

# FRAUD IN THE WAKE OF COVID-19: BENCHMARKING REPORT

DECEMBER 2020 EDITION



**ACFE**<sup>®</sup>

Association of Certified Fraud Examiners

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## INTRODUCTION

As 2020 draws to a close, there is little doubt that the effects of COVID-19 will linger well into 2021. Businesses continue to grapple with economic fluctuations, supply chain disruptions, remote operations, and the toll this year has taken on the health, safety, and well-being of the workforce. We know, too, that these and other factors stemming from the global pandemic have altered organizations' fraud risks and anti-fraud programs.

This report provides the results of our third in a series of studies exploring the ways that the fight against fraud has changed in the wake of COVID-19. We hope the findings presented in this report help anti-fraud professionals to:

- Educate organizational leadership and staff, as well as the general public, about the effects of the pandemic on the fight against fraud.
- Update or undertake formal fraud risk assessments to understand and reflect the new fraud risk landscape.
- Build support for continued investment in anti-fraud programs.
- Navigate the challenges of preventing, detecting, and investigating fraud in the current environment.

As with our previous research, we are exceptionally grateful to the ACFE members who contributed their time and insight into the state of the anti-fraud profession during this time of immense uncertainty and change.



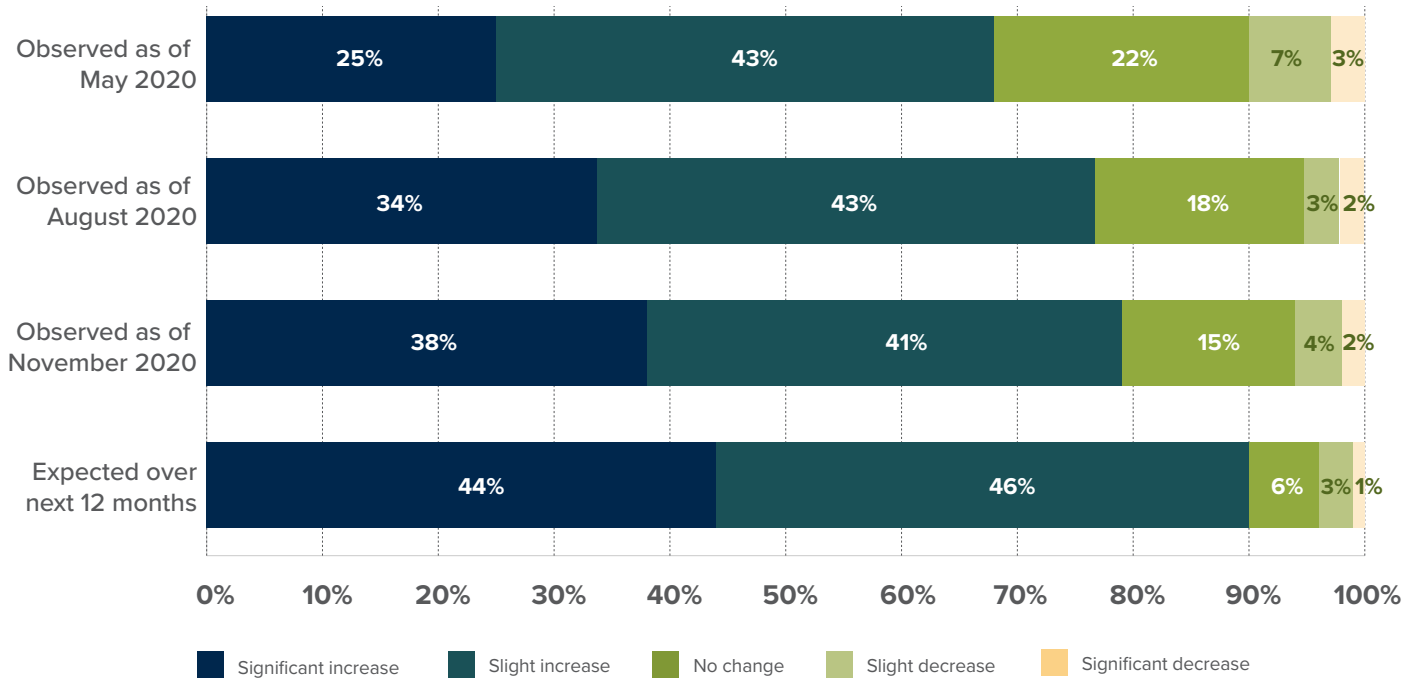


## HOW COVID-19 IS AFFECTING THE OVERALL LEVEL OF FRAUD

Continuing the trend from our previous studies, a growing number of survey participants have observed an increase in fraud in the wake of COVID-19. As of November 2020, 79% of respondents said they have seen an increase in the overall level of fraud (compared to 77% in August and 68% in May), with 38% noting that this increase has been significant (compared to 34% in August and 25% in May). As we look toward 2021, our members expect this trend to persist; 90% anticipate a further increase in the overall level of fraud over the next 12 months, with 44% saying this change will likely be significant.



**FIG. 1** Change in the overall level of fraud

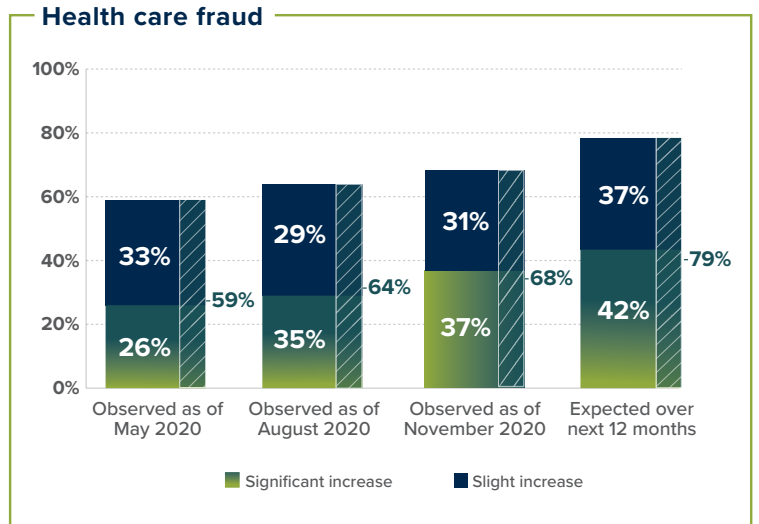
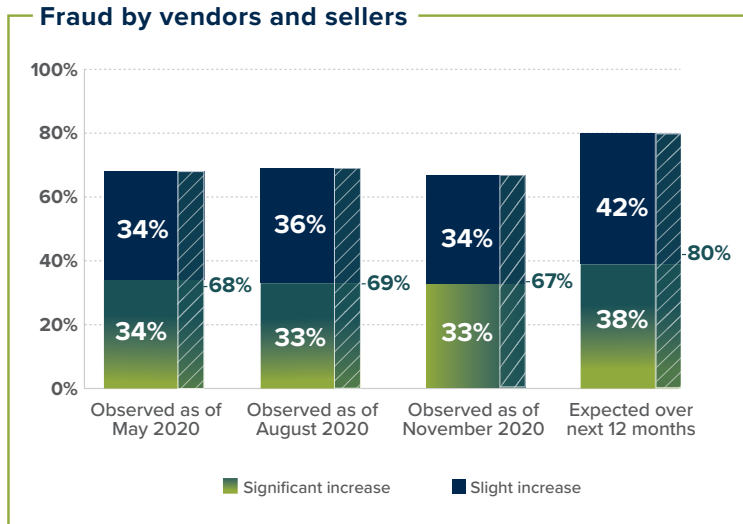
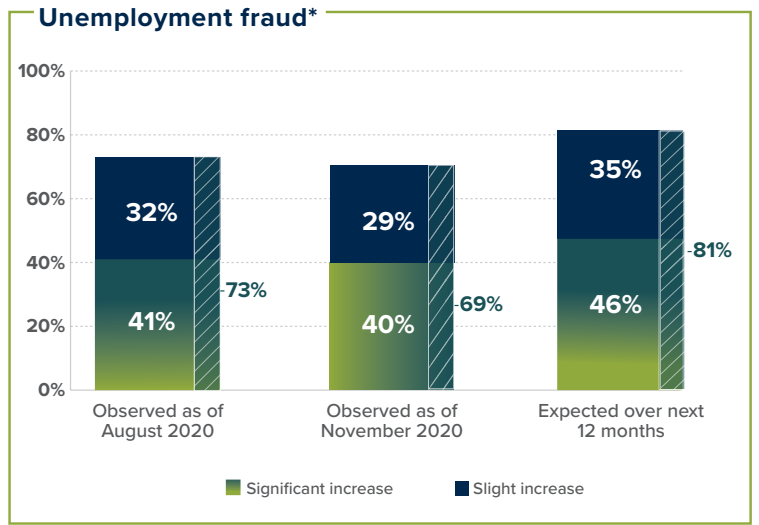
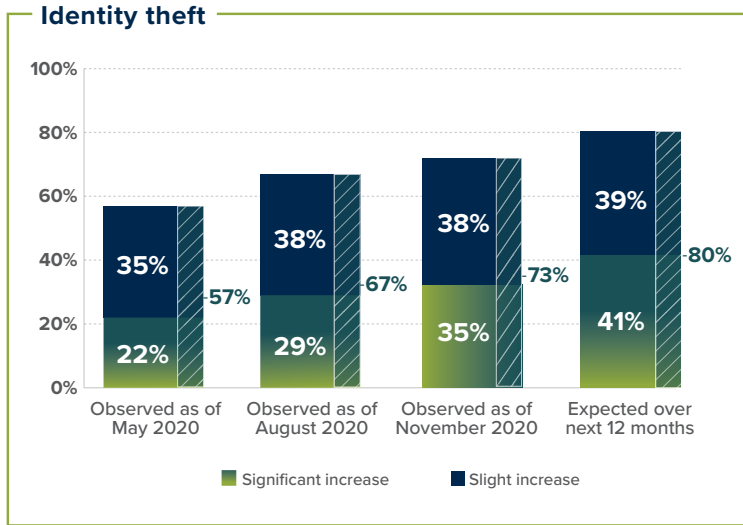
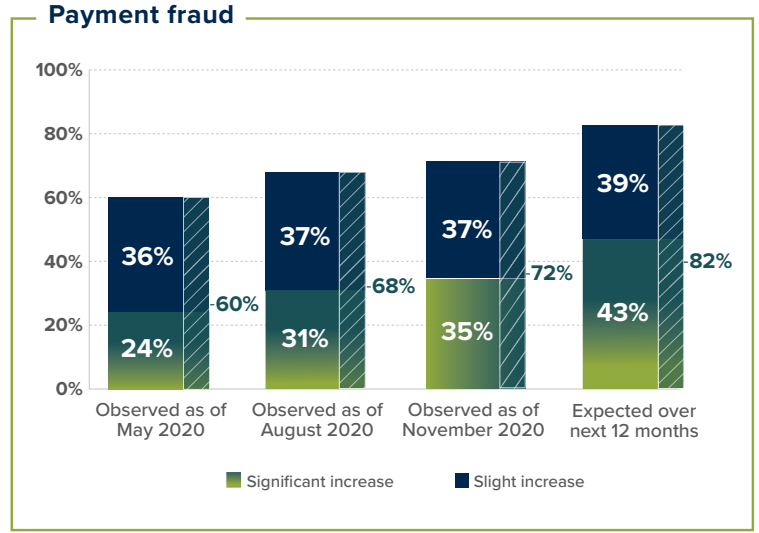
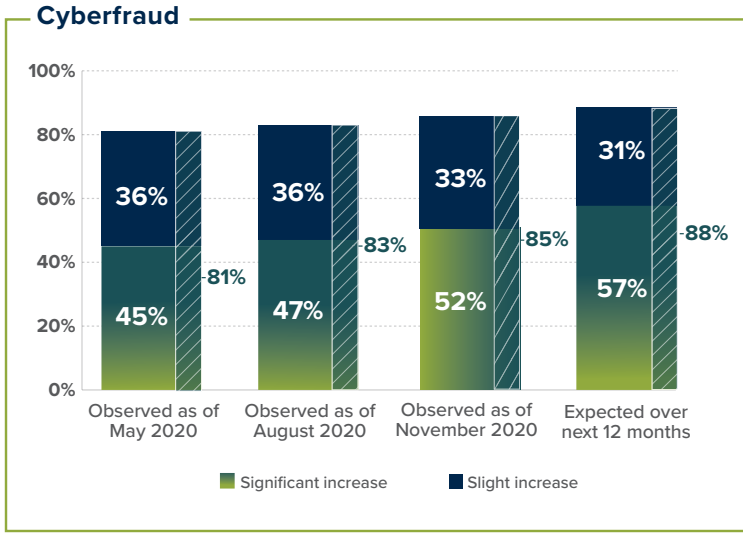




## HOW COVID-19 IS AFFECTING SPECIFIC FRAUD RISKS

The way specific fraud risks are affecting organizations also continues to evolve in the wake of COVID-19. We asked survey participants about their observations and expectations regarding 12 different categories of fraud risks. While respondents noted both existing and expected increases in each of these 12 categories, several of these risks are affecting organizations more significantly than others. Specifically, cyberfraud (e.g., business email compromise, hacking, ransomware, and malware) continues to be the most heightened area of risk, with 85% of respondents already seeing an increase in these schemes, and 88% expecting a further increase over the next year. Other significant fraud risks in terms of both observed and expected increases include payment fraud (e.g., credit card fraud and fraudulent mobile payments), identity theft, and unemployment fraud.

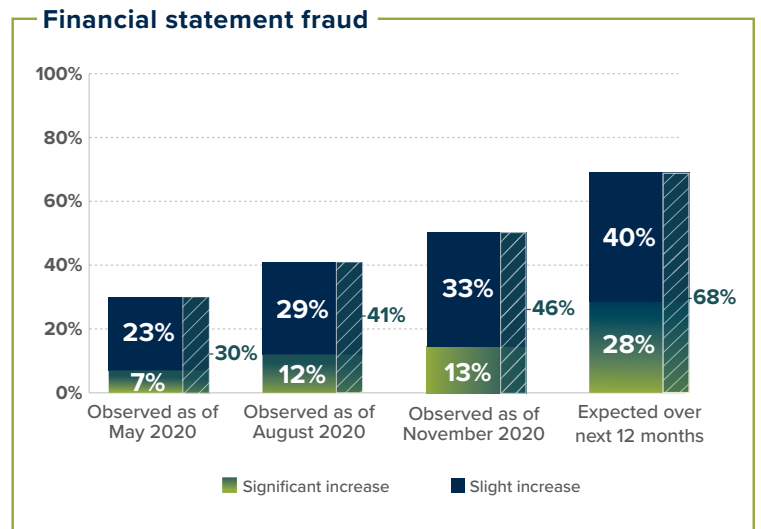
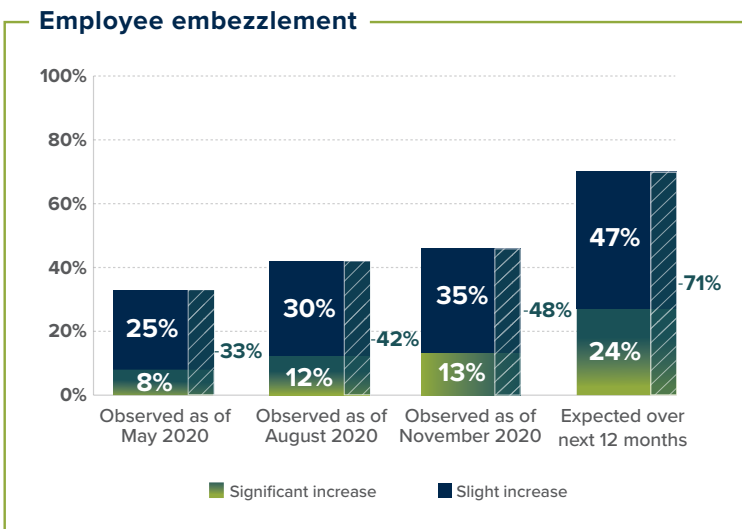
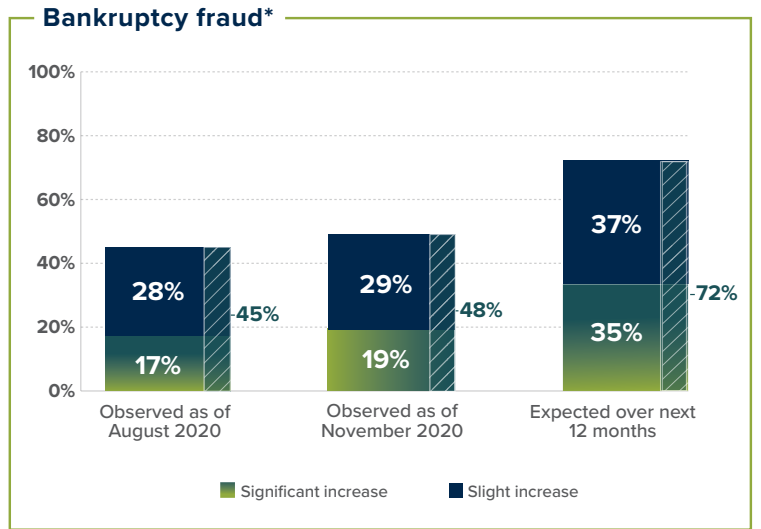
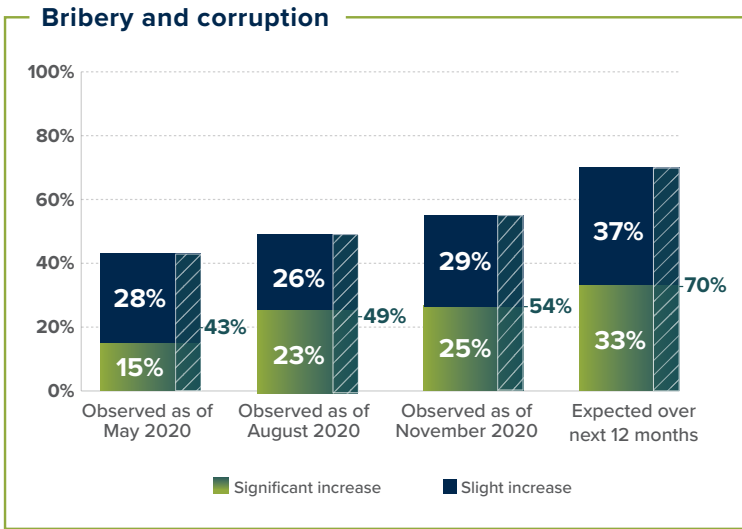
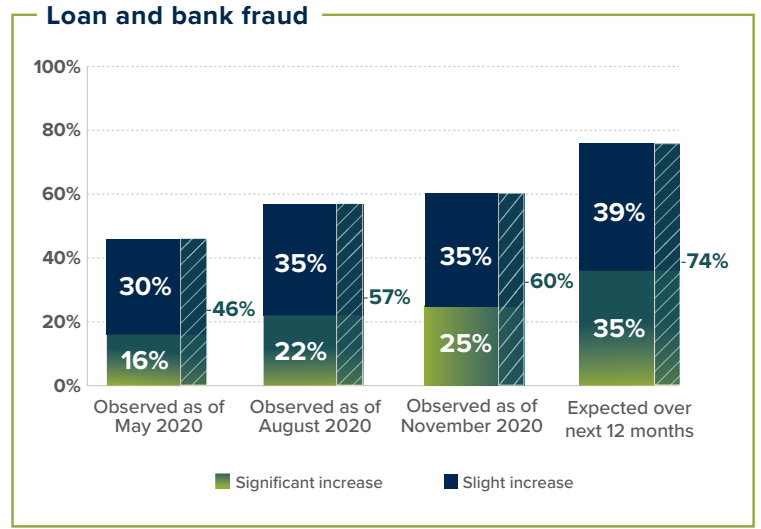
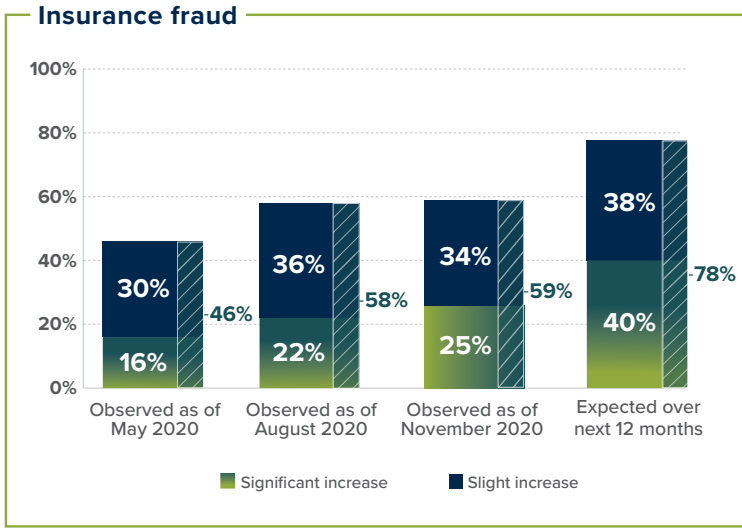
FIG. 2 Change in specific fraud risks



\*Unemployment fraud and bankruptcy fraud were not included in the May 2020 benchmarking study.



FIG. 2 Change in specific fraud risks



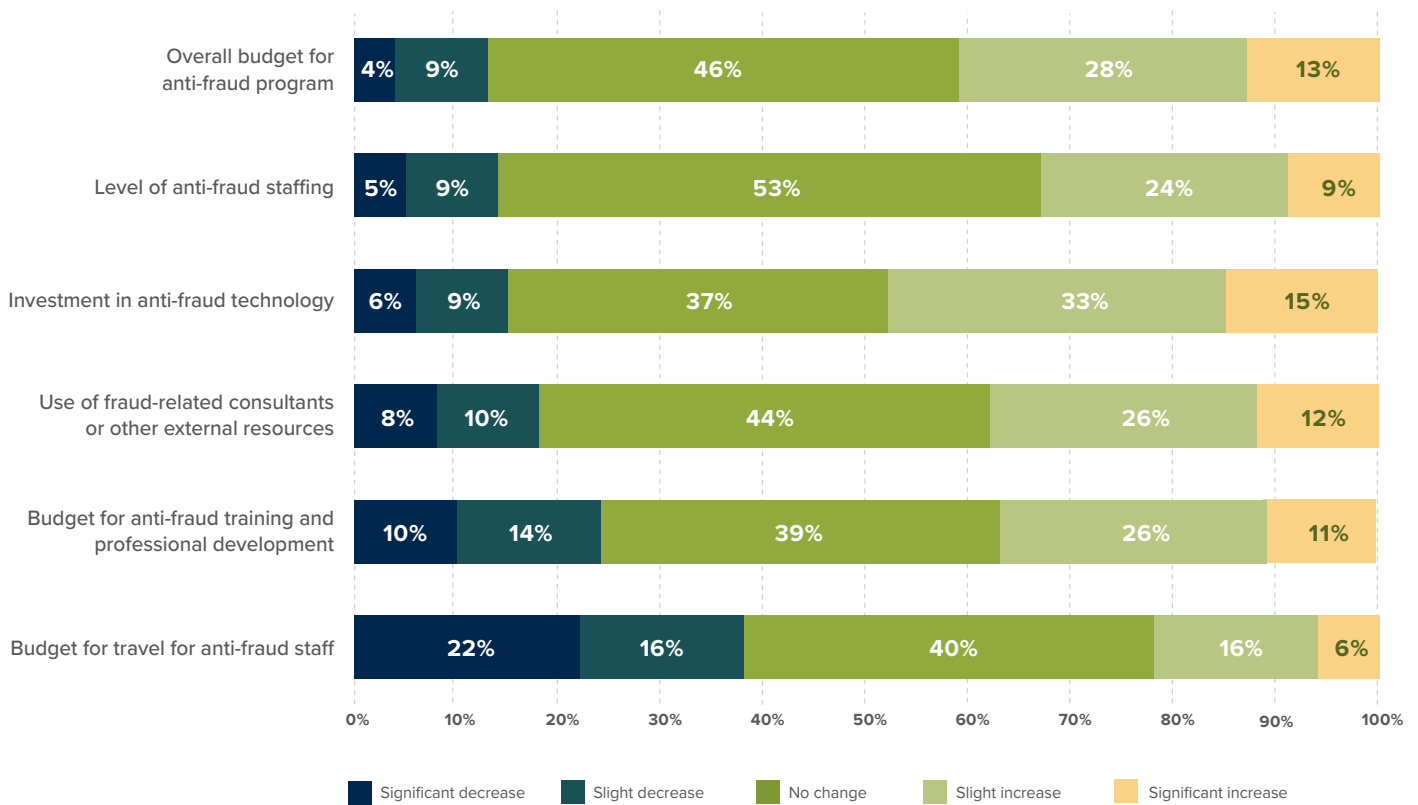
\*Unemployment fraud and bankruptcy fraud were not included in the May 2020 benchmarking study.

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

With the increase in overall fraud risk and the shifts in specific categories of fraud risk, organizations need to ensure that their anti-fraud programs remain effective over the coming year. We asked survey participants about the expected changes in the budgets and resources for their anti-fraud programs. As shown in Figure 3, 41% of organizations are planning to increase their overall anti-fraud budget, while only 13% anticipate a reduced budget for next year. Similarly, anti-fraud staffing is largely expected to either increase (one-third of organizations) or remain flat (53% of organizations), with just 14% expecting cutbacks or layoffs within their anti-fraud teams.

We also asked about several specific components of anti-fraud programs. Nearly half (48%) of organizations anticipate increased investments in anti-fraud technology, and 38% plan to increase the use of fraud-related consultants or other external resources. Budgets for anti-fraud training and professional development are seeing a similar increase (37% of organizations), but almost one-quarter (24%) expect a decrease in this area. Not surprisingly, the budget component most likely to see decreases is travel for anti-fraud staff; 38% of survey respondents anticipate a reduction in funds for travel over the coming year.

**FIG. 3** Expected change in anti-fraud program budgets and resources over the next 12 months





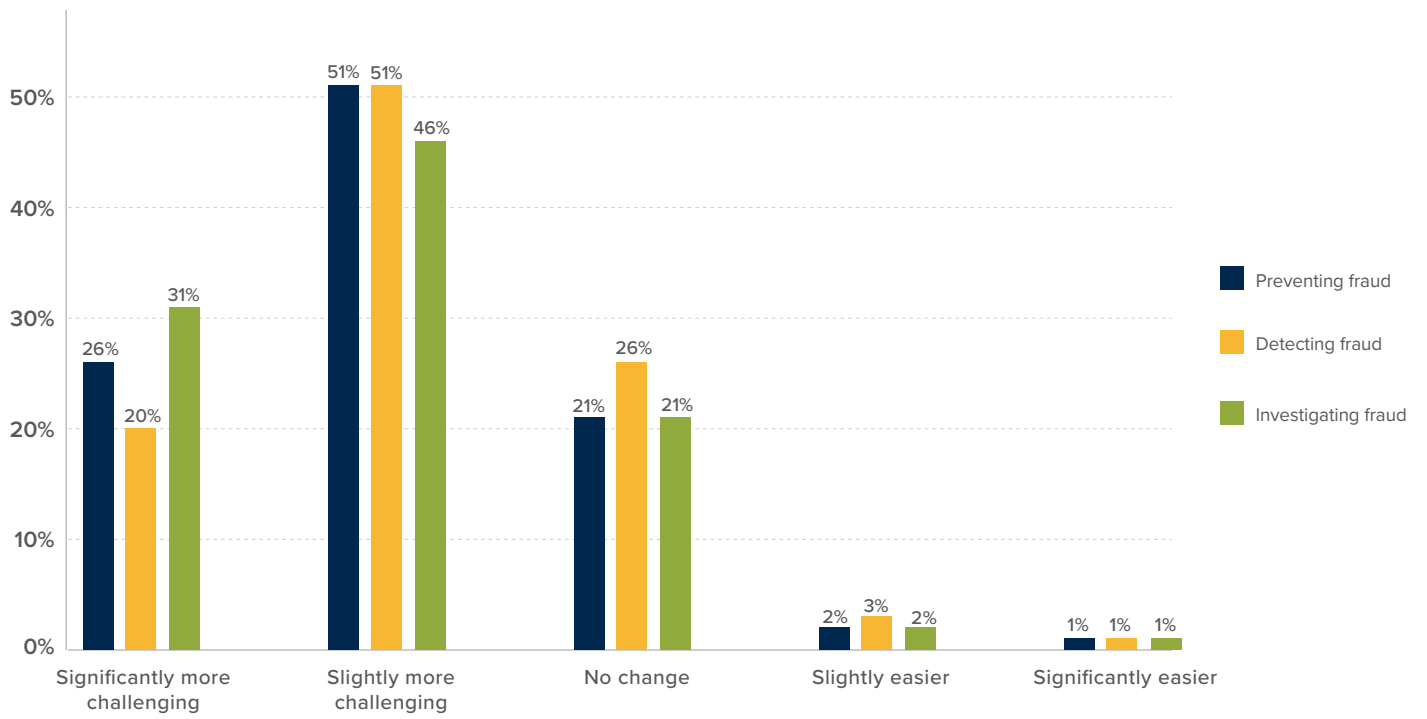


## HOW COVID-19 IS AFFECTING THE ABILITY TO FIGHT FRAUD

### DIFFICULTY IN PREVENTING, DETECTING, AND INVESTIGATING FRAUD

The majority of our survey respondents noted that preventing, detecting, and investigating fraud have all become more difficult in the wake of COVID-19. More than three-quarters (77%) indicated that fraud prevention and fraud investigation are more challenging now than they were previously—with 26% and 31%, respectively, saying that these activities are significantly more difficult. Similarly, 71% of survey participants see fraud detection as more challenging (20% significantly so) than it was before the pandemic.

FIG. 4 Change in difficulty level of anti-fraud activities



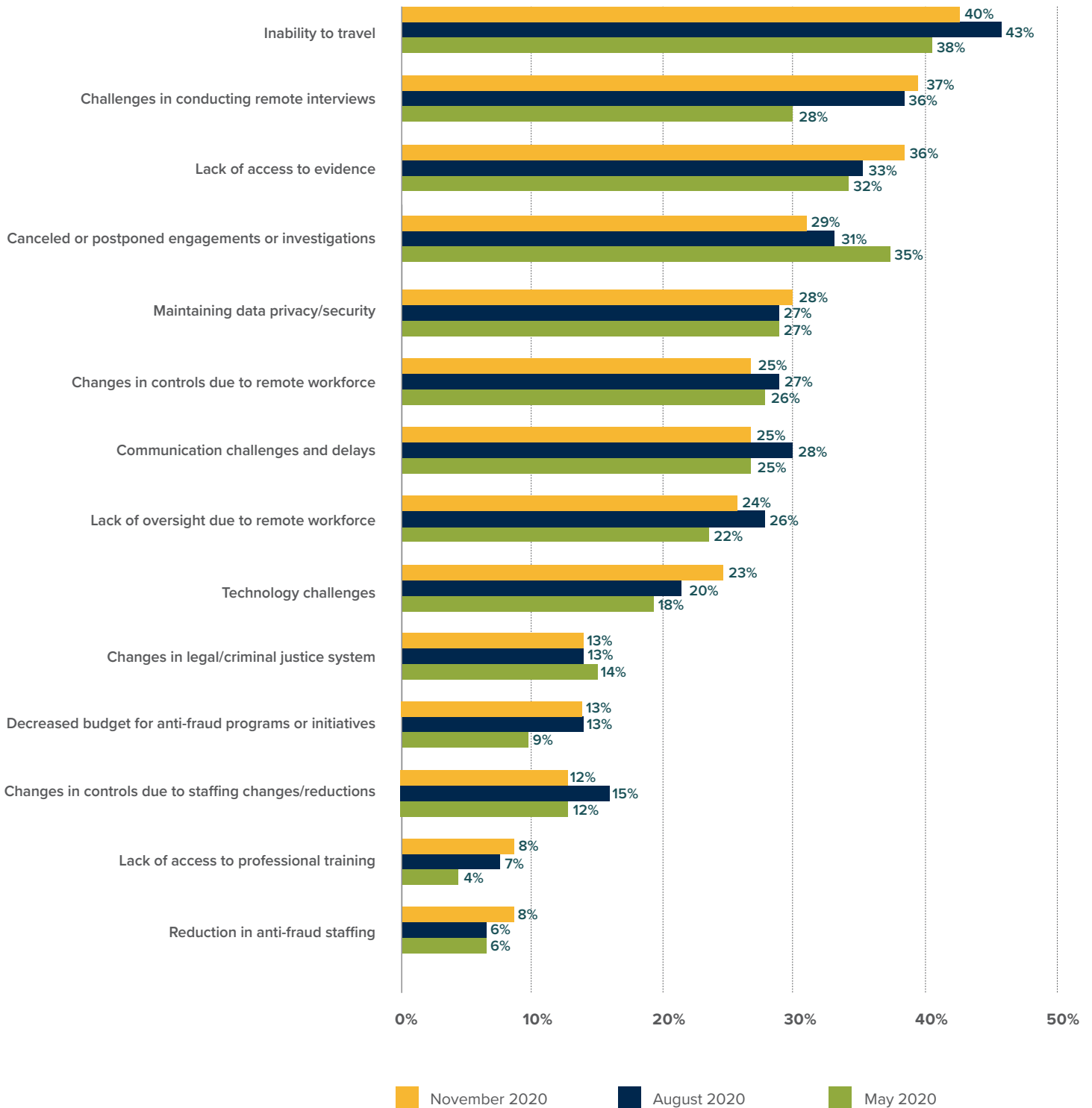


## COMMON CHALLENGES IN FIGHTING FRAUD

We asked survey participants about the primary reasons fighting fraud has become more difficult in the wake of COVID-19. Unsurprisingly, the most common challenges center around physical restrictions placed on anti-fraud staff—including an inability to travel, difficulties in conducting remote interviews, and a lack of access to evidence. While the general trends in these challenges have remained consistent, we have seen a slight decrease in respondents who are challenged by canceled or postponed engagements (29% in November, down from 35% in May), as well as increases in those citing difficulties with remote interviews (37% in November, up from 28% in May) and technology challenges (23% in November, up from 18% in May).



FIG. 5 Most prominent challenges in combating fraud in the wake of COVID-19





## METHODOLOGY AND DEMOGRAPHICS OF SURVEY RESPONDENTS

In November 2020, we invited 84,399 ACFE members to participate in a 12-question survey. Survey responses were collected anonymously. We received 1,712 survey responses that were usable for purposes of this report; all findings presented herein are based on these responses.

### INDUSTRY

Nearly half of our survey respondents work in either the banking and financial services industry (23%) or the government and public administration sector (22%), and another 17% work in professional services organizations. The remaining 38% of participants are distributed across other industries.

FIG. 6 Industry of respondents' organizations

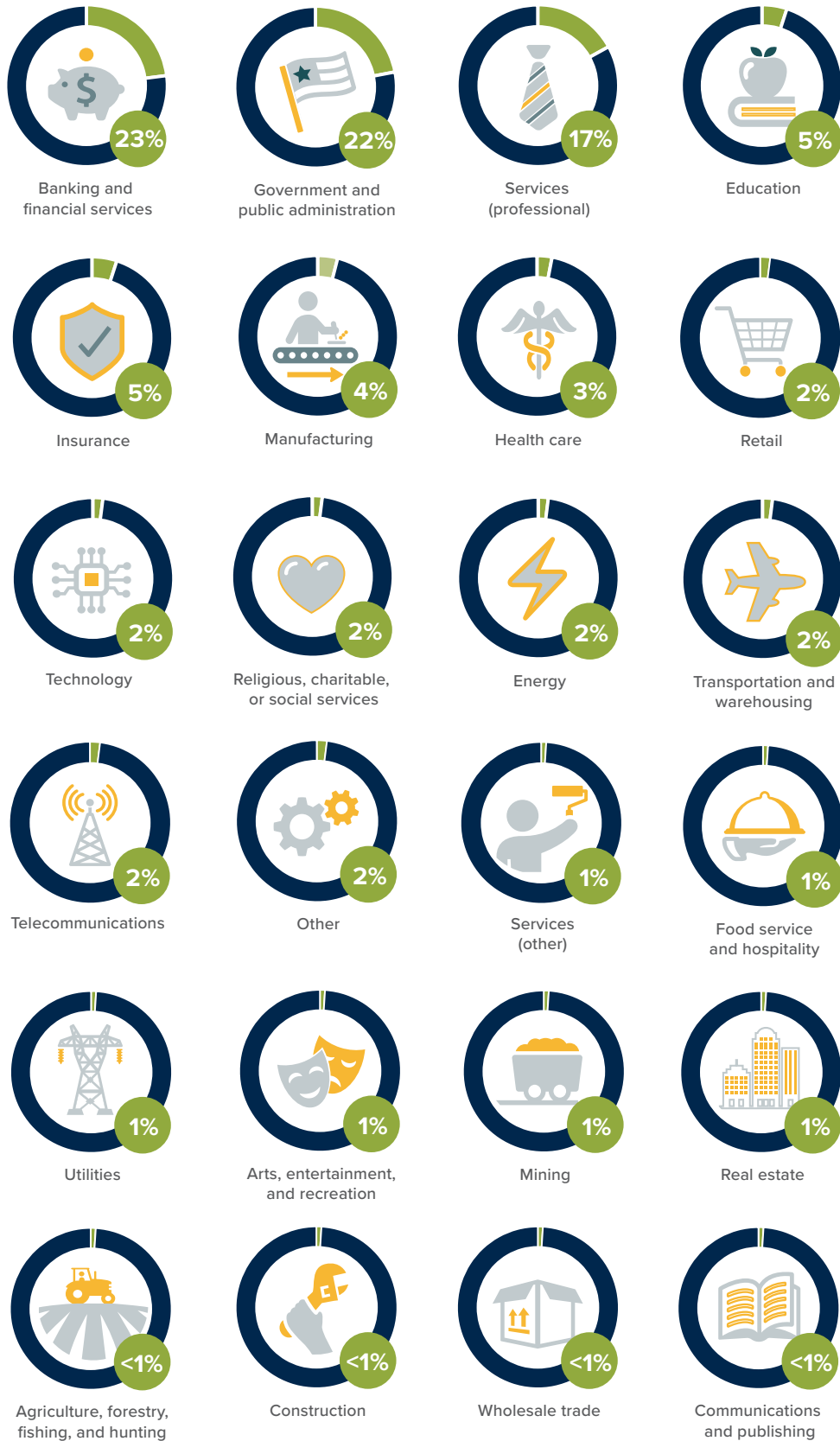
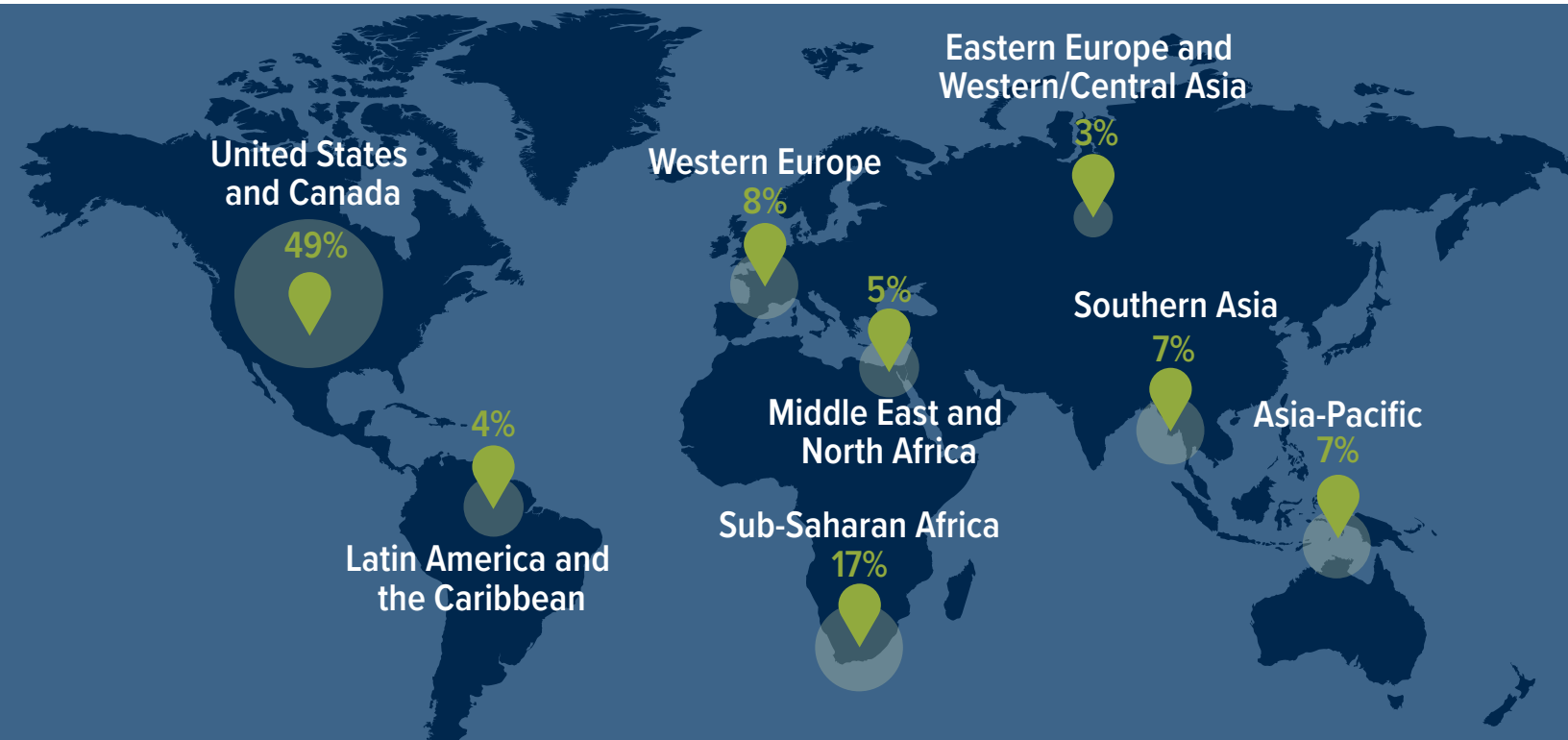




FIG. 7 Region of respondents' organizations



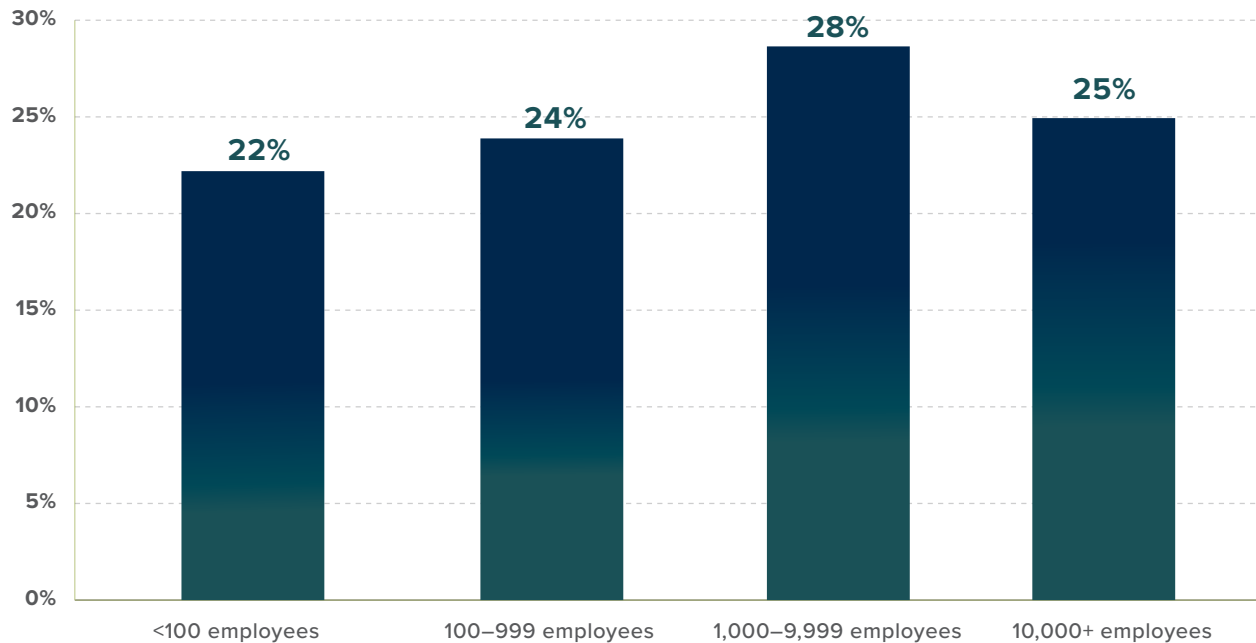
## REGION

Approximately half (49%) of our survey respondents are located in the United States or Canada, and 17% live in Sub-Saharan Africa. Smaller proportions of participants live in Western Europe (8%), Southern Asia (7%), the Asia-Pacific region (7%), the Middle East and North Africa (5%), Latin America and the Caribbean (4%), and Eastern Europe and Western/Central Asia (3%).

## ORGANIZATION SIZE

We asked respondents about the number of individuals employed by their organizations. As shown in Figure 8, respondents were fairly evenly distributed, with between 22% and 28% in each of the four size categories.

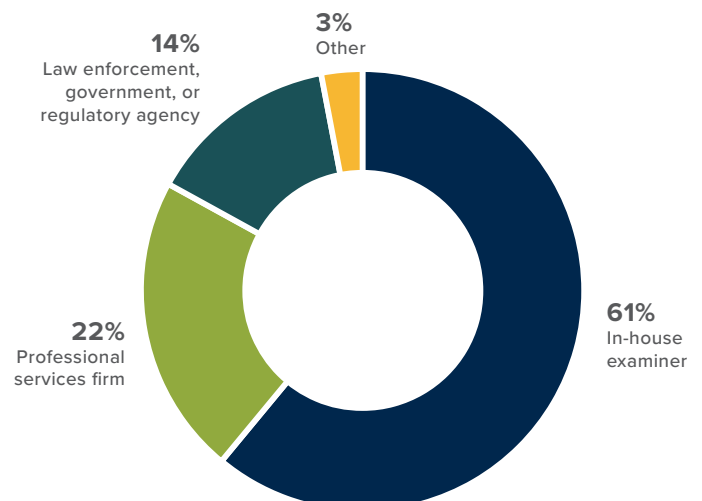
FIG. 8 Size of respondents' organizations



## PROFESSIONAL ROLE

Most of the respondents in our study (61%) work as in-house fraud examiners and conduct fraud-related engagements within a single company or agency. Another 22% work for professional services firms that conduct fraud-related engagements on behalf of client organizations, while 14% work for a law enforcement, government, or regulatory agency that conducts fraud-related engagements for other parties under their employing agency's authority.

FIG. 9 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 180 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).**



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