



THE NEXT NORMAL: PREPARING FOR A POST-PANDEMIC FRAUD LANDSCAPE



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INTRODUCTION

With COVID-19 vaccinations being administered as quickly as possible and countries beginning to lift restrictions put into place to limit the virus's spread, many organizations around the world are starting to prepare for a post-pandemic reality. However, shifts in business operations, economic impacts, and changes in consumer behavior due to the pandemic will likely remain significant factors affecting entities—and their fraud risks and anti-fraud programs—going forward. To assess how organizations are preparing for the “next” normal, the Association of Certified Fraud Examiners (ACFE), in collaboration with Grant Thornton, surveyed anti-fraud professionals around the globe regarding the current and expected effects of COVID-19 on the fraud landscape.

KEY FINDINGS

51% of organizations have **uncovered more fraud** since the onset of the pandemic

71% expect the **level of fraud** impacting their organizations to **increase** over the next year

38% of organizations increased their budget for **anti-fraud technology** for fiscal year 2021, making this the most common area for **increased investment** within anti-fraud programs



More than 80% of organizations have already implemented **one or more changes** to their **anti-fraud programs** in response to the pandemic



Technological challenges are expected to affect an increasing number of organizations' anti-fraud programs



Shifts in **business operations** and **changing consumer behaviors** are the **top two risk factors** expected to impact the fraud risk landscape in the coming year

The most common **pandemic-related challenges** facing anti-fraud programs are changes to **investigative processes** and changes in the **control/operating environment**



HOW HAVE THE LEVELS OF FRAUD AND FRAUD AWARENESS CHANGED DURING THE PANDEMIC?

More than half of survey respondents (51%) indicated that their organization has uncovered more fraud than usual since the onset of the pandemic, with one-fifth indicating a significant increase in the amount of fraud detected. In contrast, only 14% of respondents' organizations have uncovered less fraud during this time.

ACFE research in the early months of the pandemic indicated that organizations knew an increased wave of fraud was likely. In the first *Fraud in the Wake of COVID-19* survey conducted in May 2020, 93% of respondents expected an increase in the overall level of fraud during the coming year.¹

The level of fraud awareness has also risen notably since the onset of the pandemic. More than 60% of respondents have observed a significant or slight increase in their organizations' fraud awareness, and only 7% indicated that the level of fraud awareness has decreased. While some of this change is likely due to increased efforts on behalf of anti-fraud professionals and more internal conversations around fraud risks, heightened press coverage of pandemic-related fraud schemes might also have contributed to the increase in fraud awareness.

More than half of organizations (51%) have uncovered more fraud than usual since the onset of the pandemic.

¹ The May 2020 ACFE survey asked respondents about expected changes in the overall level of fraud in general, not about the level of fraud specifically at their organizations. Consequently, the responses to these two areas of inquiry are not directly comparable. However, examining these results in juxtaposition provides some interesting insight into the expected and detected fraud levels during the May 2020–May 2021 time frame.

FIG. 1 Change in the amount of fraud uncovered

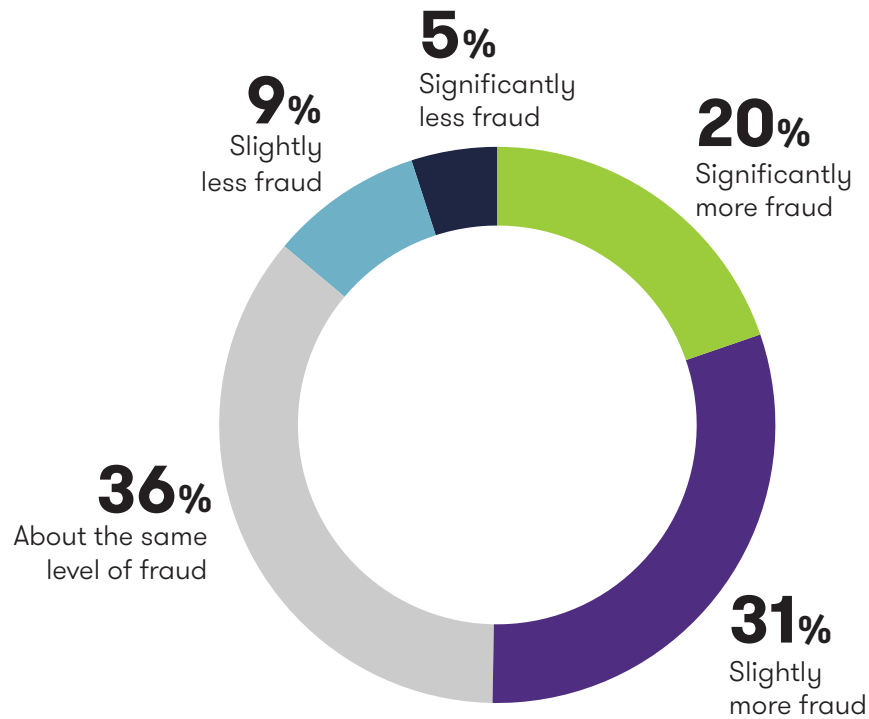
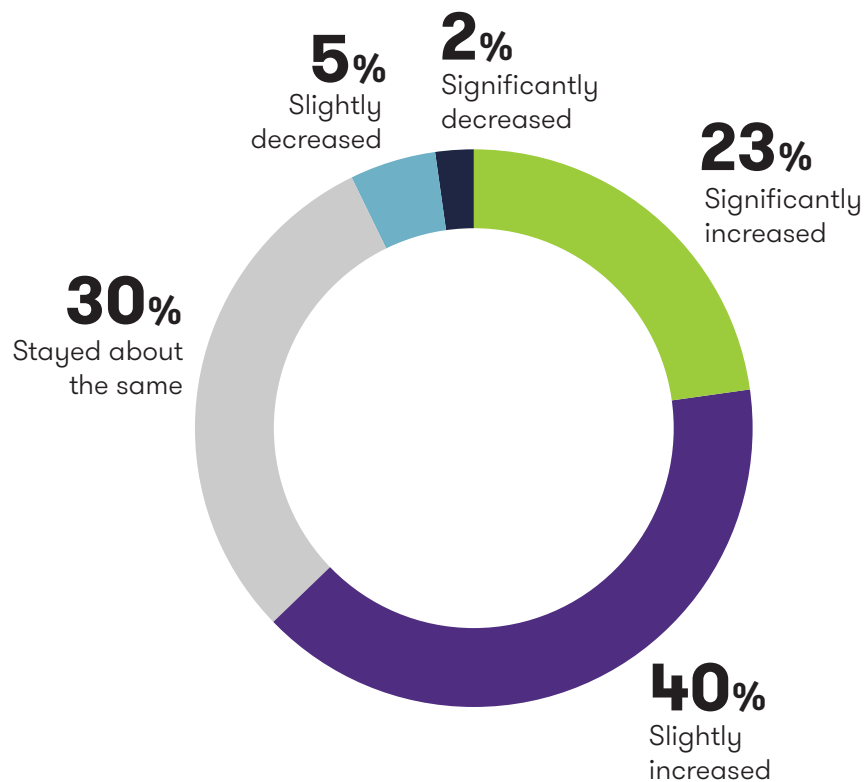


FIG. 2 Change in the level of fraud awareness



HOW IS THE OVERALL LEVEL OF FRAUD EXPECTED TO CHANGE POST-PANDEMIC?

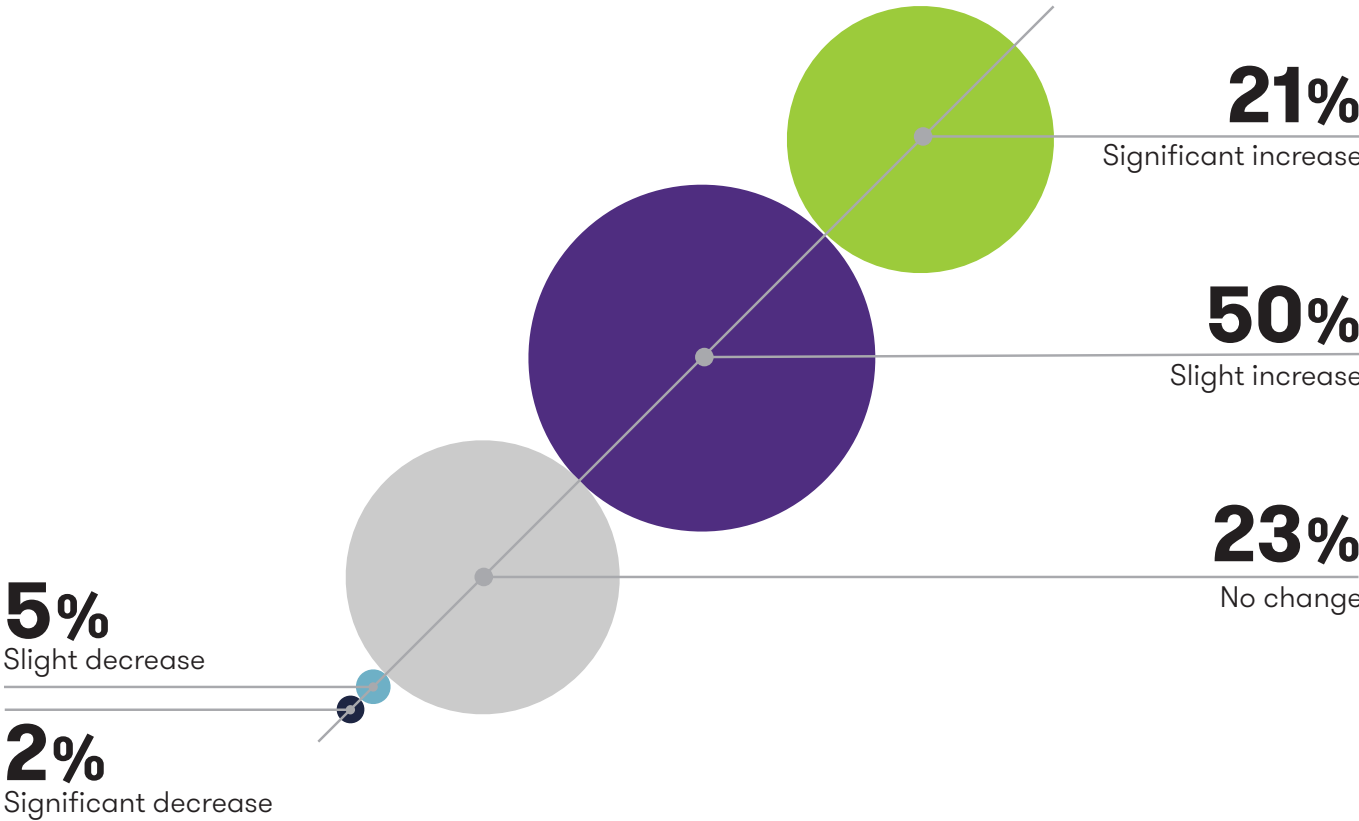
When asked how they expect the level of fraud impacting their organizations to change over the next 12 months, 71% of respondents answered that they expect it to increase, with 21% expecting a significant increase. This is substantially higher than the 51% of survey respondents whose organizations have already uncovered an increased amount of fraud since the onset of the pandemic (see Figure 1), indicating that more organizations are likely to be affected by an increased wave of fraud over the coming year than have already been affected.

In contrast, 30% of survey respondents expect either no change or a decrease in the level of fraud impacting their organizations over the next 12 months. Comparing this to prior ACFE studies highlights some reason for optimism; in the December 2020 *Fraud in the Wake of COVID-19: Benchmarking Report*, only 10% of respondents expected the overall level of fraud to stay the same or decrease during 2021.²

71% of respondents expect the level of fraud impacting their organizations to increase over the next 12 months.

² The December 2020 study focused on changes in the overall level of fraud in general, while our current study asked about fraud specifically impacting the respondents' organizations. Consequently, these findings are not directly parallel. However, they do reveal an interesting perspective and possible shift in the view of overall fraud risk as we move into the post-pandemic landscape.

FIG. 3 Expected change in the overall level of fraud impacting organizations

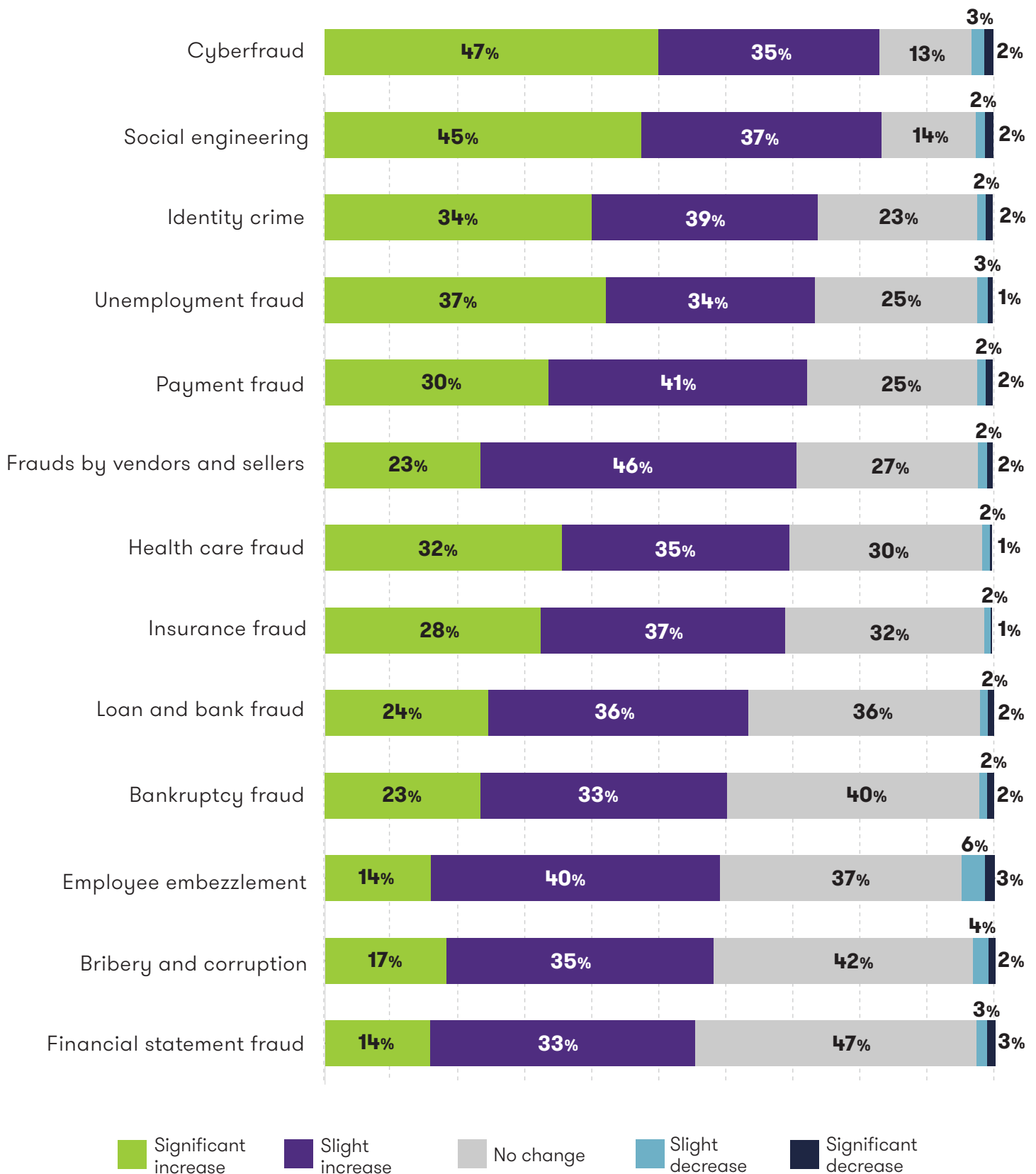


HOW ARE FRAUD RISKS EXPECTED TO CHANGE POST-PANDEMIC?

To determine how specific fraud risks affecting organizations might change over the next 12 months, we asked respondents about their expectations for 13 categories of fraud risks. The results indicate that most anti-fraud professionals expect increases in all types of fraud risks; more than half of respondents expect to see increases in every category except one (financial statement fraud). Cyberfraud (e.g., business email compromise, hacking, ransomware, and malware) and social engineering (e.g., phishing, brandjacking, and baiting) are the categories most expected to increase, with more than 80% of respondents anticipating growth in these two risk areas. Other risks projected to see large increases include identity crime (e.g., identity theft, synthetic identity schemes, and account takeovers), unemployment fraud, and payment fraud (e.g., credit card fraud and fraudulent mobile payments). In contrast, the three categories with the lowest percentage of respondents expecting an increase are the three primary categories of internal or occupational fraud: employee embezzlement (54%), bribery and corruption (52%), and financial statement fraud (47%).

Most anti-fraud professionals expect increases in all types of fraud risks; more than half of respondents expect to see increases in every category except one (financial statement fraud).

FIG. 4 Expected change in specific fraud risks over the next 12 months



HOW ARE ANTI-FRAUD BUDGETS CHANGING?

Financial resources available to anti-fraud teams and programs can significantly influence how effectively they can detect or prevent fraud. Furthermore, budgetary and staffing support can be especially critical in times when organizations are experiencing or expect to experience increases in fraud. To explore how the pandemic is affecting these areas, we asked survey participants about current and expected changes to the budgets for their overall anti-fraud program, as well as specific components of their programs.

For fiscal year 2021, most respondents' organizations (86%) increased or maintained the overall budget for their anti-fraud programs, and more than 60% of organizations kept the budget for the various program components at the same level or higher than in pre-pandemic years. Additionally, 38% of respondents' organizations increased their budgets for anti-fraud technology, making this the

most common area for increased investment. The hardest-hit budget area for fiscal year 2021 was travel for anti-fraud staff, with 39% of respondents' organizations cutting funding (22% significantly so), which should come as no surprise given the travel restrictions that resulted from the pandemic. This category was also the only area in which more organizations decreased their budget than increased it for 2021.

When asked about expected changes to anti-fraud budgets for fiscal year 2022 compared to 2021, 43% of respondents indicated that their organizations expect to increase their overall anti-fraud program budgets, and 48% expect their budgets to remain about the same. For each of the specific budgetary areas, more organizations are expecting increases—and fewer are expecting decreases—than were noted for fiscal year 2021, indicating a continued investment in anti-fraud programs.

38% of organizations increased their budgets for anti-fraud technology, making this the most common area for increased investment.

FIG. 5A Budgets for fiscal year 2021 compared to pre-pandemic years

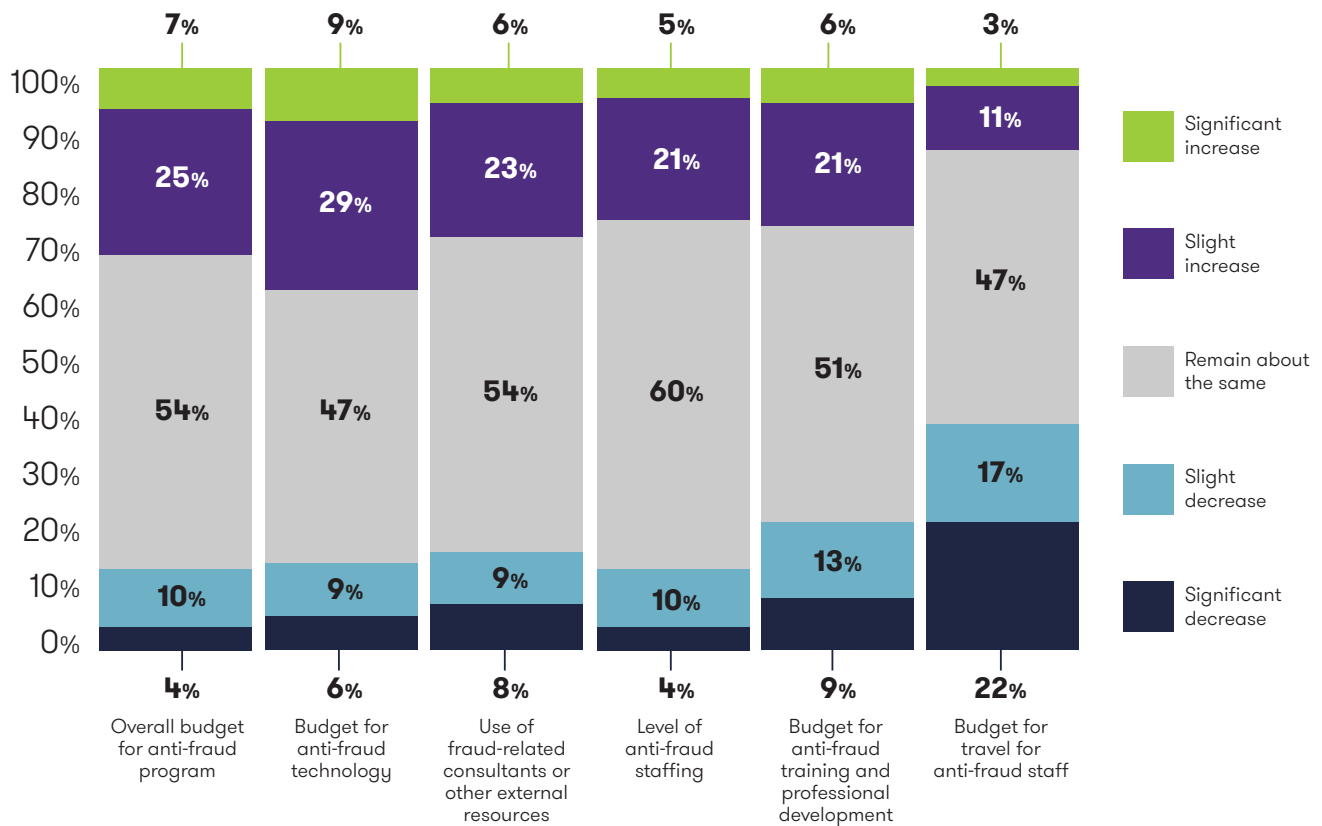
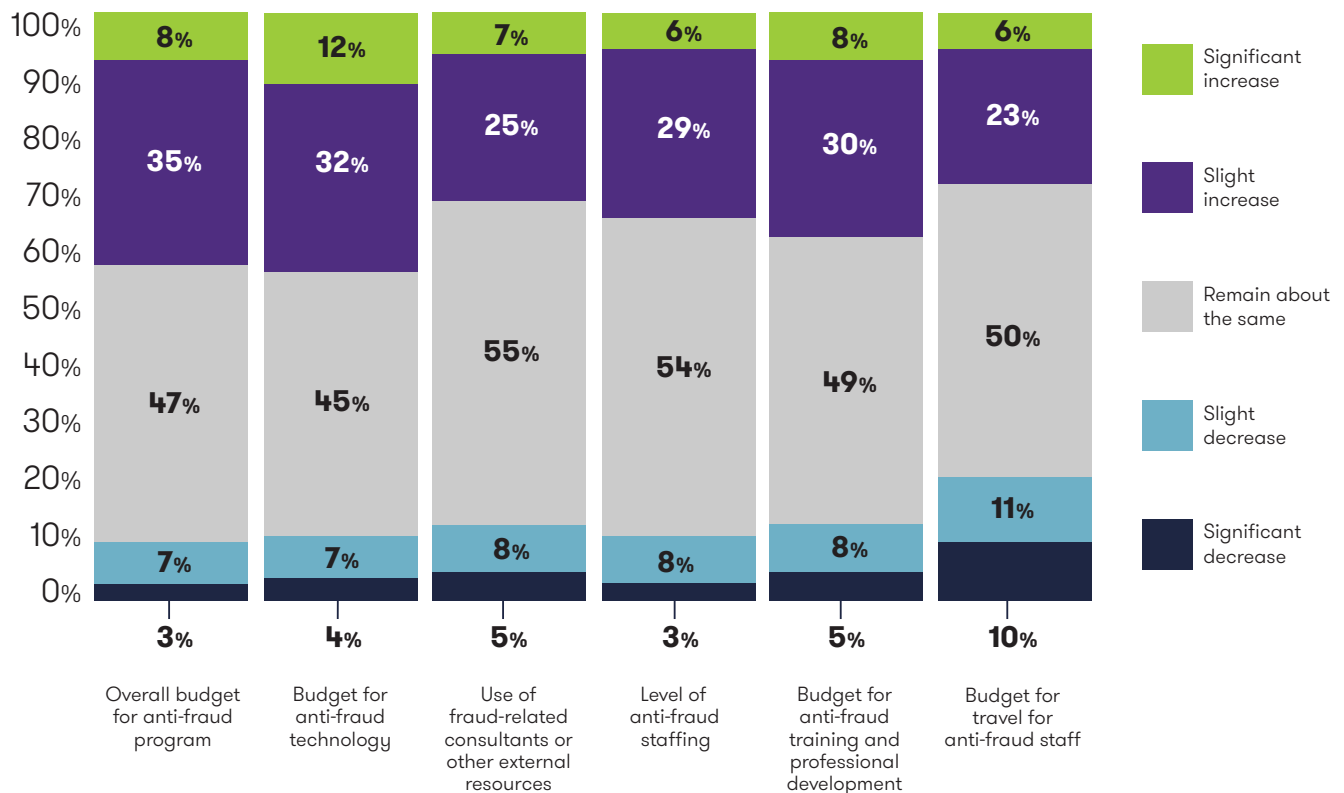


FIG. 5B Budgets for fiscal year 2022 compared to 2021



WHAT FACTORS ARE IMPACTING FRAUD RISK DURING AND POST-PANDEMIC?

The pandemic has fundamentally changed the way many businesses operate and how consumers behave, while also prompting actions by governments worldwide to address the pandemic's impact through regulatory changes and stimulus programs. These and other factors related to the COVID-19 pandemic have in turn affected the fraud risks affecting organizations. We asked respondents about the extent to which several pandemic-related risk factors have altered their organizations' fraud risk landscape or fraud risk management programs. The two risk factors that have had the greatest effect so far are shifts in business operations (e.g., the shift to remote work) and changing consumer behavior (e.g., virtual retail/online transactions). More than two-thirds of respondents indicated that both of these factors have had a significant or moderate influence on their organization's fraud risk landscape and/or fraud risk management program.

We also asked participants how they expect the same fraud risk factors to impact their organizations over the next 12 months. Shifts in business operations and changing consumer behavior remain the top two risk factors expected to affect respondents' organizations in the coming year, highlighting the lasting repercussions of these changes. However, there was a slight decrease in the proportion of respondents expecting a significant or moderate effect for most of the risk factors, possibly suggesting either an improved ability to navigate these changes or an expectation that these factors might soon return to pre-pandemic levels.

Shifts in business operations and changing consumer behavior remain the top two fraud risk factors.

FIG. 6A Fraud risk factors since the onset of the pandemic

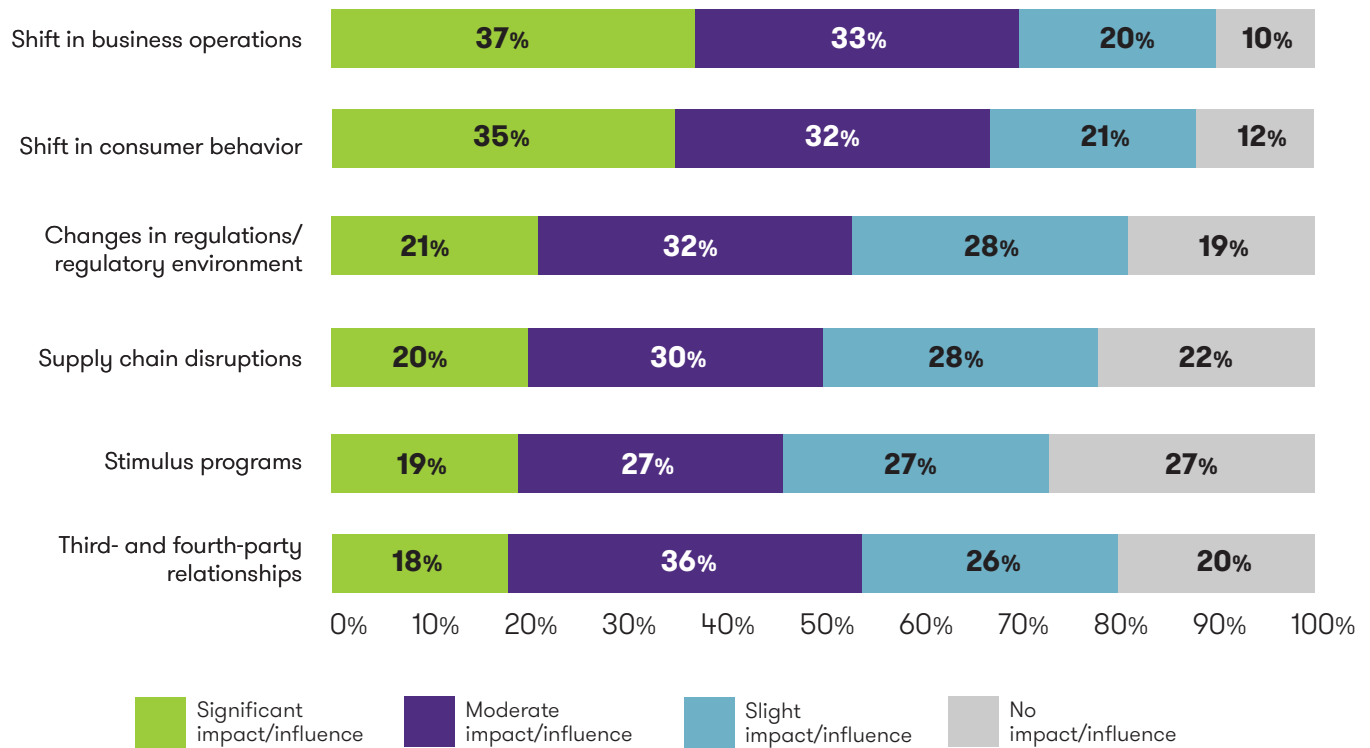
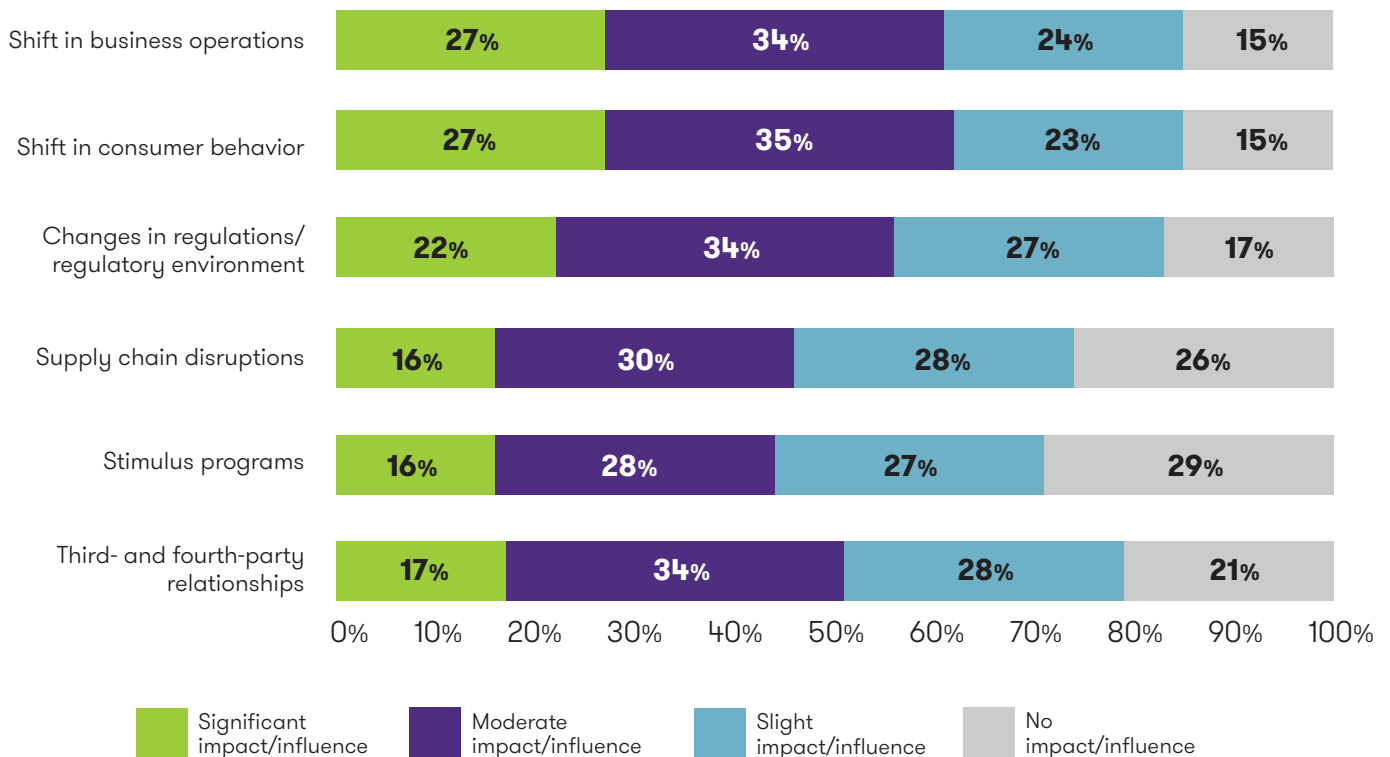


FIG. 6B Fraud risk factors expected over the next 12 months

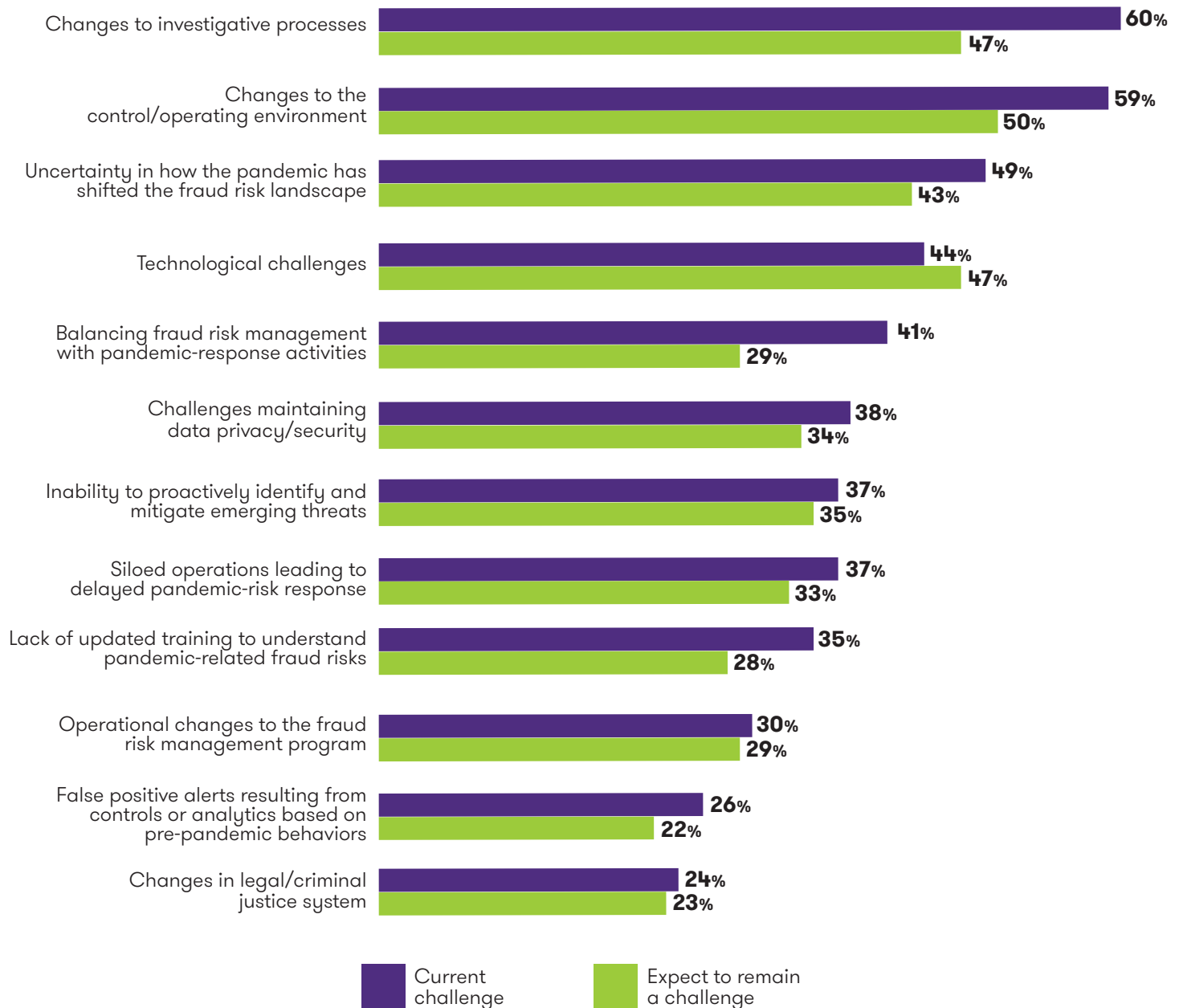


WHAT ARE THE PRIMARY CHALLENGES FACING ANTI-FRAUD PROGRAMS?

Survey participants provided insights about the current and expected challenges facing their anti-fraud programs due to the pandemic. According to respondents, changes to investigative processes (e.g., challenges in gaining access to evidence or conducting remote interviews, inability to travel) and to the control/operating environment (e.g., process/control exceptions, changes in controls/processes due to shift to remote work, staffing changes/reductions) have presented the greatest challenge to organizations, with 60% and 59% of respondents, respectively, noting these as current obstacles. These two factors are also expected to remain challenges for the greatest number of respondents in the post-pandemic environment. Additionally, while most challenges are expected to begin easing as we look forward, technological challenges are projected to grow slightly post-pandemic; 44% of respondents see technology as a current challenge, while 47% anticipate challenges in this area going forward.

Top challenges facing anti-fraud programs include changes to investigative processes and changes to the control/operating environment.

FIG. 7 Challenges facing anti-fraud programs



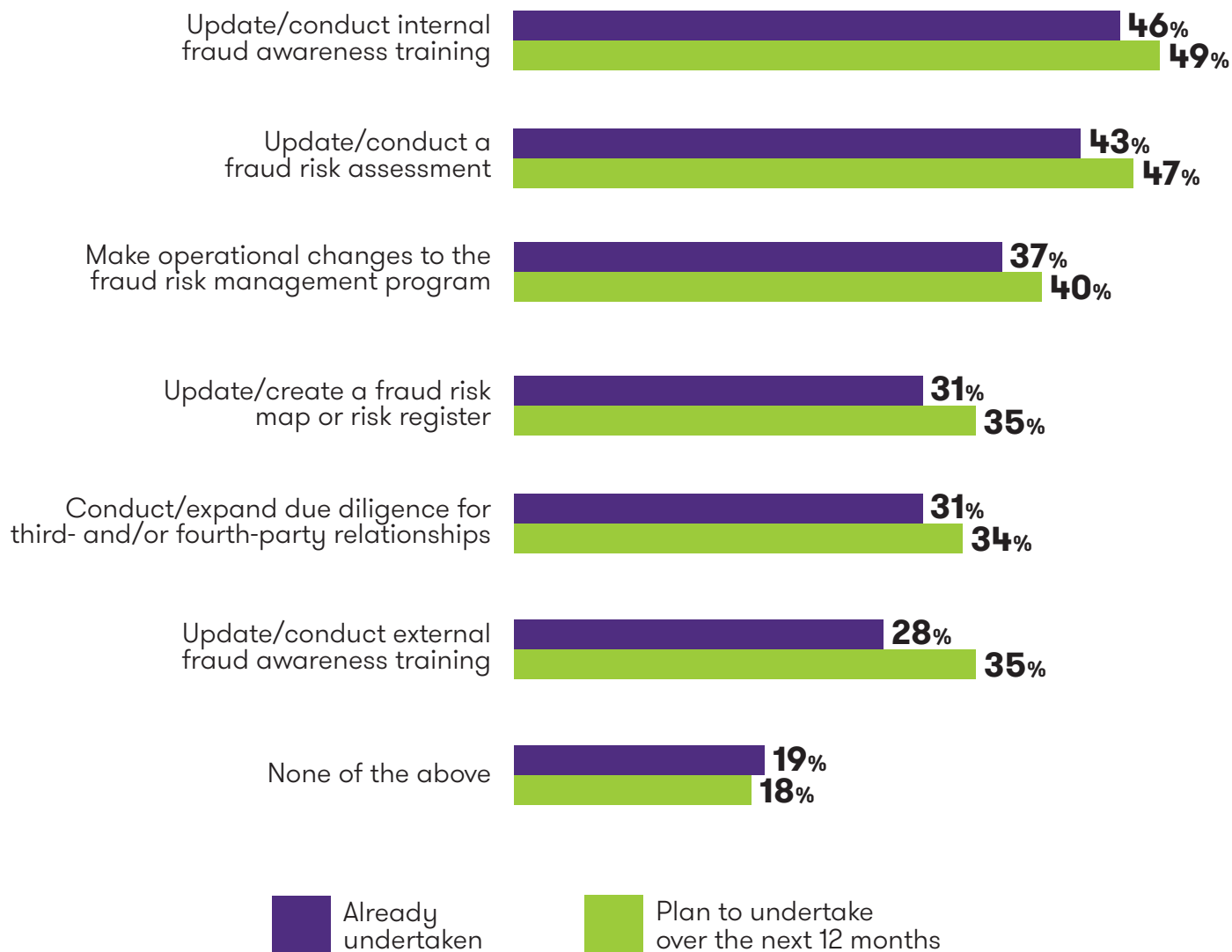
HOW ARE ANTI-FRAUD PROGRAMS BEING ADJUSTED FOR PANDEMIC-RELATED RISKS?

To understand how anti-fraud programs have changed in response to risks and circumstances surrounding the pandemic, we asked participants about what, if any, anti-fraud program changes their organizations have undertaken or plan to undertake over the next year. More than 80% of organizations have already implemented one or more changes to their anti-fraud programs, with updating or conducting internal fraud awareness training (46%)

and updating or conducting a fraud risk assessment (43%) being the two most common initiatives. Both of these changes are also the most anticipated adjustments that organizations plan to make over the next 12 months; however, for every category, more organizations expect to implement changes in the coming year than have already undertaken the relevant change.

More than 80% of organizations have already implemented one or more changes to their anti-fraud programs in response to the pandemic.

FIG. 8 Changes to anti-fraud programs to address pandemic-related risks



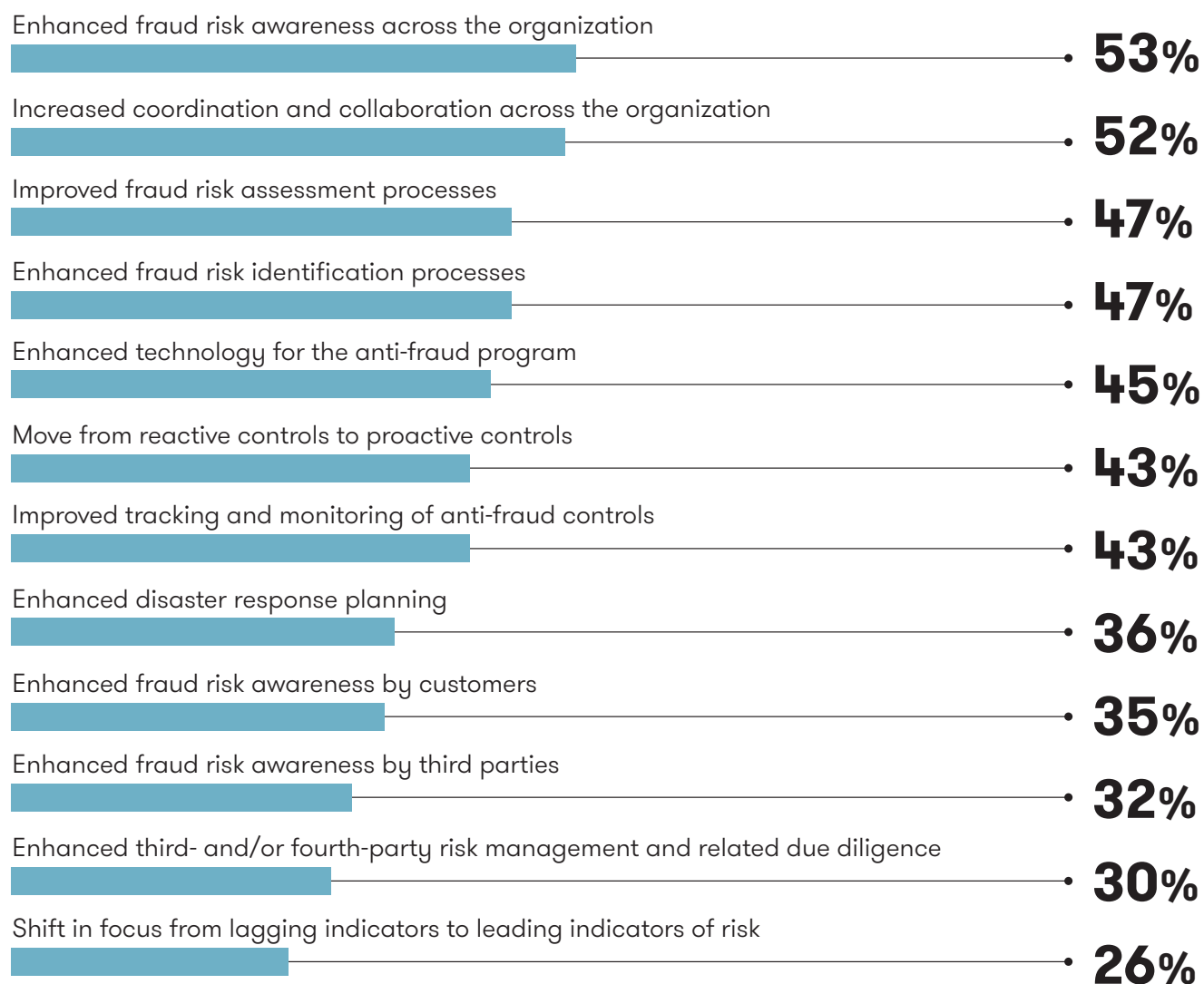
WHAT LESSONS HAVE WE LEARNED TO MOVE ANTI-FRAUD PROGRAMS FORWARD POST-PANDEMIC?

We asked respondents about 12 potential areas for enhancement in their organizations' anti-fraud programs—specifically, whether the pandemic revealed that improvements in these areas were needed for their anti-fraud programs to be effective. Our results indicate that there are strong opportunities for improvement across organizations. More than half of respondents believe that enhanced fraud risk awareness and increased collaboration across the organization are necessary to be more effective

post-pandemic (53% and 52%, respectively). Only three areas—fraud risk awareness by third parties, third- and fourth-party risk management and due diligence, and a shift in focus from lagging to leading indicators of risk—were identified as necessary areas of improvement by less than one-third of respondents. These results suggest that there are common areas of many organizations' anti-fraud programs that require improvement to be more effective in the post-pandemic fraud landscape.


More than half of respondents believe that enhanced fraud risk awareness and increased collaboration across the organization are necessary to be more effective post-pandemic.

FIG. 9 Changes needed to make anti-fraud programs more effective going forward





METHODOLOGY AND DEMOGRAPHICS



In late March and early April 2021, we invited 83,677 ACFE members to participate in a 15-question survey. Survey responses were collected anonymously. We received 1,539 survey responses that were usable for purposes of this report; all findings presented herein are based on these responses.

The sum of percentages in some figures throughout the report might not be exactly 100% due to rounding of individual category data.

INDUSTRY

More than one-quarter of survey respondents work in the banking and financial services industry, 21% are in the government and public administration sector, and 13% work in professional services. The remaining 40% of respondents are distributed across a variety of other industries.

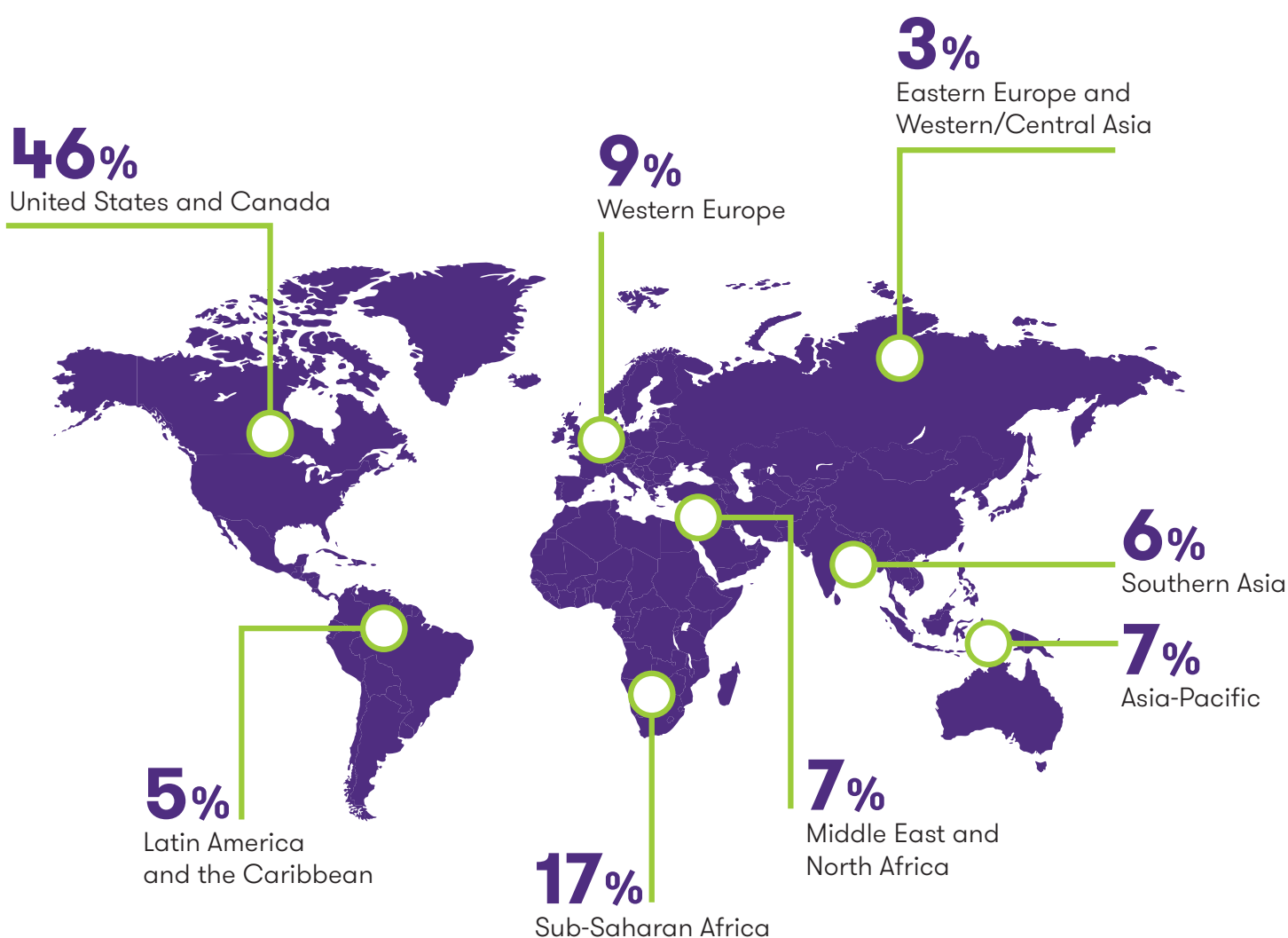
FIG. 10 Industry of respondents' organizations



REGION

Our survey respondents reside in more than 100 countries around the world, providing a truly global view into the post-pandemic fraud landscape. Nearly half (46%) of respondents live in the United States and Canada; 17% live in Sub-Saharan Africa; 9% live in Western Europe; 7% each live in the Asia-Pacific region and the Middle East and North Africa; 6% live in Southern Asia; 5% live in Latin America and the Caribbean; and 3% live in Eastern Europe and Western/Central Asia.

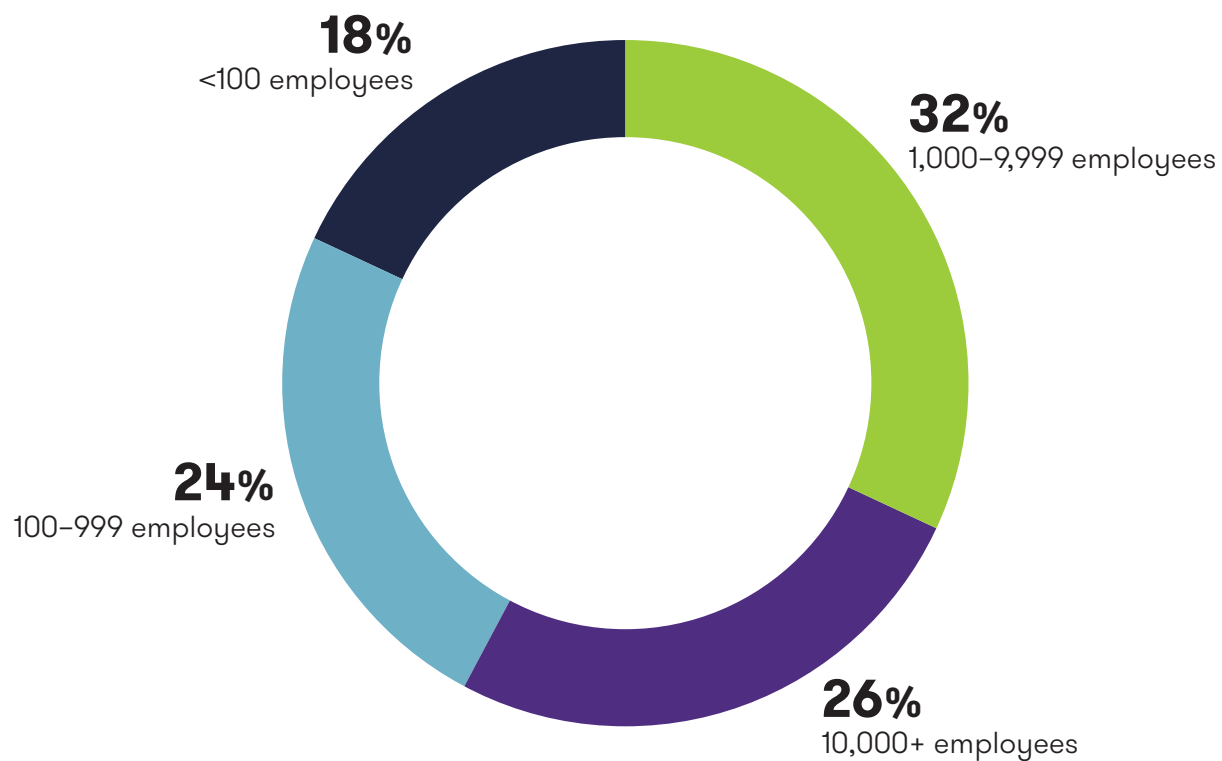
FIG. 11 Region of respondents' organizations



ORGANIZATION SIZE

We asked respondents about the size of their employing organizations. As shown in Figure 12, nearly one-third of respondents work for an organization with 1,000–9,999 employees, approximately one-quarter each work for organizations with 100–999 employees and with more than 10,000 employees, and 18% work for smaller organizations that employ fewer than 100 individuals.

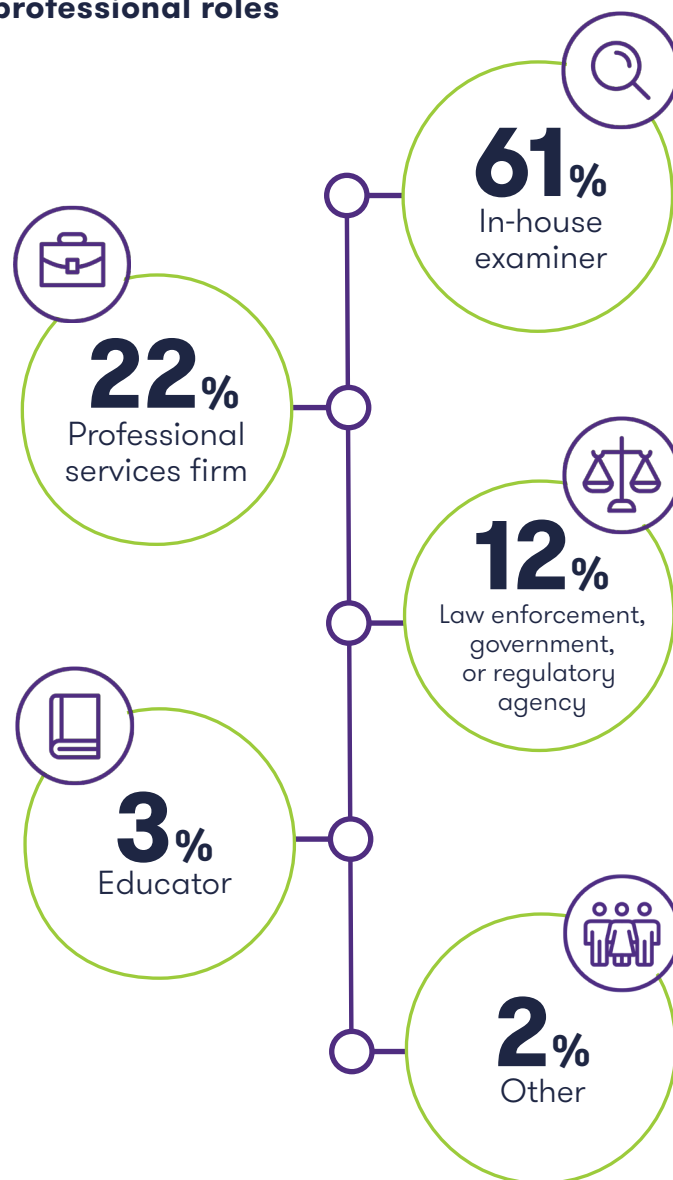
FIG. 12 Size of respondents' organizations



PROFESSIONAL ROLE

The majority of survey respondents (61%) work as in-house fraud examiners, conducting 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 12% work for law enforcement, government, or regulatory agencies that conduct fraud-related engagements for other parties under their employing agency's authority.

FIG. 13 Respondents' professional roles



CONCLUSION

The pandemic has changed much about the business environment and operations, and anti-fraud programs must evolve along with them. The ACFE and Grant Thornton are deeply grateful to all survey respondents who took the time to share their experience and expertise as part of our study. We hope the survey results provided in this report help anti-fraud professionals, organizational leaders, and the general public understand and better prepare for the post-pandemic fraud landscape.

Organizations and anti-fraud professionals who want to learn more about how to strengthen their defenses against fraud can find the ACFE/Grant Thornton *Anti-Fraud Playbook*, a publication that provides easy-to-use, actionable guidance for managing fraud risks, along with a library of other fraud risk management tools and resources at [ACFE.com/fraudrisktools-playbook](https://www.acfe.com/fraudrisktools-playbook) or at <http://www.grantthornton.com/fraudplaybook>.



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 nearly 90,000 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.

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