

## CEP Magazine – August 2022 Fraud cases are becoming more complex

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By Gerry Zack

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The Association of Certified Fraud Examiners (ACFE) has been publishing a study on fraud every two years since 1996. This year's edition, *Occupational Fraud 2022: A Report to the Nations*, is filled with plenty of interesting data culled from 2,110 fraud cases submitted by fraud examiners from investigations conducted between January 2020 and September 2021.<sup>[1]</sup>

The report is useful for compliance professionals, particularly in identifying trends that should be considered in conducting compliance risk assessments. One trend that I've noticed is the increasing complexity of fraud cases. ACFE acknowledges many different methods of perpetrating fraud but classifies all of these fraud schemes into three broad categories: asset misappropriation, corruption, and financial statement fraud.

If we go back a few studies, the 2016 report indicated that 83% of frauds involved asset misappropriation, 35% corruption, and 10% financial statement fraud.<sup>[2]</sup> These percentages add up to more than 100% (128% to be precise) due to the fact that some fraud cases involved multiple categories of schemes. Each biennial report since then has shown increases in this overlap of fraud schemes.

The 2022 report indicates 86% of cases involve asset misappropriation, 50% involve corruption, and 9% financial statement fraud (a total of 145%). The big jump is in corruption, but without any decrease in asset misappropriation. In 2016, less than 24% of cases involved a combination of asset misappropriation and corruption, whereas in 2022 that figure jumped to 32%, with another 5% involving all three categories of fraud.

Another sign that schemes are getting more complex is found in the number of perpetrators. In 2016, nearly 53% of cases involved one perpetrator, with the other 47% involving collusion of two or more individuals. In 2022, single-perpetrator schemes are down to 42%, meaning that schemes involving collusion are now more common than those involving one person—by a pretty large margin. The study also found that frauds involving longer-tenured employees were more likely to include collusion than those perpetrated by newer employees.

Each of the two factors I've chosen to highlight demonstrate an increase in complexity of schemes. Compliance professionals should consider this when preparing risk assessments. It is more important than ever to prepare risk assessments at a more granular level, going from broad categories of risk to a level at which specific subcategories and methods of engaging in fraud, corruption, or other noncompliance is perpetrated.

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<sup>1</sup> Association of Certified Fraud Examiners, *Occupational Fraud 2022: A Report to the Nations*, accessed June 2, 2022, <https://acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf>.

<sup>2</sup> Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse: 2016 Global*

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*Fraud Study*, accessed June 2, 2022, <https://www.acfe.com/-/media/files/acfe/pdfs/2016-report-to-the-nations.ashx>.

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