anti-fraud risk management strategy set in place. According to the ACFE report, just the presence of anti-fraud policies help reduce losses. In fact, schemes that occurred in organizations that had anti-fraud procedures in place were less costly and were detected much faster than those who didn't.