

KPMG Forensic Integrity Survey

KPMG

2005/2006

Objective:

This survey examines the risk of fraud and misconduct that include, and are broader than, the financial reporting aspects addressed by the Sarbanes-Oxley Act. It also examines how the presence of compliance programs within companies affects the levels of misconduct.

Methods Used:

The survey is based on responses from 4,056 U.S. employees, spanning all levels of job responsibility, 16 job functions, 11 industry sectors, and 4 thresholds of organizational size. 6,797 employees were selected to participate in this survey which included a questionnaire of 155 close-ended questions. The valid response rate was 60%.

Key Findings:

- Nearly three out of four employees nationally—74 percent—reported that they had observed misconduct in the prior 12-month period, with half of employees reporting that what they had observed could cause “a significant loss of public trust if discovered.” These results are virtually unchanged from employee observations in 2000.
- Serious misconduct remained nearly constant with 50% characterizing the misconduct they witnessed as serious in 2005 as compared to 49% in 2000.
- Misconduct has been witnessed in all surveyed industry sectors with the highest being in the Public Sector (81%).
- While there are a lot of causes for misconduct, the root cause was pressure to meet business targets (57%).
- For instances where misconduct is reported, most employees (78%) agree that reporting to the supervisor is a good thing. Only 32% feel that they should approach the Board of Directors in this case.
- Although the level of observed misconduct has remained constant, employees reported that the conditions that facilitate management’s ability to prevent, detect, and respond to fraud and misconduct has improved since 2000.
- Employees who work in companies with comprehensive ethics and compliance programs reported more favorable results across the board than those employees who work in companies without such programs.

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