

White Collar Crime: A Profile of the Perpetrator and an Evaluation of the Responsibilities for its Prevention and Detection

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Fraud, although not new, is becoming more costly to businesses every year. As of 1996, the cost of fraud to a business is estimated to be six percent of annual revenue (ACFE Report to the Nation, 1995). When fraud is detected within a business, there is usually shock and disbelief that the perpetrators could have done what they are accused of doing. The perpetrator is usually a trusted employee who resembles the “guy next door.”

So if fraud is costly, who is responsible to prevent or detect it, and what areas need to be addressed so controls are in place or “bells and whistles” can detect fraud quickly? What are the responsibilities of management, the external auditors, and the internal auditors? Also, what are the implications of falsely accusing someone of perpetrating a fraud? Fraud, although viewed as a victimless crime, is not. Everyone, in actuality is a victim, by sharing the burden of high product costs and lower corporate profits.

INTRODUCTION

When fraud is discovered within a business, the initial response is usually “How could that have happened?” And if audited financial statements were issued the question asked is, “Why didn’t the auditors have a clue?” These two questions bring to light the issues of whose responsibility it is to prevent and detect fraud, what businesses are most vulnerable, who perpetrates fraud within businesses, and what is the cost of fraud to businesses today. Fraud is not new. The costs, however, are mounting and the level of concern among professionals is rising considerably.

Definition of Fraud

Fraud, according to Webster’s New World Dictionary, is the intentional deception to cause a person to give up property or some lawful right. The Association of Fraud Examiners Report to the Nation on Occupational Fraud and Abuse further defined occupational fraud