Behavioral Red Flags of Fraud

Recognizing the behavioral clues displayed by fraudsters can help organizations more effectively detect fraud and minimize their losses.

7 KEY WARNING SIGNS

- Living beyond means: 42%
- Financial difficulties: 26%
- Unusually close association with vendor/customer: 19%
- Control issues, unwillingness to share duties: 15%
- Irritability, suspiciousness, or defensiveness: 13%
- "Wheeler-dealer" attitude: 13%
- Divorce/family problems: 12%

Living beyond means is the most common red flag by a sizable margin. This has ranked as the #1 red flag in every study since 2008.

85% of all fraudsters displayed at least one behavioral red flag while committing their crimes.

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A fraudster living beyond his or her means is the most common red flag by a sizable margin. This has ranked as the #1 red flag in every study since 2008.
Classifying Red Flag Behaviors

In 52% of cases, the fraudster exhibited red flags connected to their work duties.

- Unusually close association with vendor/customer: 19%
- Control issues, unwillingness to share duties: 15%
- Irritability, suspiciousness, or defensiveness: 13%
- “Wheeler-dealer” attitude: 13%
- Complained about inadequate pay: 8%
- Refusal to take vacations: 7%
- Excessive pressure from within organization: 7%
- Past employment-related problems: 6%
- Complained about lack of authority: 5%

In 63% of cases, the fraudster exhibited red flag behavior associated with his or her personal life.

- Living beyond means: 42%
- Financial difficulties: 26%
- Divorce/family problems: 12%
- Addiction problems: 9%
- Social isolation: 6%
- Past legal problems: 5%
- Instability in life circumstances: 4%
- Excessive family/peer pressure for success: 4%

Job Performance as a Warning Sign

A fraud perpetrator’s job performance will often suffer while the scheme is taking place. Each of these performance-related issues were cited in at least 10% of cases.

- Poor performance evaluations: 13%
- Excessive absenteeism: 13%
- Fear of job loss: 12%
- Excessive tardiness: 12%
- Denied raise or promotion: 10%