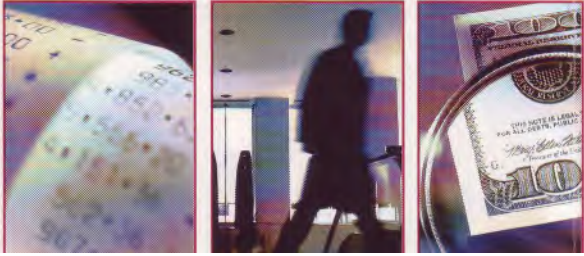




**How to Prevent,
Deter and Detect
FRAUD
in Your Business**





What is FRAUD?

- Fraud can take on many forms:
 - Stealing money or merchandise
 - Taking kickbacks or bribes from suppliers or customers
 - Providing false financial information on the company to the government, creditors or investors
 - Cheating on expense accounts
 - Claiming overtime when it is not due
- The above offenses are all "occupational fraud." There are four elements to occupational fraud:
 - The activity is clandestine
 - It violates the employee's duty of trust to the employer
 - It is committed for the purpose of direct or indirect financial gain
 - The employing organization loses assets, revenues or reserves

What are some warning signs of FRAUD?

- **Big spenders:** Employees who seem to be spending outside of their means probably are. One cause of this could be fraud.


- **People with financial problems:** Just like big spenders, people with financial problems may be more motivated to commit occupational fraud.
- **Rule breakers:** People who ignore company rules and regulations set a bad example and can trigger fraud throughout the company.

What are examples of FRAUD?

- **Retail fraud:** An employee working at the sales counter has been stealing sweaters for months.
- **Bookkeeping fraud:** Your longtime bookkeeper has been authorizing checks to herself and recording them as "consulting" expenses.
- **Purchasing fraud:** Your buyer has been purchasing items with the company's money for his own side business.
- **Expense fraud:** Your leading salesperson has been expensing hotel stays and "client dinners" while on personal vacations.

How can you prevent FRAUD?

- **Create and maintain a culture of honesty and high ethics:** Set the tone at the top by setting achievable goals and expressing "zero tolerance" for unethical behavior. Also, train employees regularly regarding the company's values and code of conduct.

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- **Have strong system controls:** Identify ways to increase security in your computer, record keeping and payment systems.
 - **Pay attention to the warning signs on the books:** Create internal mechanisms that alert you to potential transgressions.
 - **Report irregularities:** Create a system for employees to anonymously report illegal or unethical actions they have witnessed or suspect.

How can your CPA firm help?

- **Conduct a fraud audit**
- **Conduct a systems audit**
- **Help you evaluate and tighten internal controls**
- **Work with you to monitor non-financial measures**

Fraud has a direct impact on your company's bottom line. It also threatens your company's hard earned reputation. CPAs have seen it all and can help you become more savvy about preventing fraud and detecting it. For more information on ways to safeguard your company, contact your CPA firm.

In a recent study of fraud,

small organizations
(100 employees or fewer) actually suffer
larger median losses from fraud than
large organizations (with 10,000 plus
employees). In fact, small companies are
over 100 times more vulnerable to fraud
than their largest counterparts. However,
your CPA firm can help you assess your
risks and create safeguards.

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