

Some Recent Fraud Survey Results: Similarities and Inconsistencies

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Three recent surveys provide insight into the incidence and extent of fraud, its detection, and suggestions for limiting its impact. Although their results are not consistent, these surveys confirm that fraud is an issue of international importance. They provide us with perspective on the effectiveness of programs and controls to mitigate the risks of fraud and misconduct that may approach \$1 trillion annually in the U.S.

Fraud directed at both consumers and business firms continues to be a pervasive problem for our society. Between January and December 31, 2005, the Federal Trade Commission received over 685,000 consumer fraud and identity theft complaints – 63 percent represented fraud and 37 percent were identity theft complaints. Consumers reported losses from fraud of more than \$680 million; the median monetary loss was \$350. Internet-related complaints accounted for 46 percent of all fraud complaints.

The admission or investigation of dozens of companies for accounting fraud or other financial misdeeds forced Congress to react by passing the Sarbanes-Oxley Act of 2002 (SOX). SOX is the most significant legislation affecting corporate governance and securities laws since the passage of the SEC Acts of 1933 and 1934. SOX sets new standards for corporate accountability as well as penalties for corporate wrongdoing. In addition, SOX created the Public Company Accounting Oversight Board (PCAOB) to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of independent audit reports.

A further by-product of corporate misdeeds was the creation of the interagency Corporate Fraud Task Force in July 2002. The purpose of this Task Force is to coordinate investigations into alleged misconduct at major corporations and to equip local staff with the expertise and resources to obtain indictments. This Task Force has successfully indicted a number