

# COMBATTING BUSINESS-TO-BUSINESS FRAUD: BENCHMARKING REPORT



**ACFE**<sup>®</sup>

Association of Certified Fraud Examiners



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# INTRODUCTION

Conducting business with other organizations as customers and vendors presents unique fraud considerations. From synthetic business identities to cybercrime to theft of services, the risks of transacting with other businesses can be significant. Consequently, an effective program to vet and onboard new business customers and vendors is a critical component of a comprehensive fraud risk management program.

To help organizations have visibility into these risks and benchmark their own processes for screening and onboarding other businesses, the ACFE and Thomson Reuters partnered on a study to explore the risks and controls related to business-to-business transactions and relationships. During February and March 2023, we sent a survey to ACFE members in select roles and industries to find out about their organizations' know-your-vendor (KYV) and know-your-business (KYB) processes. We received 466 responses, 183 of which were usable for purposes of our study. The findings presented in this report are based on those 183 responses.

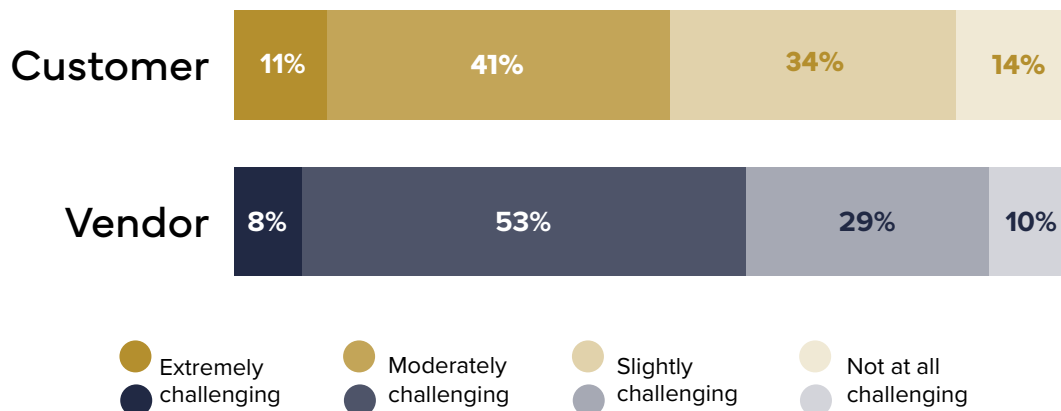
On behalf of the ACFE and Thomson Reuters, we thank all the survey participants for contributing to this study. We hope the resulting information provided in this report is useful for organizations and anti-fraud professionals around the world in building and strengthening programs to guard against fraud risks from customer and vendor relationships with other businesses.

# CHALLENGE LEVEL WITH ONBOARDING NEW BUSINESSES

Onboarding a new business as a customer or vendor can be challenging for many organizations. As shown in Figure 1, only 10% of organizations see new vendor onboarding as not challenging at all, while more than 60% find onboarding new vendors to be extremely or moderately challenging. Likewise, 52% say onboarding a new business customer is extremely or moderately challenging, and 14% do not find new customer onboarding to be a challenge to their organizations.

**FIGURE 1**

**How challenging is it for you to onboard a new business as a ...?**

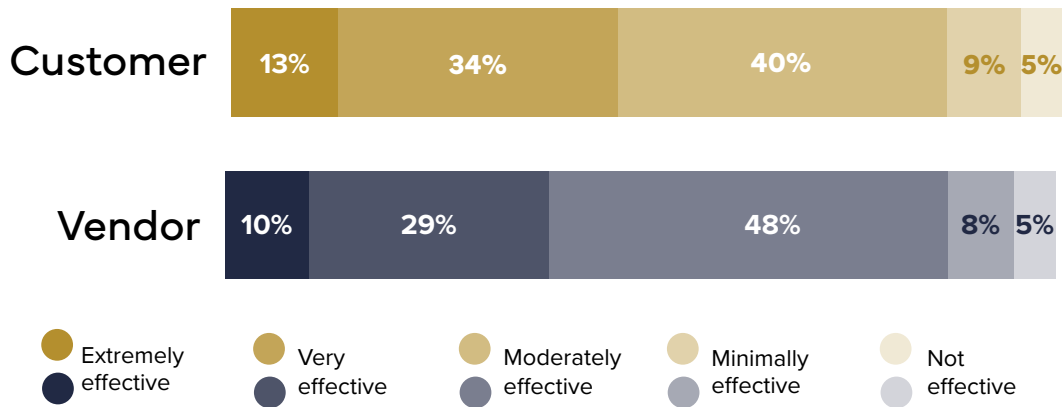


# EFFECTIVENESS OF ONBOARDING PROGRAM

As shown in Figure 2, most organizations' programs are at least moderately effective in onboarding new businesses as customers or vendors. Only 5% of respondents indicated that their organizations' onboarding programs are not at all effective, while 87% said that their programs were moderately, very, or extremely effective.

**FIGURE 2**

**In your opinion, how effective is your organization's program for screening and onboarding new businesses as a ...?**

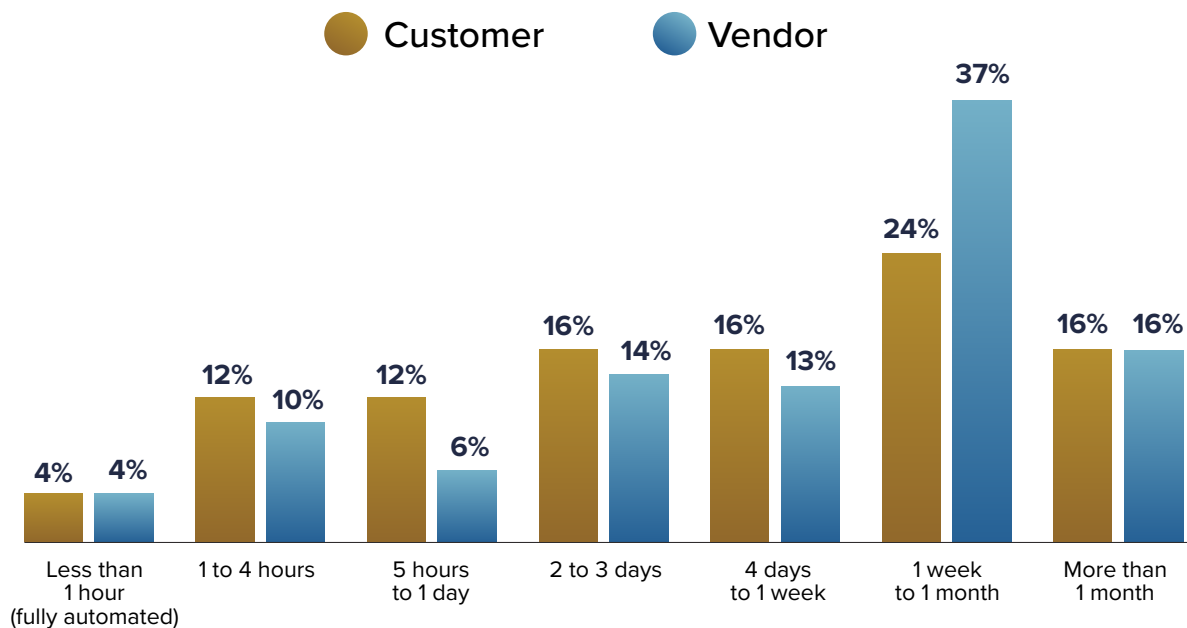


# TIME TO ONBOARD A NEW BUSINESS

We asked respondents how long it typically takes organizations to onboard new business customers and vendors. Figure 3 shows that the process for vendors is usually lengthier, with more than half (53%) of organizations taking longer than 1 week to onboard a new vendor and 40% taking that much time to onboard a new customer.

**FIGURE 3**

**How long does it typically take your organization to onboard a new business as a ...?**



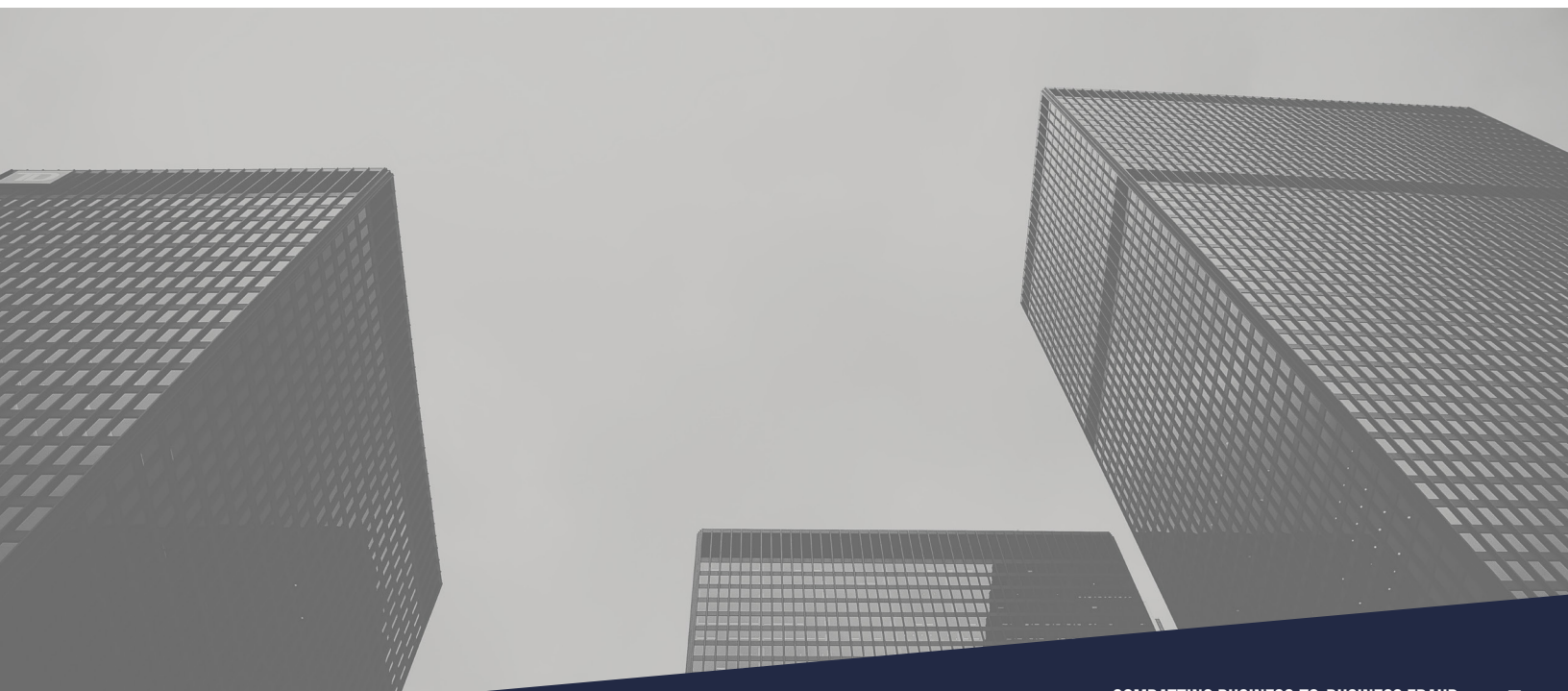
# TOP RISKS WHEN ONBOARDING A NEW BUSINESS

**T**ransacting with other businesses as customers and vendors involves specific and notable risks that organizations must be aware of and protect against. Screening and onboarding procedures are typically designed to evaluate and manage these risks.

## FRAUD-RELATED RISKS

We asked respondents to rank-order several specific fraud-related risks pertaining to their business customers and vendors. Figure 4 provides a heat-map summary of these responses, while Figures 5 and 6 reflect the proportion of respondents that ranked each risk within each numeric category (i.e., 1–8 for customer risks and 1–6 for vendor risks). As these figures show, the top two risks for both customers and vendors are synthetic identities/businesses and potential fines or regulatory action. The priority focus on these risks reinforces the need for strong due diligence processes around business ownership and sanctions.

In contrast, risks related to theft of services and intellectual property, and to loss of property or other potential business are ranked much lower on organizations' risk priorities when evaluating and onboarding new businesses.

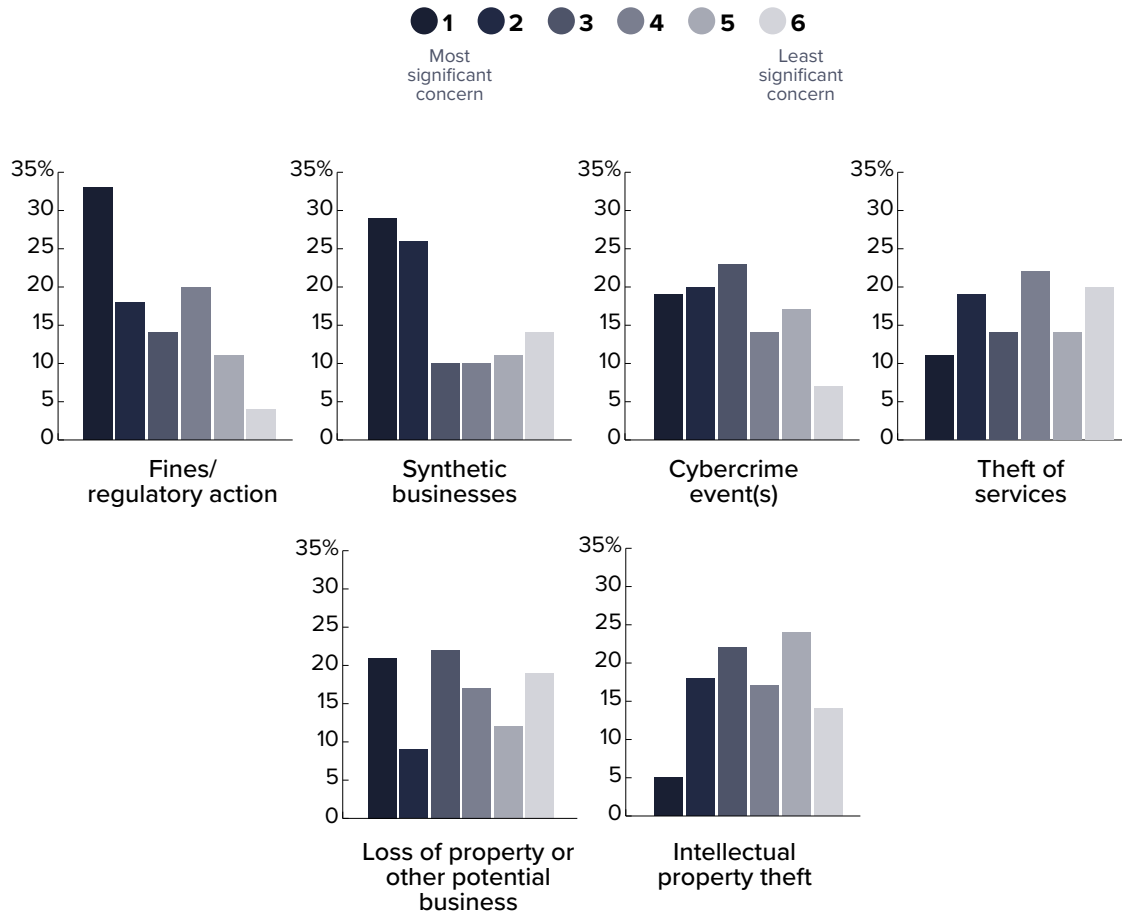






**FIGURE 6**

**When onboarding a new business vendor, what are your top fraud-related concerns?**



**REPUTATIONAL CONCERNS**

We also asked about the top reputational risks faced by organizations when onboarding and transacting with business customers and vendors. As shown in Figures 7–9, the top reputational concern involves controversial business practices (e.g., compliance failures, sanctions violations, questionable sourcing practices, or other ethical concerns), followed by environmental factors.

**FIGURE 7**

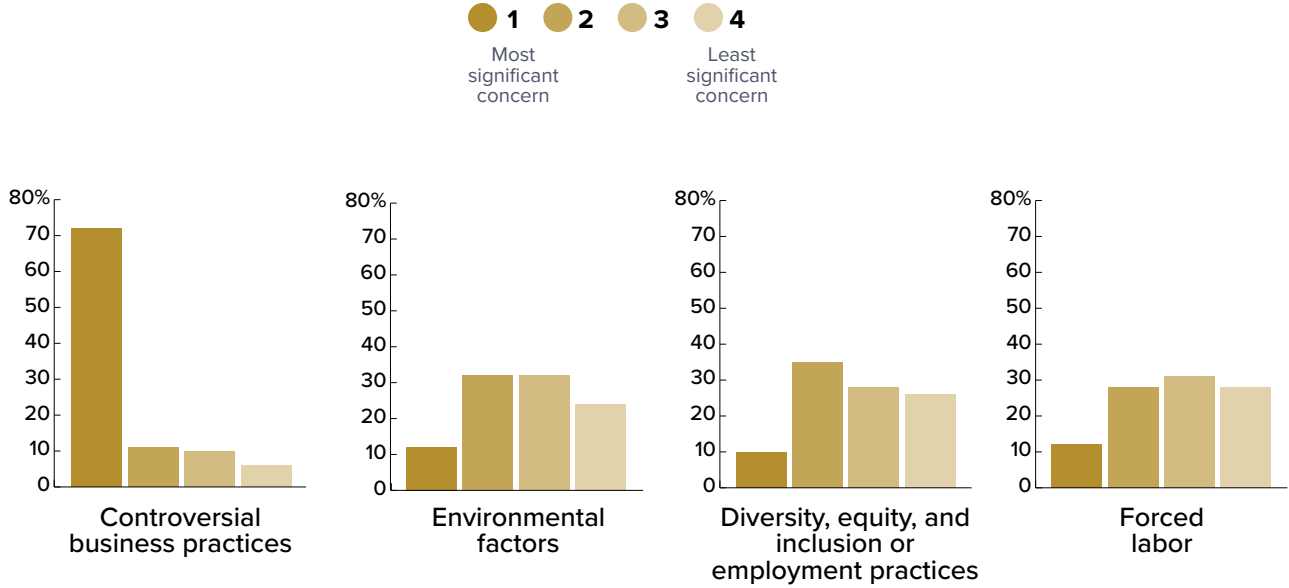
**Reputational risk**

Customer risk rank    Vendor risk rank

|   |   |  |
|---|---|--|
| 1 | 1 | Controversial business practices                         |
| 2 | 2 | Environmental factors                                    |
| 3 | 4 | Diversity, equity, and inclusion or employment practices |
| 4 | 3 | Forced labor   |

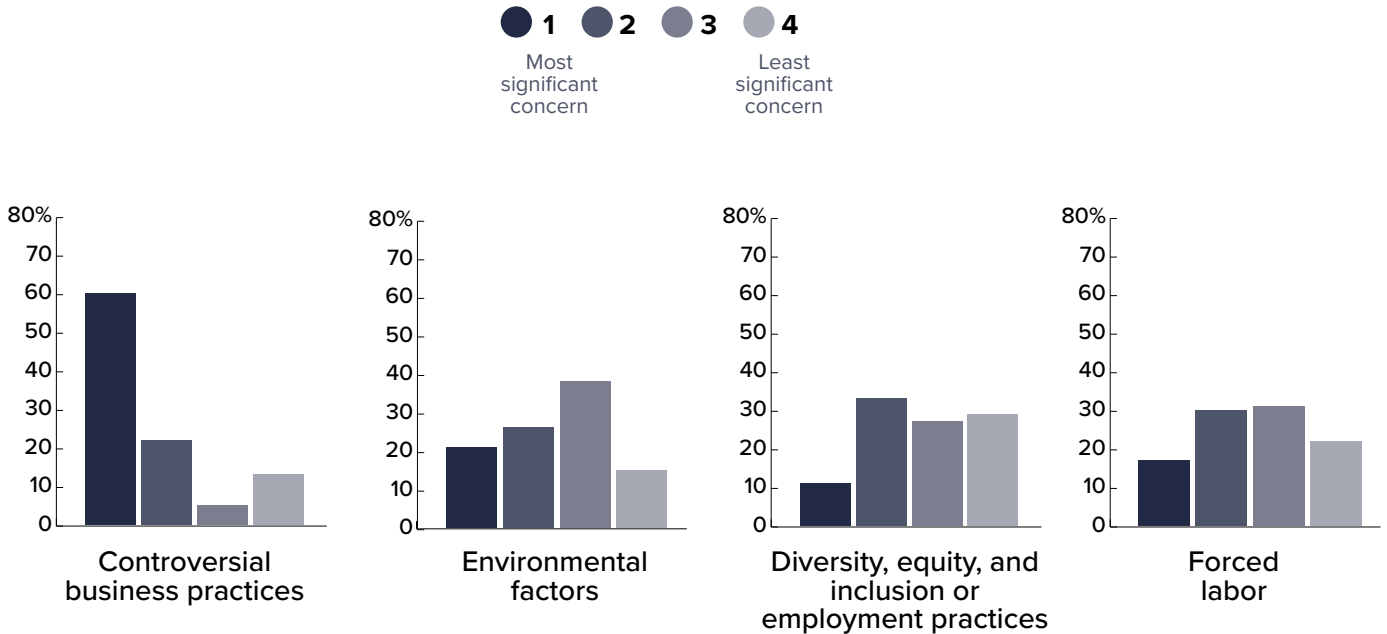
**FIGURE 8**

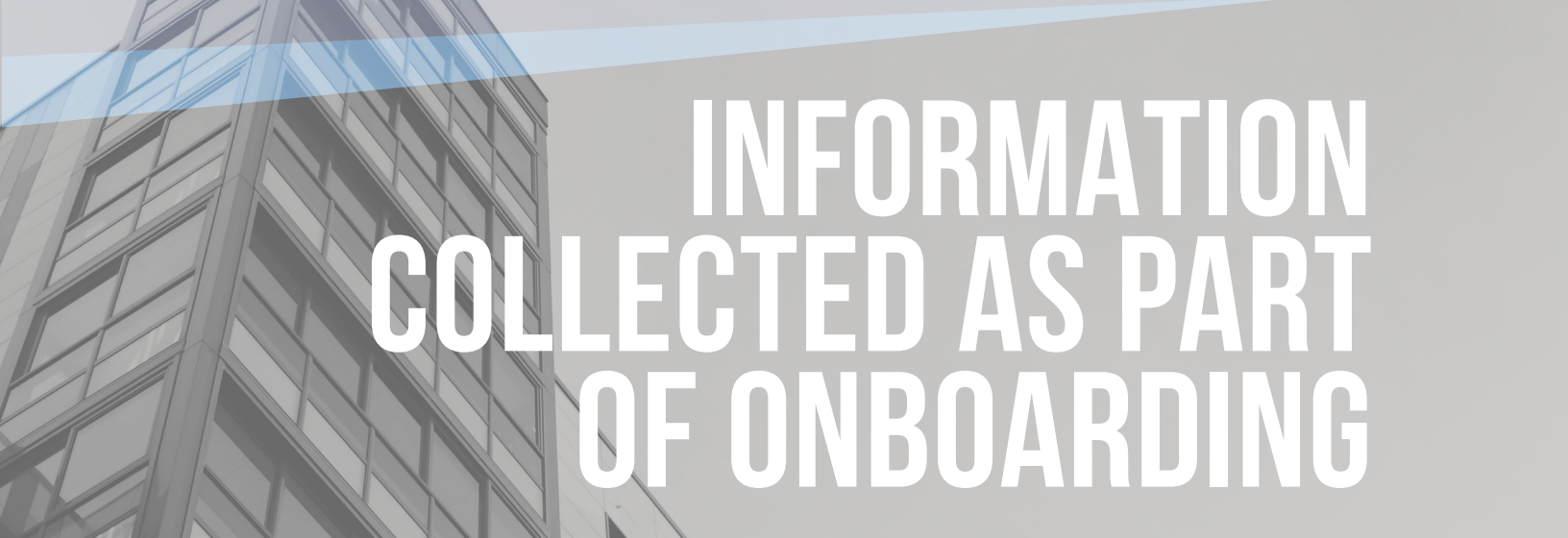
**When onboarding a new business customer, what are your top reputational concerns?**



**FIGURE 9**

**When onboarding a new business vendor, what are your top reputational concerns?**





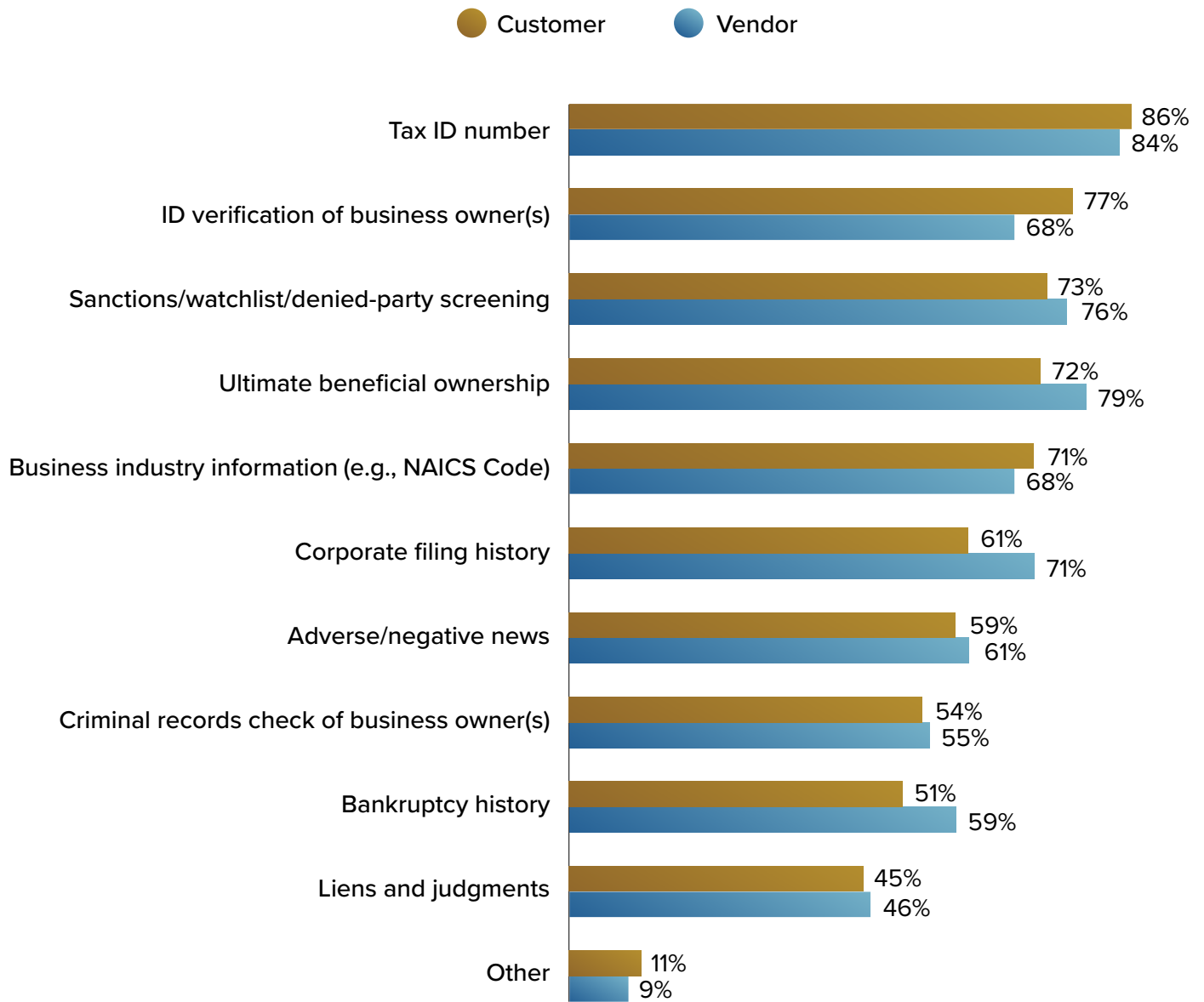
# INFORMATION COLLECTED AS PART OF ONBOARDING

**W**hen screening and onboarding a new business customer or vendor, most organizations collect key pieces of information to assess the business they are planning to transact with. The most common information collected is the business's tax ID number, followed by ownership information (both ID verification of the business owners and ultimate beneficial ownership information) and sanctions/watchlist/denied-party information. Screening this information ties closely to the top fraud-related risks that organizations are concerned about when transacting with business customers and vendors (see the "Fraud-Related Risks" section on page 7–8).

While the information collected does not vary widely between customer and vendor screening processes, some data (e.g., corporate filing history, bankruptcy history, and ultimate beneficial ownership) is more commonly collected for potential business vendors, while ID verification of business owners is used by more organizations when onboarding new business customers.

**FIGURE 10**

**What information does your organization collect and/or verify as part of onboarding a new business as a ...?**





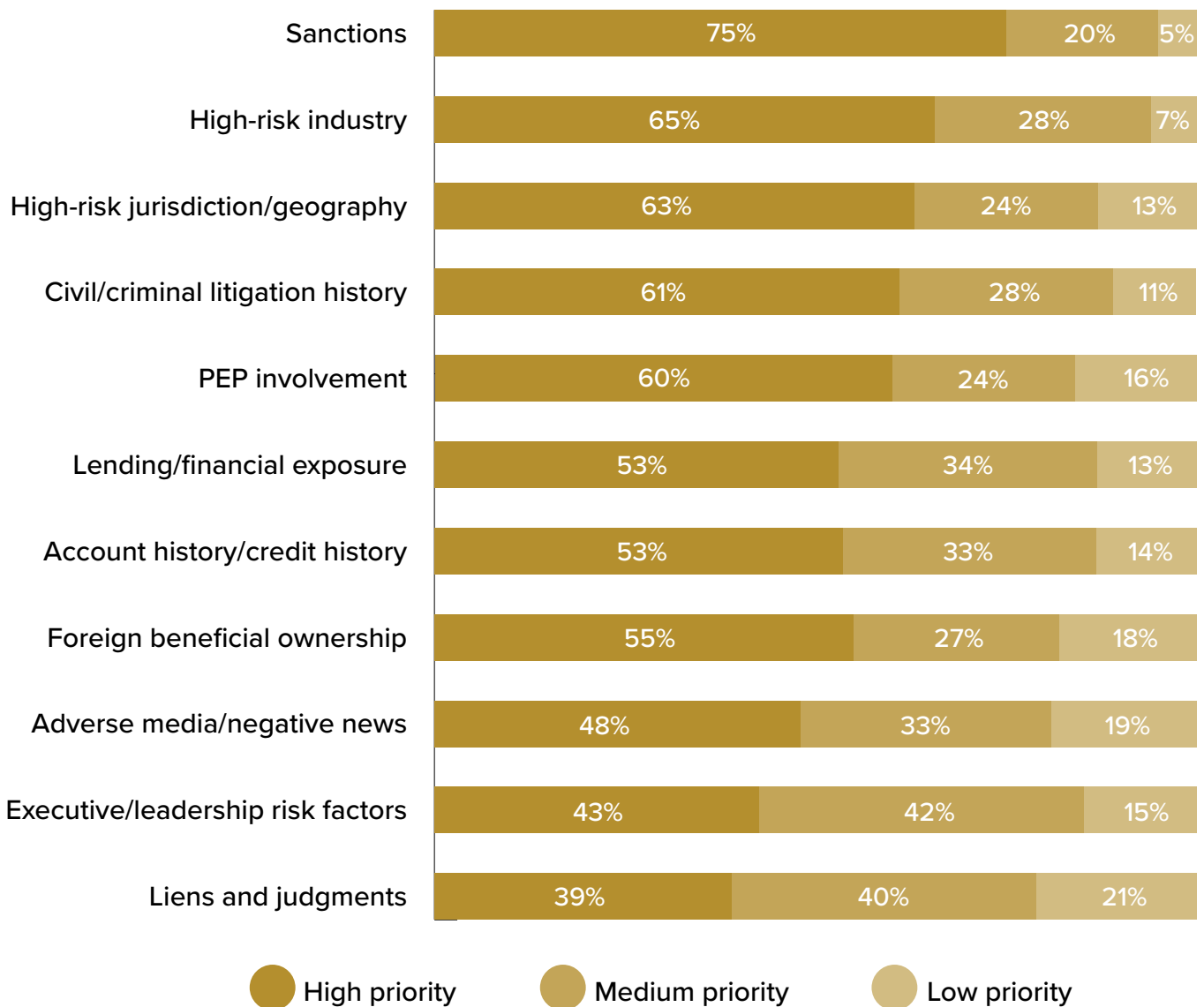
# TOP RISK FACTORS WHEN ASSESSING A NEW BUSINESS

**W**hen evaluating and onboarding new business customers and vendors, organizations must consider numerous factors regarding how much risk is involved in this new business relationship. We asked respondents whether their organizations consider certain risk factors a high priority, medium priority, or low priority when making these assessments; the results are reflected in Figures 11 and 12. For both customers and vendors, sanctions rated as the top risk factor, with more than three-quarters of organizations considering sanctions as a high priority when screening new businesses. Being in a high-risk industry or having a history of civil or criminal litigation are also risk factors that are commonly considered a high priority for both customers and vendors.



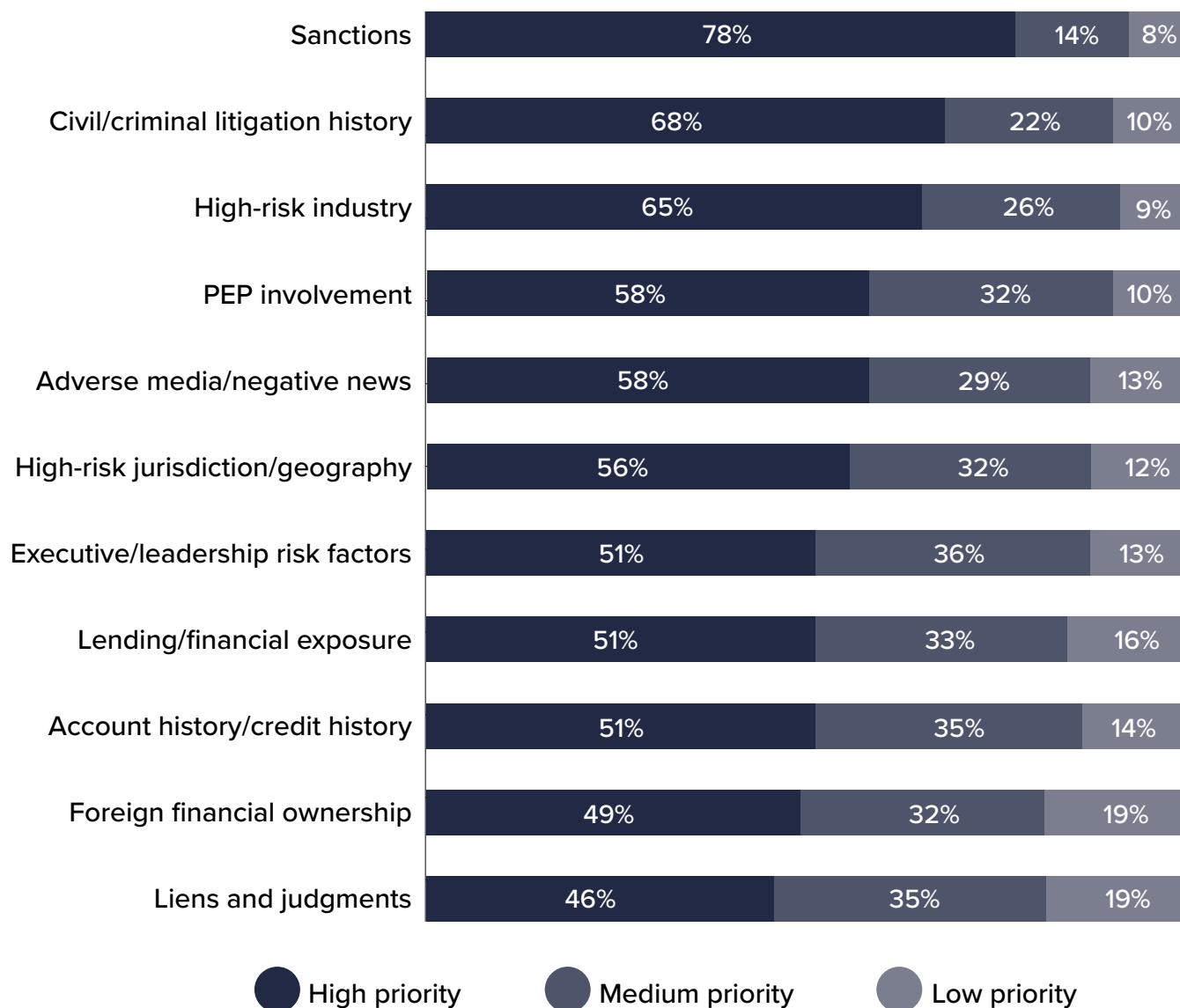
**FIGURE 11**

**How does your organization prioritize the following factors when risk-ranking a new business customer?**



**FIGURE 12**

**How does your organization prioritize the following factors when risk-ranking a new business vendor?**





# ONBOARDING APPROACHES

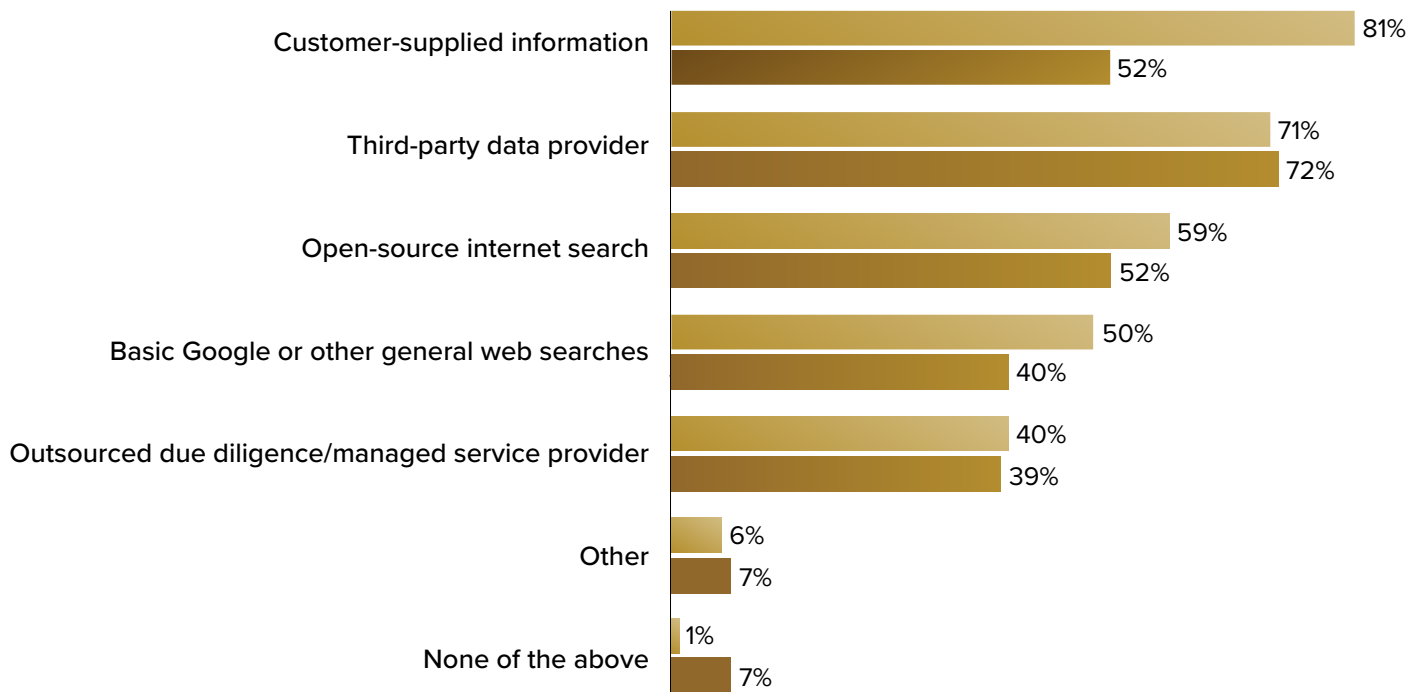
**T**wo key aspects of assessing and onboarding new business customers and vendors involve determining beneficial ownership and conducting sanctions screening. Both of these considerations tie back directly to the top fraud-related risks that organizations face when transacting with other businesses (see the “Fraud-Related Risks” section on page 7–8). As noted in Figures 13 and 14, the same approaches can be used to conduct both of these screening processes, providing some efficiency in the onboarding process. However, for both new customers and vendors, information provided directly from the business is much more commonly used for determining beneficial ownership than conducting sanctions screening. Other common onboarding approaches include using a third-party data provider and conducting open-source internet research.



**FIGURE 13**

**When onboarding a new business customer, which of the following approaches does your organization use for ...?**

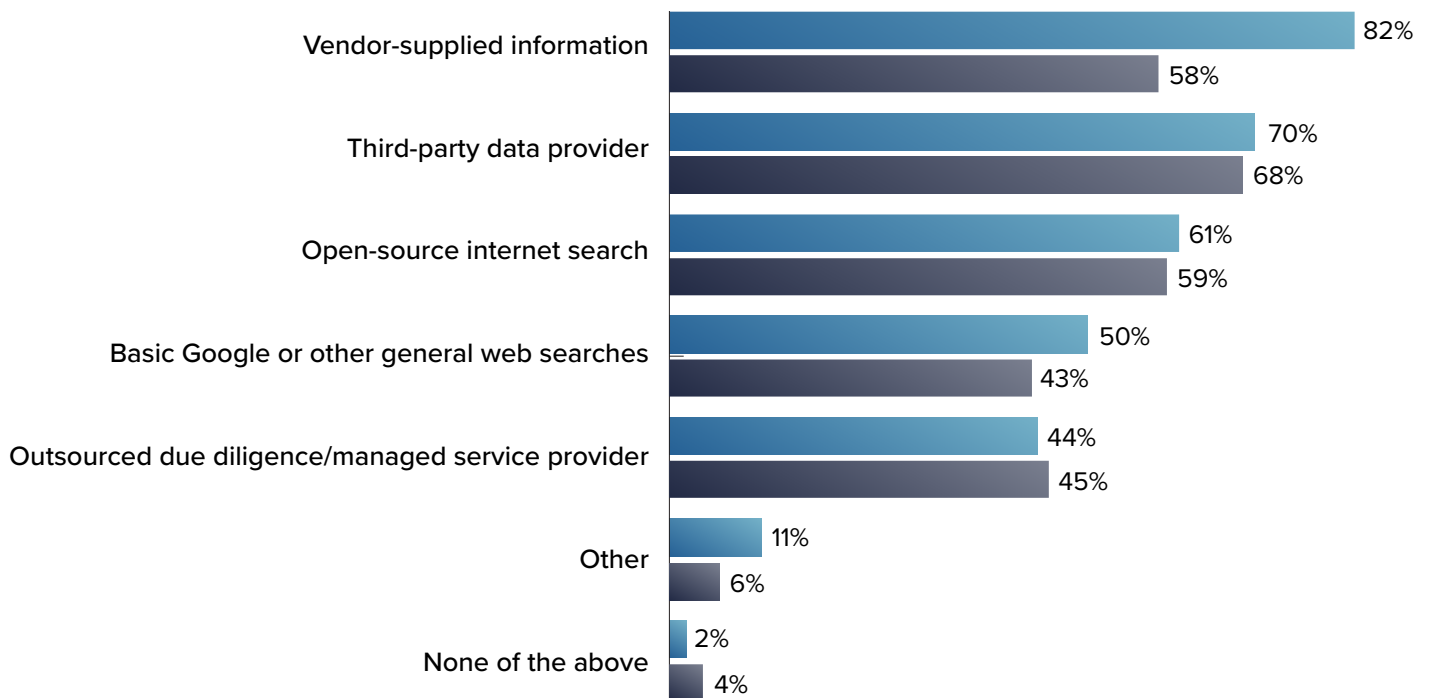
- Determining beneficial ownership
- Conducting sanctions screening

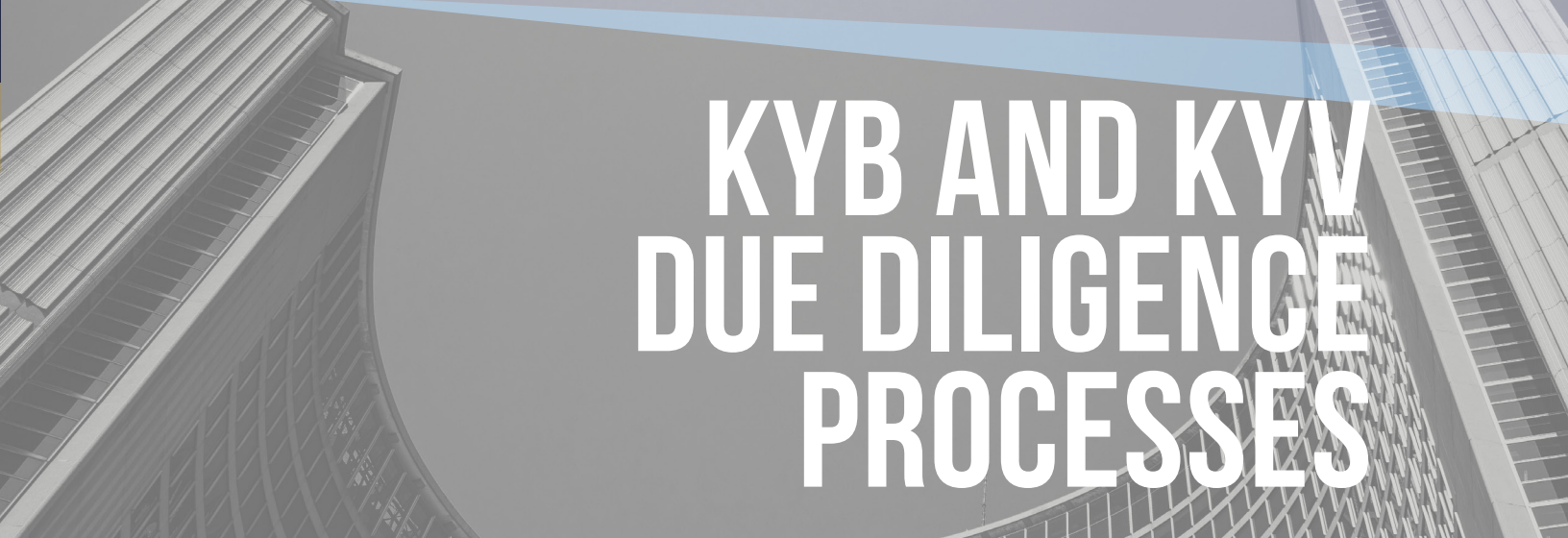


**FIGURE 14**

**When onboarding a new business vendor, which of the following approaches does your organization use for ...?**

- Determining beneficial ownership
- Conducting sanctions screening





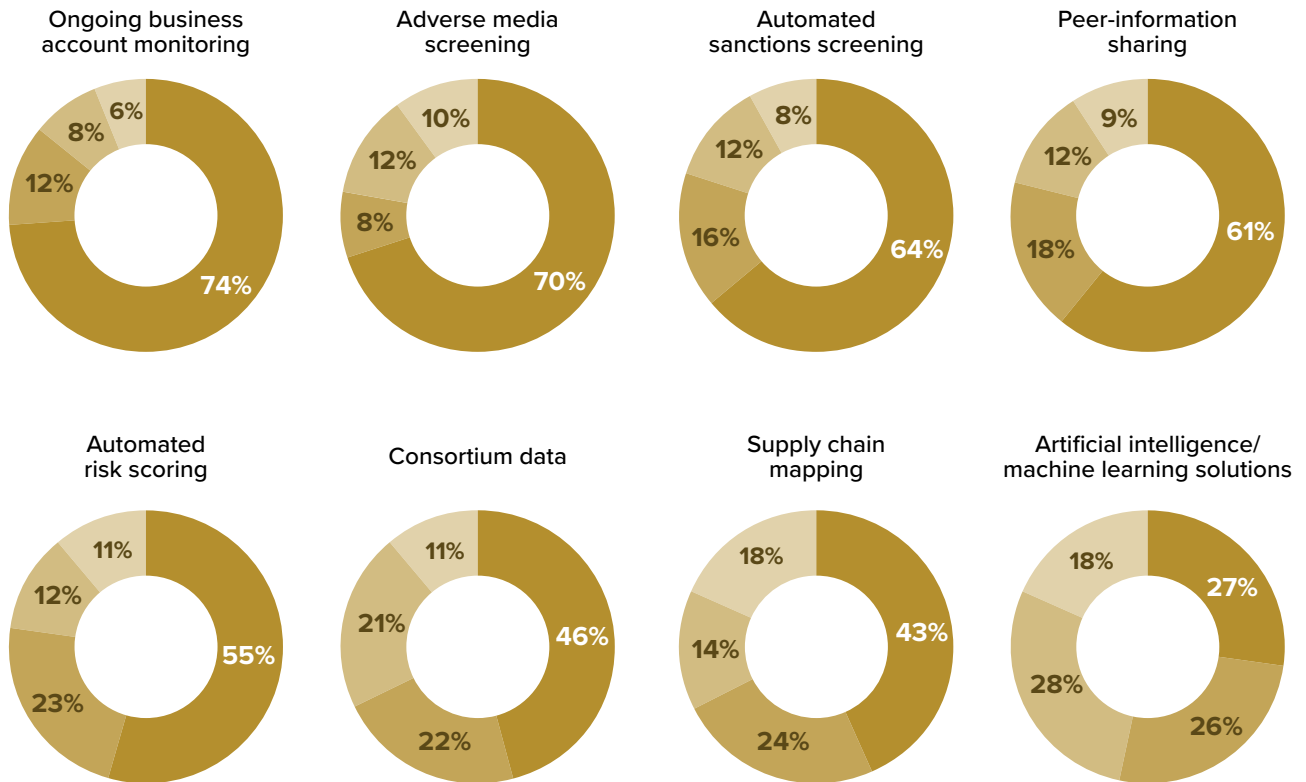
# KYB AND KYV DUE DILIGENCE PROCESSES

**A**s part of conducting due diligence into relationships with third-party businesses, several know-your-business (KYB) and know-your-vendor (KYV) processes can be beneficial in both onboarding new business customers and vendors and in monitoring existing relationships with other businesses. As shown in Figures 15 and 16, for both business customers and vendors, the due diligence processes that are currently used by the most organizations are ongoing business account monitoring, adverse media screening, and automated sanctions screening—though the frequency of these processes differs based on whether the business will be a customer or a vendor. In addition, the two areas that appear to have the most expected growth are the use of artificial intelligence/machine learning and the use of consortium data. While most organizations are not yet using these approaches, more than 40% of organizations expect to adopt them for onboarding new customers and vendors at some point in the future.

**FIGURE 15**

**What KYB (know-your-business) due diligence processes does your organization currently employ and/or expect to adopt for onboarding new business customers or monitoring existing business customers?**

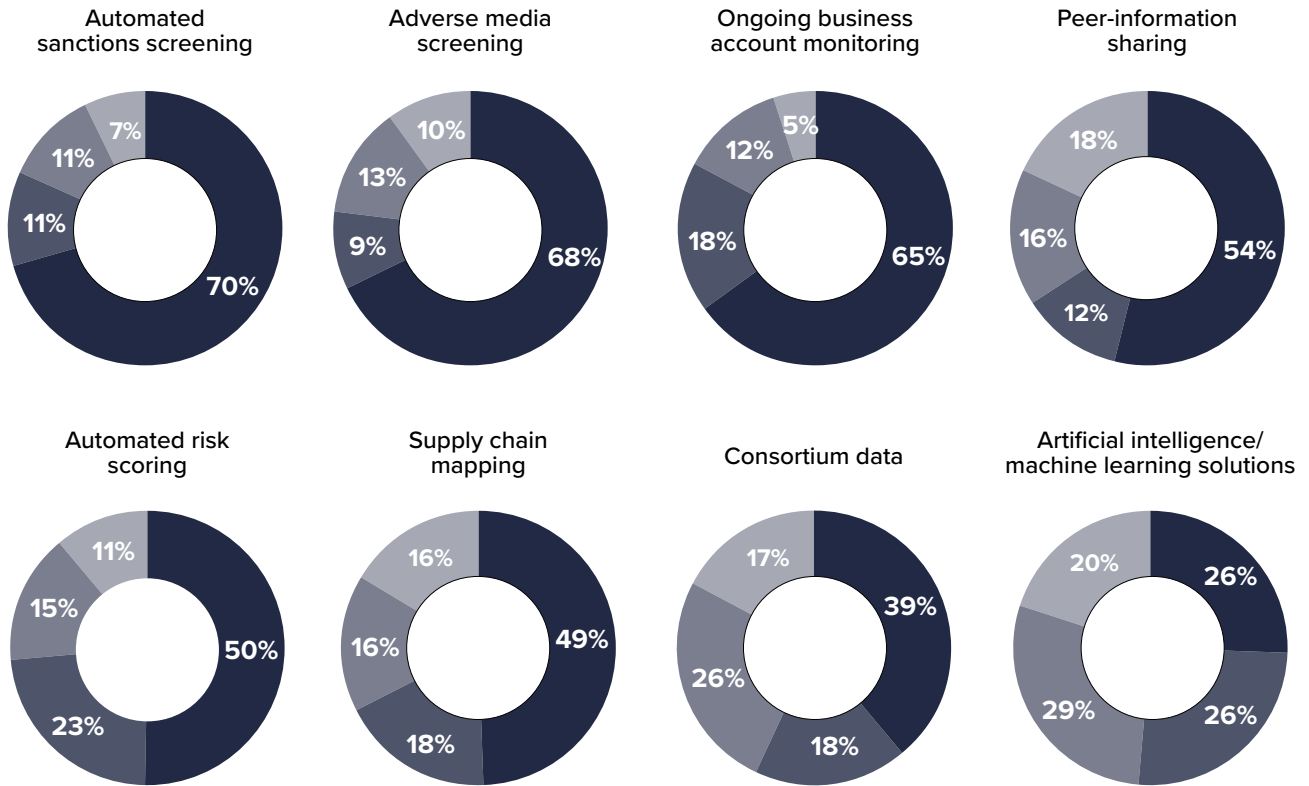
- Currently use
- Do not currently use but expect to adopt within 2 years
- Do not currently use but expect to adopt in more than 2 years from now or at some uncertain future time
- Do not currently use and do NOT expect to adopt in the future



**FIGURE 16**

**What KYV (know-your-vendor) due diligence process does your organization currently employ and/or expect to adopt for onboarding new business vendors or monitoring existing business vendors?**

- Currently use
- Do not currently use but expect to adopt within 2 years
- Do not currently use but expect to adopt in more than 2 years from now or at some uncertain future time
- Do not currently use and do NOT expect to adopt in the future



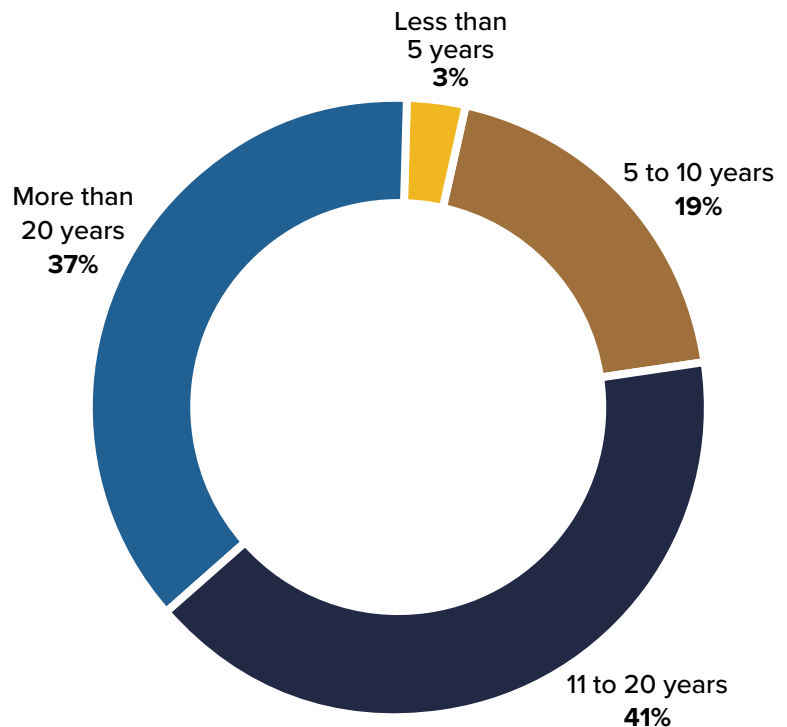
# RESPONDENT DEMOGRAPHICS

## PROFESSIONAL EXPERIENCE

Survey respondents had an average of 19 years of professional experience, with 22% having 10 years or less of experience, 41% having between 11 and 20 years' experience, and 37% having more than 20 years' experience.

**FIGURE 17**

**Respondents' Years of Professional Experience**

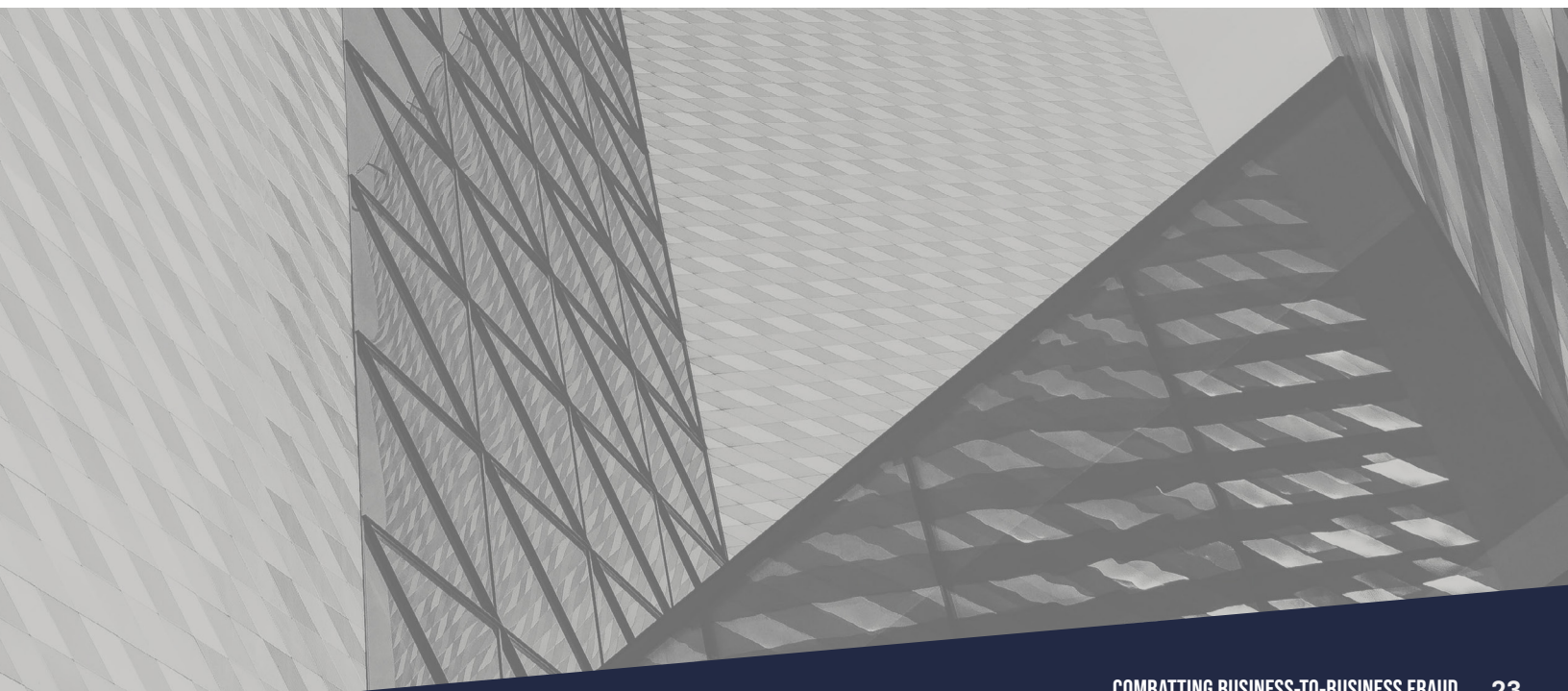


## DEPARTMENT

The most common department represented by survey respondents was internal audit; 37% of participants worked in this function. The next most common was the compliance or ethics department, with 21% of respondents.

**FIGURE 18**

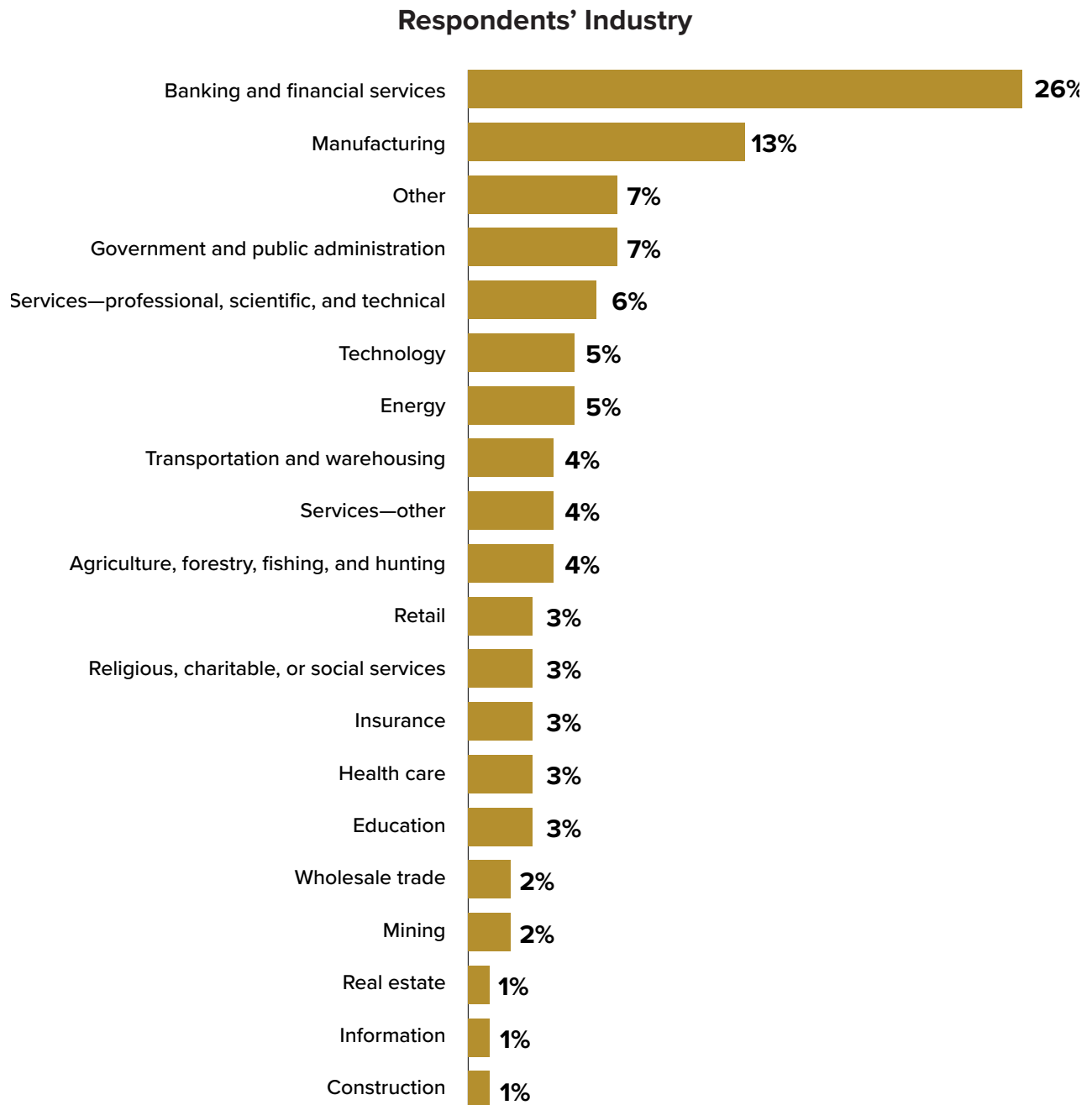
### Respondents' Department



## INDUSTRY

The banking and financial services industry was the most common in our survey, with 26% of respondents working for an organization in this category. Manufacturing (13%) and government and public administration (7%) were the next most common industries. The remaining 54% of survey respondents were split among many other industries.

**FIGURE 19**



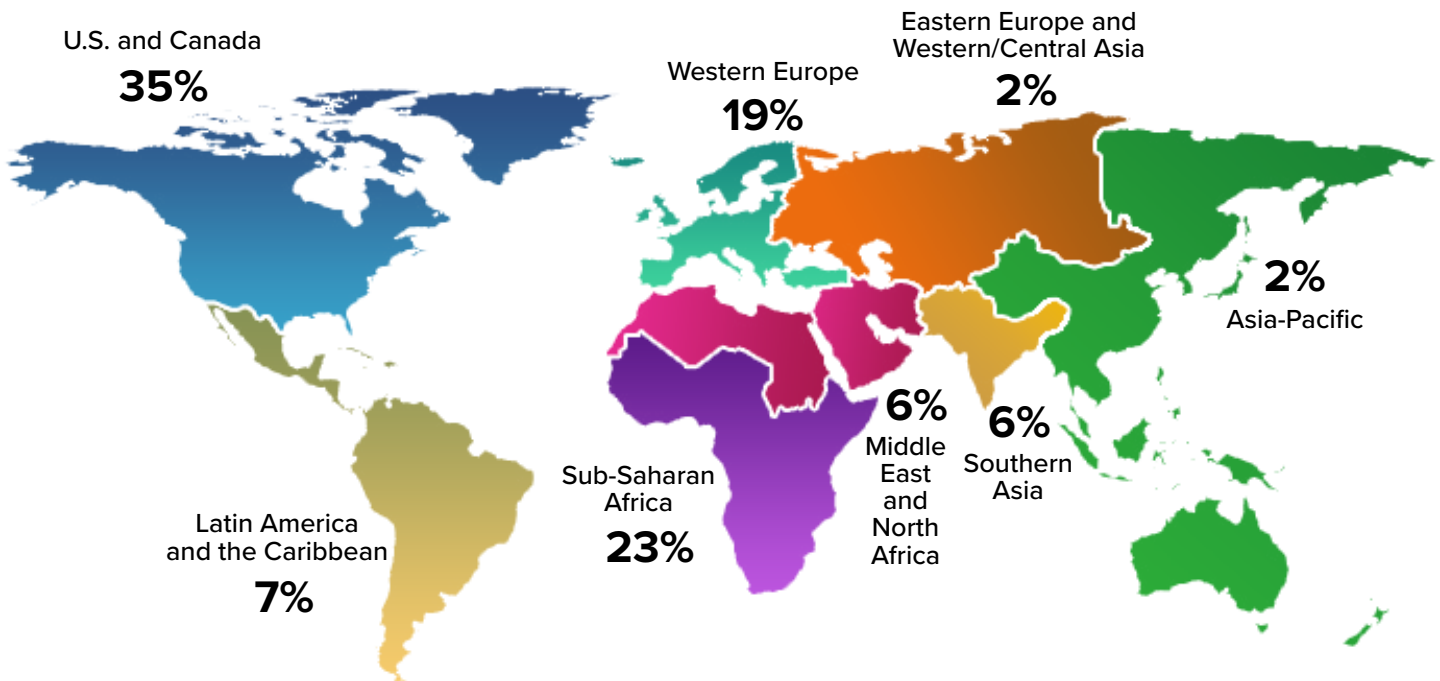


## REGION

Survey respondents came from all over the world, providing a global view into how organizations manage the risks related to business customers and vendors. Just over one-third (35%) of respondents work for organizations that are headquartered in the United States or Canada, with another 23% working for organizations in Sub-Saharan Africa and 19% in Western Europe.

**FIGURE 20**

### Respondents' Region





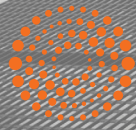
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# ABOUT THE ACFE

**F**ounded in 1988 by Dr. Joseph T. Wells, CFE, CPA, the Association of Certified Fraud Examiners (ACFE) is the world's largest anti-fraud organization. Together with more than 90,000 members, the ACFE works to reduce business fraud worldwide and inspire public confidence in the integrity and objectivity within the profession.

The ACFE offers its members the opportunity for professional certification. The Certified Fraud Examiner (CFE) credential is preferred by businesses and government entities around the world and indicates expertise in fraud prevention and detection. To learn more, visit **ACFE.com**.



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