

ANALYSIS FRAUD VICTIM PROFILS IN VARIOUS REGION FOR ANTI-FRAUD CONTROL

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ABSTRACT

The purpose of this study is to analyze and explain the profile of fraud victims in various regions and their relationship to anti-fraud controls. This type of research is a qualitative descriptive study to analyze the trend of fraud victim profiles in various regions. The observation period for the fraud victim profile is based on the ACFE (Association of Certified Fraud Examiners) Report 2012-2024. The study findings show that profit-driven organizations have faced a greater number and higher average losses from fraud incidents compared to non-profit organizations during the last decade. In addition, smaller organizations with 100 employees or fewer tend to be more vulnerable to fraud risks than larger organizations. Over the past ten years, the financial and banking sectors have consistently recorded the highest occurrence of occupational fraud cases. Most of the anti-fraud controls that companies around the world need to pay attention to are internal controls, organizational culture, reward and punishment systems, as well as anti-fraud socialization and education.

Key words: Fraud Victim Profile; Anti-Fraud Control; ACFE (Association of Certified Fraud Examiners)

INTRODUCTION

In the business and finance world, fraud is a serious challenge that can threaten operational stability, damage reputation, and cause financial losses. Fraud refers to deceptive or manipulative actions committed deliberately to obtain unlawful gain. The low probability of discovering financial fraud is a reason and interest for organizations to commit fraud (Christian et al., 2023). On the other hand, individuals and organizations are equally unaware of the risk of becoming victims of financial fraud. Fraud is a deliberate deceptive act that can cause loss without the victim's knowledge and benefits the perpetrator.

Over the past few years, the Association of Certified Fraud Examiners has consistently produced reports on fraud cases occurring worldwide. This is an interesting issue to discuss with fraud schemes becoming increasingly widespread and diverse. The risk of fraud increased post-COVID-19 pandemic due to worsening economic conditions and a lack of internal oversight, which opened up opportunities for fraudsters. Based on data reported by the Association of Certified Fraud Examiners (ACFE), asset misappropriation represents the most commonly occurring type of fraud, accounting for 86% of cases. However, financial statement fraud results in the greatest median financial loss, reaching approximately \$954,000, making it the most damaging form of fraud despite occurring less frequently (ACFE, 2020). Although the number of financial statement fraud cases is the smallest, such cases require more serious attention because they concern the integrity and trustworthiness of an entity's financial information.

To analyze how fraud can occur, it is necessary to know the characteristics of the fraud victim. Victimology is still the most studied field in analyzing financial fraud. The characteristics or profile of the fraud victim can be an individual or an organization affected by the fraud. Research by Prasetyo (2014) shows that company size plays a role in detecting financial statement fraud. He stated that companies with smaller assets tend to be better at avoiding fraudulent practices. On the other hand, companies with large assets often try to lower reported profit by moving some income from the current period to the future to avoid tax burdens or new regulations. This action causes the financial statements to be inaccurate and the profit displayed to appear lower than the actual amount.

Identifying the profile of fraud victims is very important. Evaluating the profile of fraud victims can help determine an organization's susceptibility to fraud by reviewing patterns found in past fraud incidents (Deliema et al., 2020). Through this type of analysis, it becomes possible to identify industries that are particularly prone to occupational fraud (Sofianti et al., 2018). In this research, the author uses the characteristics of organizations affected by fraud based on company size and company type against fraudulent acts. This research uses a comparative study on the profile of fraud victims occurring across all continents. The goal is to find out how fraud can occur when viewed from the characteristics of the fraud victim profile.

METHOD

This research seeks to analyze the trends in fraud victim profiles over the past decade by utilizing periodic ACFE reports from 2012 to 2024 as the primary source of secondary data. The study employs a descriptive qualitative approach to examine and interpret these profiling patterns. Data were collected through a systematic documentation process, using information extracted from the ACFE reports to build a comprehensive dataset for analysis. To maintain data validity and reliability, the study applies a triangulation method to confirm the consistency and alignment of the research findings. The use of triangulation enhances the credibility of the research results (Sugiyono, 2019). In this context, triangulation is carried out by incorporating additional secondary sources, including relevant books and scholarly journal articles, to support and verify the analysis.

Moreover, based on the Fraud Diamond Theory, employees within such organizations frequently have stronger financial expertise, which can increase their ability to carry out fraudulent activities (Kranacher & Riley, 2020).

Figure 3 Trend Size of Victim Organization (Frequency)

Figure 3 illustrates that the likelihood of occupational fraud within an organization is strongly related to its size. Smaller organizations, particularly those employing 100 workers or fewer, tend to face greater exposure to fraud risks compared with larger entities. Data from 2012 to 2018 shows that fraud incidents occurred most frequently in organizations with fewer than 100 employees. In contrast, very large organizations with more than 10,000 employees recorded the third-highest frequency of fraud cases during the same timeframe.

Figure 4 Trend Size of Victim Organization (Median Loss)

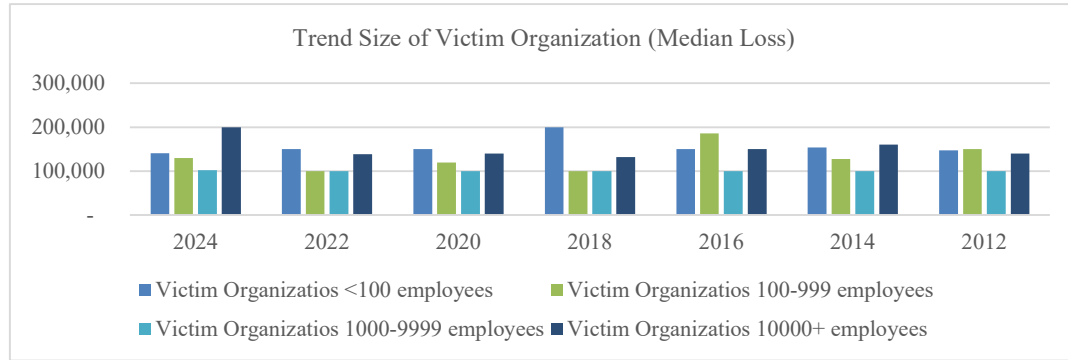


Figure 4 indicates that smaller organizations generally experience greater median financial losses from fraud compared with larger companies. When analyzing fraud victim profiles based on organizational size, the data shows that the majority of fraud incidents during the past decade occurred in organizations employing fewer than 100 individuals. These smaller entities also tend to sustain the highest financial losses from fraudulent activities relative to larger organizations. In this context, the opportunity element is viewed as the primary driver of fraud in small organizations, as described in the Fraud Triangle Theory and Fraud Diamond Theory.

The opportunity for fraud within small organizations largely arises from weak or insufficient internal control systems. Limited financial and human resources often restrict the implementation of robust control mechanisms designed to prevent fraud. As a result, business owners or executives may place a high level of trust in employees, particularly when personal relationships exist (ACFE, 2022). This situation can lead managers to assign multiple responsibilities to employees, which increases the likelihood of fraudulent behavior. Furthermore, inadequate supervision, weak internal controls, and ineffective recruitment practices can further heighten fraud risks in small organizations (Bunn et al., 2019). Although strong anti-fraud control systems are capable of reducing fraud risks, the costs associated with implementing such systems may discourage smaller organizations from adopting them. Combined with excessive trust in employees, this condition can make small organizations more susceptible to fraudulent activities.

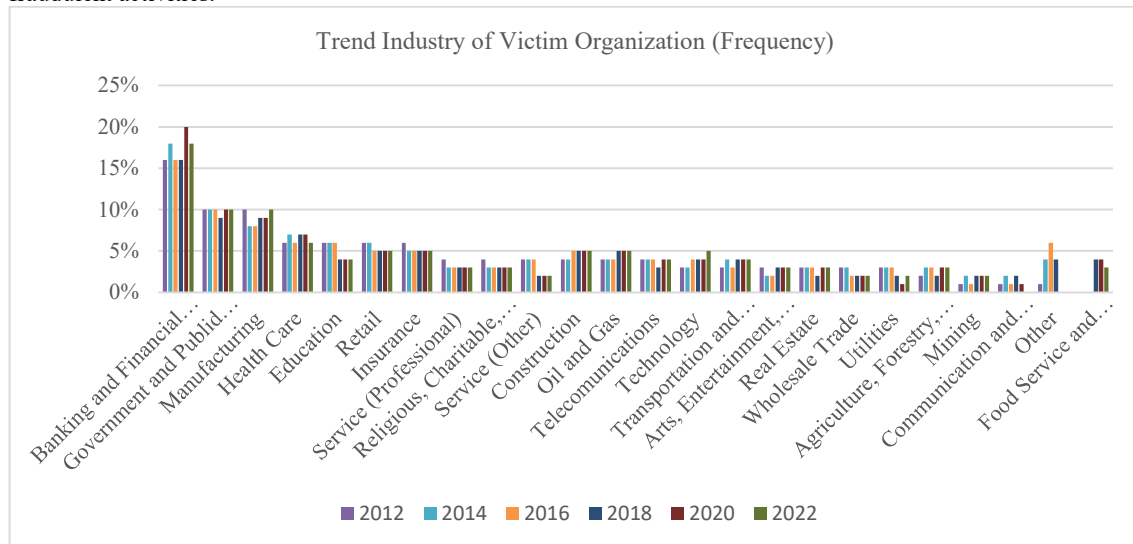


Figure 5 Trend Industry of Victim Organization (Frequency)

Figure 5 demonstrates that the level of exposure to occupational fraud differs across industries. Among these sectors, the financial and banking industries consistently show the highest number of workplace fraud incidents over the past decade. This pattern indicates that the financial sector faces a particularly high risk of occupational

fraud, especially if adequate regulatory oversight and control mechanisms are not effectively implemented (Kranacher & Riley, 2020). Due to their susceptibility to internal threats, banking institutions require specialized risk management strategies to minimize fraud and avoid potential financial instability or bankruptcy (Suh et al., 2019). These industries face serious challenges, particularly internal corruption, which is considered an endogenous risk factor (Ben Ali et al., 2020). Corruption within the banking sector is closely linked to its core function of allocating and distributing capital. From the supply perspective, bank employees may accept bribes in exchange for approving high-risk loan applications. Meanwhile, from the demand perspective, borrowers might provide incentives or gifts to bank staff to avoid penalties or ease the consequences of loan defaults.

Ultimately, corruption within the financial and banking sectors can reduce operational efficiency and weaken institutional integrity (Ben Ali et al., 2020). Therefore, the appropriate form of anti-fraud control is a suspicious transaction detection system (*Fraud Detection System*), utilizing technology such as real-time fraud detection, behavioral analytics, and transaction monitoring systems to detect anomalies like money laundering or data manipulation. This system can provide recommendations or actions, such as blocking transactions, sending notifications, or initiating further investigations. Furthermore, the implementation of Know Your Customer (KYC) and Anti-Money Laundering (AML) is crucial to thoroughly identify customers and monitor transaction activity to prevent money laundering and illegal financing practices (Basel Committee on Banking Supervision, 2001).

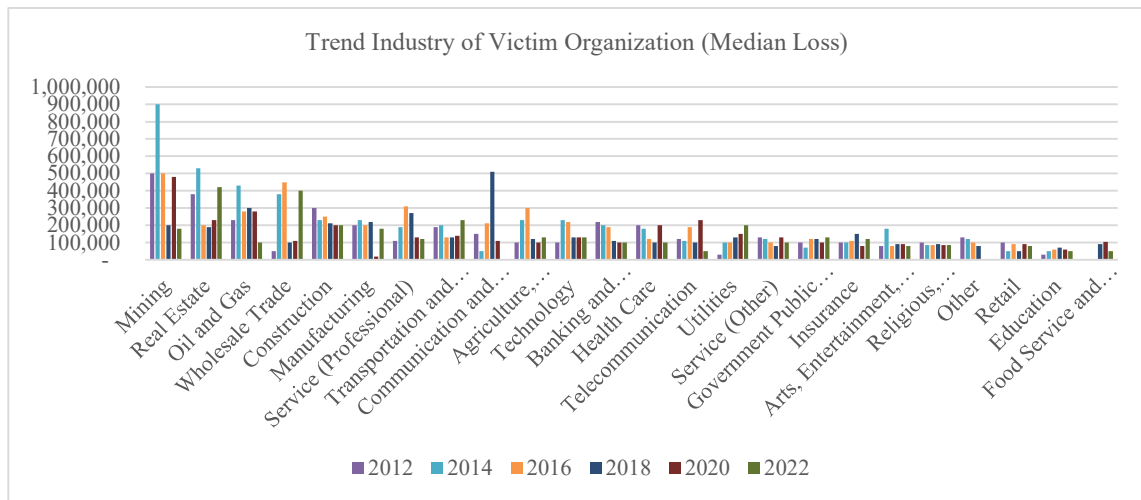


Figure 6 Trend Industry of Victim Organization (Median Loss)

Figure 6 indicates that the mining sector records the highest median financial losses, even though it has the lowest number of occupational fraud cases during the period from 2012 to 2022. This industry faces a high risk of fraud, especially in the form of production data manipulation, asset theft, bribes, and corruption. Therefore, anti-fraud controls must be adapted to the operational and geographical characteristics of this industry. The recommended control is the application of a Risk-Based Internal Control system, with a special focus on key risks in the mining sector, such as managing mining output, logistics, and procurement. Control over logistics and procurement is implemented through operational and physical, periodic inventory audits of the mining process, mineral stock, and heavy equipment management to prevent theft, production data manipulation, or false reporting. The mining industry has a high risk of fraud, especially in the form of production data manipulation, asset theft, bribes, and corruption. Therefore, anti-fraud control must be adapted to the operational and geographical characteristics of this industry.

In addition to risk-based internal controls, digital technology is crucial for preventing the risks of asset theft and production data manipulation. This technology includes the use of real-time IoT (Internet of Things) systems for long-distance production monitoring, which also increases cost efficiency and productivity. Furthermore, whistleblower systems and work ethics must be strengthened, particularly since many mines are located in remote areas. Companies should provide safe and easily accessible reporting channels and offer ethics and integrity training. A well-managed whistleblower system must be capable of conducting safe investigations, providing fair punishment to perpetrators, and protecting the reporter's privacy, thereby encouraging employees to report violations without hesitation. Generally, robust internal control is a primary concern for every company, which involves three lines of defense: operational management, the compliance monitoring function, and the internal auditor.

The anti-fraud control that every company needs to pay attention to is internal control. According to The Institute of Internal Auditor (2013), the responsibility for implementing risk management and internal control falls on 3 (three) lines of defense within the organization. Operational management is the first line of defense, fully responsible for running all organizational policies by continuously implementing internal control at all stages of activities. The second line of defense is tasked with monitoring and maintaining compliance with the

implementation of internal control and providing input to the first line. The third line of defense is the internal auditor, tasked with providing an assessment and objective monitoring of internal control.

Improving organizational culture is an important thing that companies must do to prevent fraud (Wicaksono and Urumsah 2016). The implementation of reward and punishment systems are equally important to encourage employees to improve the quality of their performance. Anti-fraud socialization and education aim to build an individual's ability to make ethical and integrity-driven decisions, and to foster an organizational culture that does not tolerate fraudulent acts.

CONCLUSION

The analysis of fraud victim profiling trends reveals several important insights. Private and publicly listed companies, particularly smaller organizations with fewer employees, are the most common targets of fraud and tend to suffer the largest financial losses, mainly due to ineffective internal control systems. From an industry perspective, the financial and banking sector shows the highest frequency of fraud cases, which highlights the need for specialized risk management strategies. In contrast, the mining industry records the highest average financial loss despite experiencing fewer incidents. To reduce these risks, organizations are encouraged to enhance their internal control mechanisms, strengthen organizational culture, implement clear reward and punishment systems, and promote anti-fraud awareness through education and socialization programs. The findings of this research are expected to provide valuable implications for organizations of different sizes and across various industries. Specifically, these results can assist organizations in improving internal control systems to prevent occupational fraud and minimize potential financial losses. In addition, the identified profiling trends may serve as a reference for developing fraud prevention and detection strategies as part of a comprehensive organizational policy. Nevertheless, this study has several limitations. The research focuses specifically on occupational fraud and examines global trends in fraud victims over the past decade. Considering these limitations, several recommendations can be proposed for future research. First, subsequent studies should take these constraints into account and use them as a basis for developing more innovative research approaches. Second, future analyses could broaden the scope of fraud profiling by including non-occupational fraud cases and extending the period of trend analysis to obtain more comprehensive results.

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