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'Cooking the Books' (65%) and Pocketing Cash Sales (64%) Seen as Biggest Problems



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Toronto, ONTARIO – With an increase in the number of ‘white collar’ crime stories in the media, a new study by Ipsos-Reid for Ernst & Young indicates one-fifth (20%) of working Canadians indicate that they have personally witnessed fraud in their workplace during the past year. “Taking office supplies” (41%) is the most common form of workplace fraud acknowledged.

While three quarters (78%) of employed Canadians say that they would likely report a co-worker who was defrauding their employer by taking either goods (with a value of more than a pad of paper or a couple of pens) or money that did not belong to them, of those who have personally witnessed workplace fraud, only one third (35%) actually did so.

“Altering the books to make profits or costs look better” (65%), and “pocketing money from cash sales” (64%) are viewed as the biggest problems regarding workplace fraud in Canada.

These are the findings of an Ipsos-Reid poll conducted between June 3rd and June 6th, 2002 on behalf of Ernst & Young. The poll is based on a randomly selected sample of 545 adult Canadian who are working full-time or part-time. With a sample of this size, the results are considered accurate to

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within ± 4.2 percentage points, 19 times out of 20, of what they would have been had the entire adult population of Canadians working full-time or part-time been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 1996 Census data.

One-Fifth (20%) Are Personally Aware of Fraud in their Workplace During Last Year

One fifth (20%) of employed Canadians indicate that they are personally aware of or have been personally involved in fraud in their workplace over the past year. Eight in ten (79%) are not aware of such instances in their workplace during the past year.

- Employees who work in the services sector (33%) are the most likely to report being aware of fraudulent activities in their workplace, while those in the high tech or telecommunications sector (13%) and healthcare (13%) are the least likely to report knowledge of these types of activities.

“Taking office items or shoplifting” (41%) is the highest reported type of workplace fraud. “Stealing or taking product or money” (20%), “inflating expense accounts” (16%) “claiming extra hours worked” (13%), “pocketing money from cash sales” (11%), and “taking kickbacks from suppliers” (11%) and “creating phony supplier invoices” (4%) are the next highest types of workplace fraud witnessed. While “altering the books” is viewed as a major problem in Canada as noted earlier, within their own companies, only 1% report to personal knowledge of this type of fraud are the least reported types of workplace fraud.



- Canadians who are in positions of little or no supervisory responsibility (47%) or are supervisors to middle management (40%) are more likely to know of incidents of office items being taken or shoplifting than mid to senior level managers (29%). Those in supervisory to mid-management (17%) and mid to upper management (22%) are more likely than those with little or no supervisory responsibility (5%) to indicate knowledge of incidents where extra hours were claimed.
- Older (50%) and younger Canadian workers (45%), compared to 34% of middle aged Canadians, are more likely to report being aware of situations where office items or shoplifting occurred.
- Women (48% versus 36% of men) are more likely to indicate knowledge of taking office supplies or shoplifting, while men (24% versus 13% of women) are more likely to say they know of incidents of stealing or taking products or money.

Of those who were aware of fraud occurring the estimated number monthly lose to their company was \$1,882.60. Over a year's time this level of fraud would result in the lose of \$22,591.20 to their employer.

- The estimated monthly loss to fraud in their own company is slightly higher from mid to senior managers (\$2,095.20) and mid-level managers (\$2,077.10) than from employees with little or no supervisory responsibilities (\$1,667.00).
- The average estimate by middle aged (\$2,908.10) and older employees (\$2,847.90) is over three times that by younger employees (\$775.20).

Asked to describe the individuals more likely to be involved in fraudulent activities, this group of respondents indicate that they were:

- Men – 64%;
- Longer term employees (more than three years) – 63%;



- And, younger than 45 years of age – 63%.

***While Three-Quarters (78%) Employed Canadians Say They Would Report on A Co-Working Stealing from Employer . . .
Of Those Who've Had the Chance Only One Third (35%) Actually Did***

An overwhelming majority (78%) of working Canadians say that if they were aware that one of their co-workers was defrauding their employer by taking goods (valued higher than a pad of paper or a couple of pencils) or money that did not belong to them, they would be likely to report them. This compares to only one quarter (22%) who say they would be unlikely to report on their co-worker.

- Middle aged (80%) and younger (77%) employees are more likely to indicate they would report a co-worker's fraudulent activities than an older (70%) employee.

Almost all (88%) indicate that they would know to whom they should report a co-worker who is defrauding their employer.

However, among those who are aware of fraudulent activities in their companies (20%), only one third (35%) say that they reported the activity. The remaining 65% indicate that they did not mention any thing.

- Senior level managers (46%) are the most likely to have reported the fraudulent activities that they were aware of. This compares to 34% of those with little or no supervisory experience, and 31% of mid-level managers.



- Female employees (46%) are more likely than their male (29%) colleagues to report the fraudulent actions they knew of.
- Middle aged (47%) workers are more likely to say they reported the incidents than older (27%) or younger (24%) employees.

Of this 65% who did not report the workplace fraud that they were aware of, the main reason was they were concerned about their job (24%) and because they didn't know about it until it was reported (18%). Just under one in ten (8%) indicate that someone else reported the activity.

- Mid-level managers (30%) who did not personally report fraudulent activities that they were aware are more likely to indicate that it was because they were concerned with their own personal position. Senior level managers (43%) indicate that they didn't report these activities because they didn't know about them until after it was reported.

When asked if they would be more or less likely to report an incident of fraud if they had to identify themselves, four in ten (41%) indicate they would be less likely. This compares to the three in ten who say it would make them more likely (29%) or indicate that it would not make a difference either way (28%).

- A higher proportion (47%) of workers who have little or no supervisory responsibility indicate they would be less likely to report incidents of fraud if they had to identify themselves, than mid-level managers (39%) or senior-level managers (30%).
- This view is shared by a majority (53%) of employees aged 18 to 34, compared to 36% of respondents between 35 and 54, and 17% of employees 55 and older.



“Calling a confidential hotline to an outside third party” (28%) and “making an anonymous phone call” (25%) would be the preferred ways to report an incident of fraud. “Sending an anonymous letter” (21%) and “using a website anonymously” (19%) were other options tested.

‘Cooking the Books’ (65%), and Pocketing Cash Sales (64%) Seen as Biggest Problems

With the backdrop of recent news coverage of ‘white collar’ crime stories and the unraveling of the Enron scandal, when asked to rank on a zero to ten point scale how much of a problem various types of workplace fraud are, according to working Canadians the top problems (ranked 8,9,10) are “altering the books to make profits or costs look better” (65%), and “pocketing money from cash sales” (64%). The remaining types of fraud tested include “altering, creating or forging checks issued by your employer” (63%), “inflating expense accounts” (62%), “creating phony supplier invoices” (62%), “taking office items or shoplifting from your employer of items more than minor things like paper and pencils” (54%) and “taking kickbacks from suppliers” (48%).

- Younger and middle aged employees are more likely to rate each of the possible fraudulent activities as a problem (rank of 8, 9, 10 on scale) than older employees. The one exception is taking kickbacks in which middle aged (53%) and older (48%) employees are more likely than younger (43%) employees to rank this as a problem.

Employed Canadians believe that on average, approximately one-fifth (20.4%) or 20 cents of every dollar in sales a company makes is lost to workplace fraud. Workers in their own workplace estimated the average monthly loss is \$4,017.50.



- The highest average estimated loss to fraud is made by younger respondents (23.1%) or 23 cents per dollar in sales. This compares to the estimated average provided by older (18.6%) and middle aged (18.5%) respondents or over 18 cents per revenue dollar.
- The average estimate by women employees is 24.8% or almost 25 cents per dollar. This compares to 16.7% or approximately 17 cents per dollar by men.
- Within their own companies the highest average estimate of monthly loss to fraud is made by those in senior-level positions (\$8,046.90). This is almost twice the average amount estimated by those with little or no supervisory responsibility (\$4,139.80) and five times the average estimated by mid-level managers (\$1,597.10).

One in ten (11%) Canadians working full-time or part-time believe that employee fraud in their own workplace has increased over the last couple of years, with 3% indicating that it has “increased a lot”. This compares to one-quarter (26%) who say that fraud in the workplace has decreased over the last couple of years and over half (57%) who think workplace fraud has remained about the same.

- Women (15%) are almost twice as likely as men (8%) to believe that fraud in their workplace has increased over the last couple of years.

The effect of technology on the ability to commit fraud in the workplace is split almost evenly, with 38% who believe that technology makes it easier for employees to commit fraud and 37% who believe that it makes it harder to commit fraud. One in four (24%) say that technology doesn't make a difference.

Half (54%) of working Canadians say that their employer could not cost effectively do any thing more to reduce fraud in their workplace. This compares to 44% who believe more could be done in a cost effective manner.



When asked to rate on a zero to ten scale how effective various ways to reduce fraud would be, the top rated (score of 8, 9,10) options are “better role models and leadership from managers and supervisors” (58%), “better communication to employees about what is allowed and what is not allowed” (58%), “tougher sanctions when employees are caught in a fraudulent act” (57%), and “better investigation of suspected problems” (50%). Less effective ways to reduce fraud in the workplace include “more audits specifically to search for fraudulent acts” (48%), “improved screening of new employees” (43%), “more confidential counseling for employees with personal problems” (43%), “making someone specifically accountable for reducing fraud in the workplace” (40%), “a workplace version of a neighborhood watch program where employees can report incidents anonymously” (36%) and “improved supervision and controls over employee’s activities” (36%).

- Women are more likely than men to indicate that each of these options would be effective in reducing workplace fraud.

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