

Reducing the financial and legal risks of fraud

**Qualified
Fraud
Deterrence
Services**

Legal Exposure

The Sarbanes-Oxley Act of 2002 (SOX) put added responsibility on company management, the Board of Directors, and auditors to incorporate and provide greater assurances to shareholders/investors that the company has the internal controls in place to minimize the potential for fraud. This responsibility covers fraud abuse in all areas of company operations and the reporting of financial information. For publicly traded companies, stiff penalties await the parties who neglect these new responsibilities. Though SOX currently only applies to public companies, expectations of business enterprise as a whole have SOX trickling down to privately enterprise, as well. Undoubtedly, business owners would be wise to take measures towards being in conformance with SOX. Many experts anticipate that it is only a matter of time before local legislatures write laws similar to the requirements of SOX that will apply exclusively to private business.

Furthermore, many companies have not implemented changes to their internal accounting control systems to be in compliance with the Foreign Corrupt Practices Act (1977). As with the requirements of Sarbanes-Oxley, stiff sanctions and fines can be imposed on corporations and the individuals responsible for management not in compliance with this act.

Our Fraud Deterrence Services were created to address both financial losses and the legal exposure all companies face in today's competitive and litigious environment.

How a Fraud Deterrence Professional Can Benefit Your Firm

The certified fraud deterrence professionals, qualified by the National Association of Certified Valuation Analysts (NACVA), are specifically trained in a division known as the Fraud Deterrence Institute (FDI) in the techniques of fraud detection and prevention. These professionals help businesses stem the tide of employee fraud and reduce the organization's overall susceptibility to various other forms of fraud and criminal theft.

The proactive techniques they employ include the following:

- **Strengthening internal controls to reduce the risk of fraud** The need to strengthen internal controls often becomes apparent when employee embezzlement occurs. But a company may also experience external fraud, which impairs financial operations and is often only detected when unexplained anomalies are observed. A qualified fraud deterrence professional can shore up the holes that a specific fraud occurrence made apparent, and proactively evaluate existing controls to recommend measures designed to reduce the risk of fraud in the future.
- **Investigation of possible fraudulent activities** Fraud investigation includes assessing and quantifying the magnitude and extent of the fraud that has occurred, whether it be employee embezzlement, management fraud, or theft of inventory or supplies. The fraud professional can assist in the actual investigation using a variety of techniques, including employee interviews, and applying a series of investigative procedures to ascertain the full nature and extent of the fraud.
- **Periodic monitoring of financial information** Many companies do not have the financial resources to commit to additional and higher-level accounting staff members who can monitor the financial operations from the viewpoint that a chief financial officer would be charged with. We can fill this role, including assisting the company with surprise audits, evaluating checks and balances on customer service, and periodically testing fraud-related internal controls. Specific detection techniques are employed in analyzing the company's financial records to target possible areas of high risk for fraud.
- **Developing corporate compliance and fraud prevention programs** A corporate compliance program is a written code of ethics and conduct that articulates an organization's commitment and accountability to certain legal and ethical practices intended to deter fraud. A well-designed program adapts to the way the organization conducts its business, defining the procedures it will follow and the consequences for management and staff who fail to comply with the program.

The statistics in this brochure are quoted from the '2002 and 2004 Report to the Nation on Occupational Fraud and Abuse,' published by the Association of Certified Fraud Examiners

Developing such a corporate anti-corruption program is an important step in a company's efforts to minimize the risks and costs associated with fraud. An additional benefit, often not immediately recognized, is that such a program will help protect a company's reputation and maintain the integrity of its long-term profitability. Another important step with which we can help is to create and present an employee fraud education program which will foster greater awareness of the signs of fraud and, hence, a more ethical environment.

Why Choose a Certified Fraud Deterrence Analyst (CFD) Professional?

A Certified Fraud Deterrence *Analyst* (CFD) has undergone rigorous training and testing sponsored by the Fraud Deterrence Institute (FDI) and the National Association of Certified Valuation Analysts, the nation's leading association supporting the business valuation, financial litigation consulting, and fraud deterrence professional communities. The FDI's fraud deterrence training addresses the broad spectrum of the types of fraud and their ramifications, and includes training in computer fraud and security, both common and uncommon fraud schemes, the newest techniques in internal accounting controls, criminal and civil proceedings and protocols when fraud has been detected, corporate compliance programs, codes of conduct, federal legislation, SEC and Sarbanes-Oxley requirements and developments, and employee interviewing techniques. Completion of this training and successfully passing a rigorous and extensive examination ensures that your CFD designated professional has the skills and knowledge to serve you in the deterrence of fraud in your workplace. The FDI's CFDs must also adhere to standards established by NACVA and they must comply with periodic recertification to assure that they are up-to-date on the latest fraud detection, prevention, and investigative techniques.



The Cost of Fraud

Fraud and abuse will cost U.S. organizations more than \$650 billion this year. What's your company's share?

The average organization loses more than \$9.00 a day per employee to fraud abuse, so it's not difficult to calculate the potential impact on your bottom line. In fact, about six percent of the total annual revenue of business enterprise, as a whole, is lost to fraud committed by employees. The financial consequences of any fraud have a major impact on organizations' profitability, regardless of industry, regardless of size (the most costly abuses, occurred in companies with less than 100 employees).

But there are other consequences of fraud besides the financial drain—potentially even more threatening! The long-term viability of your organization may be at stake.

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Services Offered:

- Fraud Deterrence
- Fraud Examination and Detection
- Operating Efficiencies and Controls
- Internal Audit Outsourcing
- Compliance Plans
- Accounting Consulting Services
- Expert Witness
- Litigation Support
- Trial Support
- Sarbanes Oxley Compliance

Industry Specialization:

- Insurance
- Finance and Real Estate
- Law Firms
- Retail and Service Industries
- Small Business
- Bankruptcy and Receiverships
- Manufacturing

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