

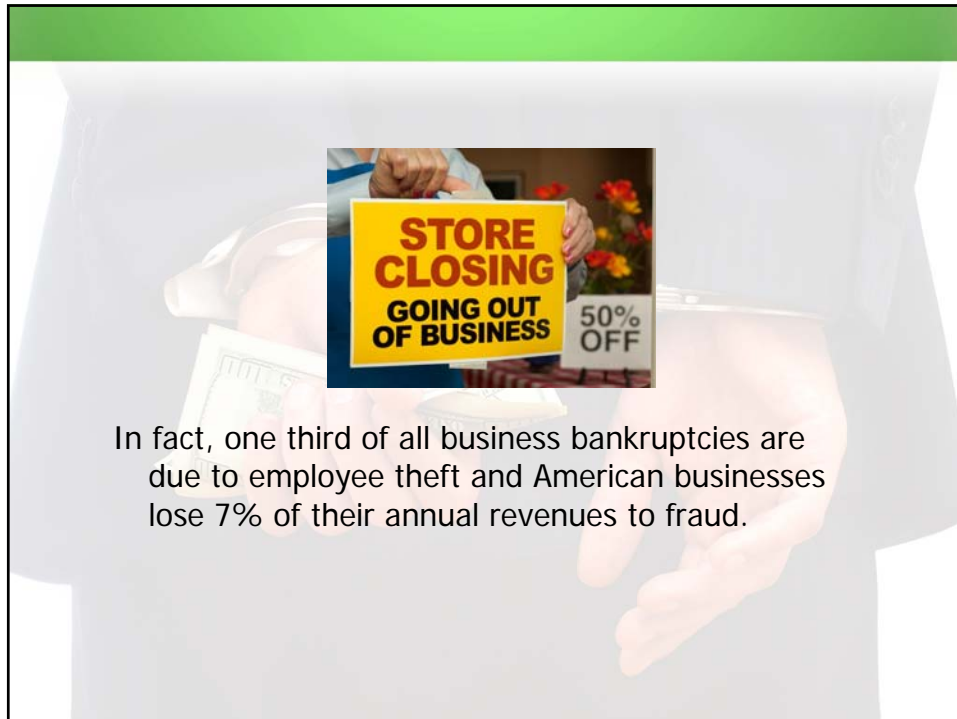
## Stealing More Than the Secret Recipe

Identifying and Safeguarding Against Business Fraud

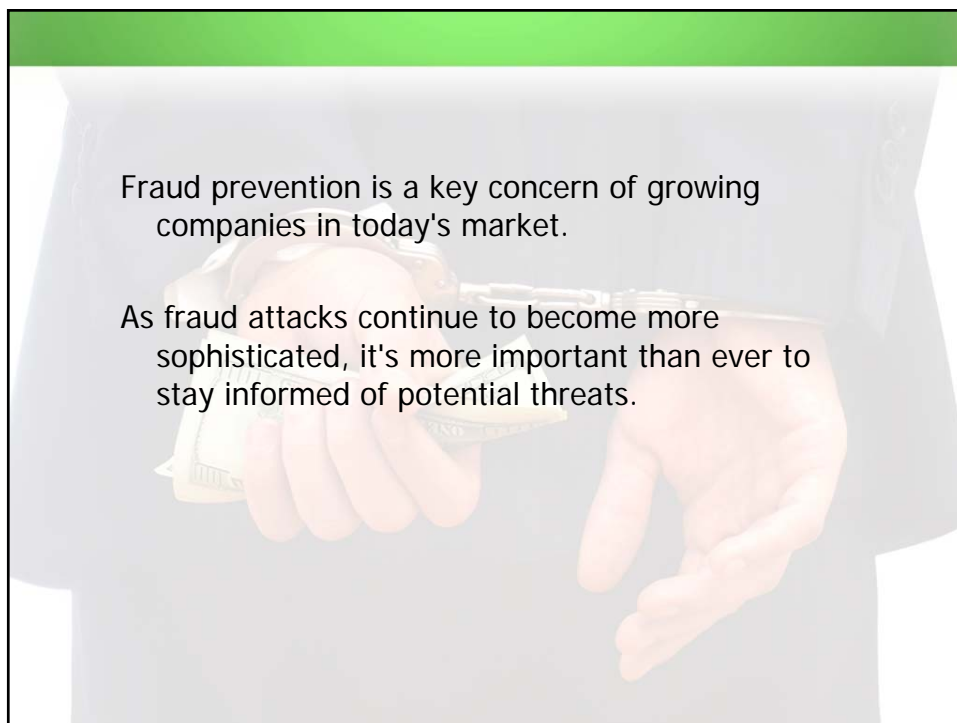


A staggering number of businesses falter and even fail because someone on the inside – an employee, vendor or even a partner – steals money, goods, data or intellectual property from the organization.

For small businesses, the median loss due to fraud is greater than what has occurred in Fortune 500 companies.

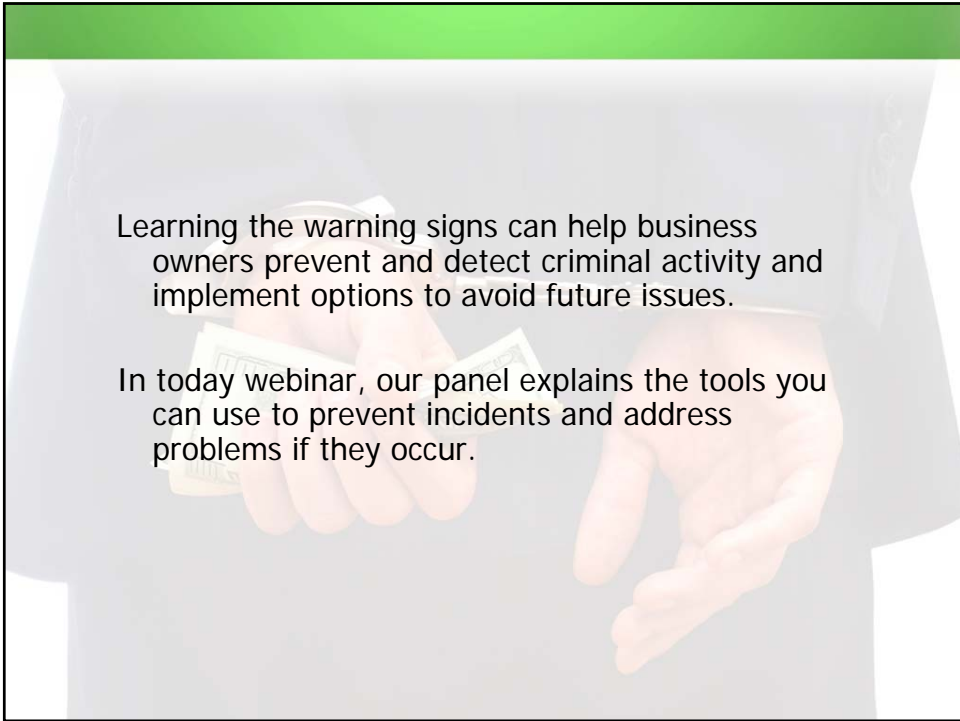
A person in a dark suit is holding a white piggy bank. A yellow sign with black text is placed over the piggy bank, reading "STORE CLOSING GOING OUT OF BUSINESS". To the right of the sign, a white sign with black text reads "50% OFF". The background is a blurred image of a person's hands holding a stack of US dollar bills.

In fact, one third of all business bankruptcies are due to employee theft and American businesses lose 7% of their annual revenues to fraud.

A person in a dark suit is holding a stack of US dollar bills. The background is a blurred image of a person's hands holding a stack of US dollar bills.

Fraud prevention is a key concern of growing companies in today's market.

As fraud attacks continue to become more sophisticated, it's more important than ever to stay informed of potential threats.



Learning the warning signs can help business owners prevent and detect criminal activity and implement options to avoid future issues.

In today webinar, our panel explains the tools you can use to prevent incidents and address problems if they occur.



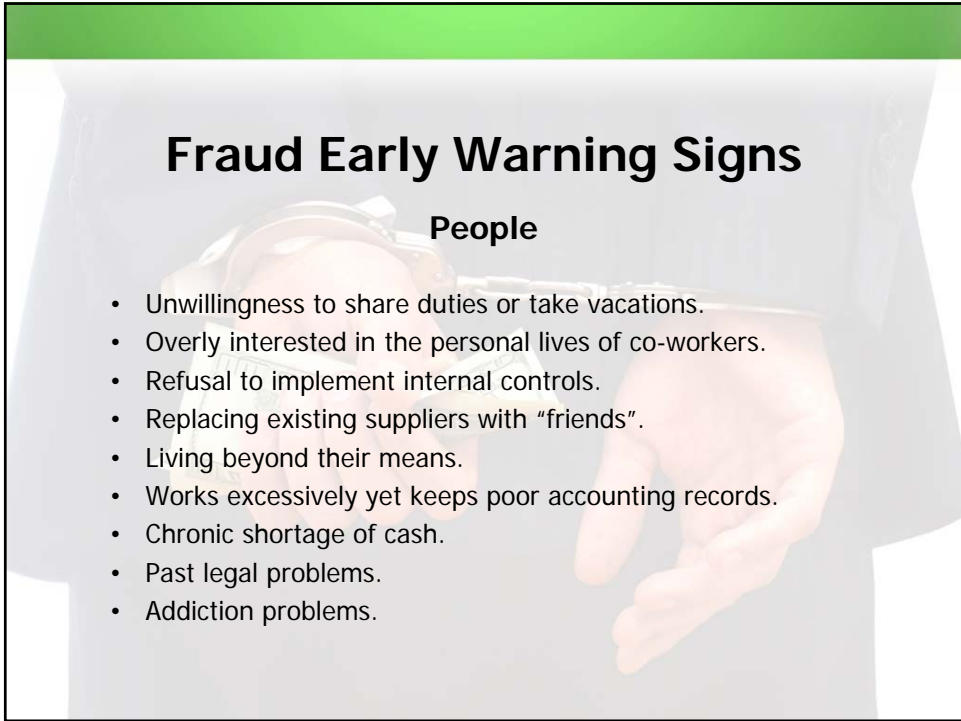
## Today's Panel

 **Kimberly Shannon**  
President, Off-Site Business Services, Inc.

 **Nancy Smyth**  
President, Sunburst Software Solutions, Inc.

 **Shamese Shular**  
President, SHU Books

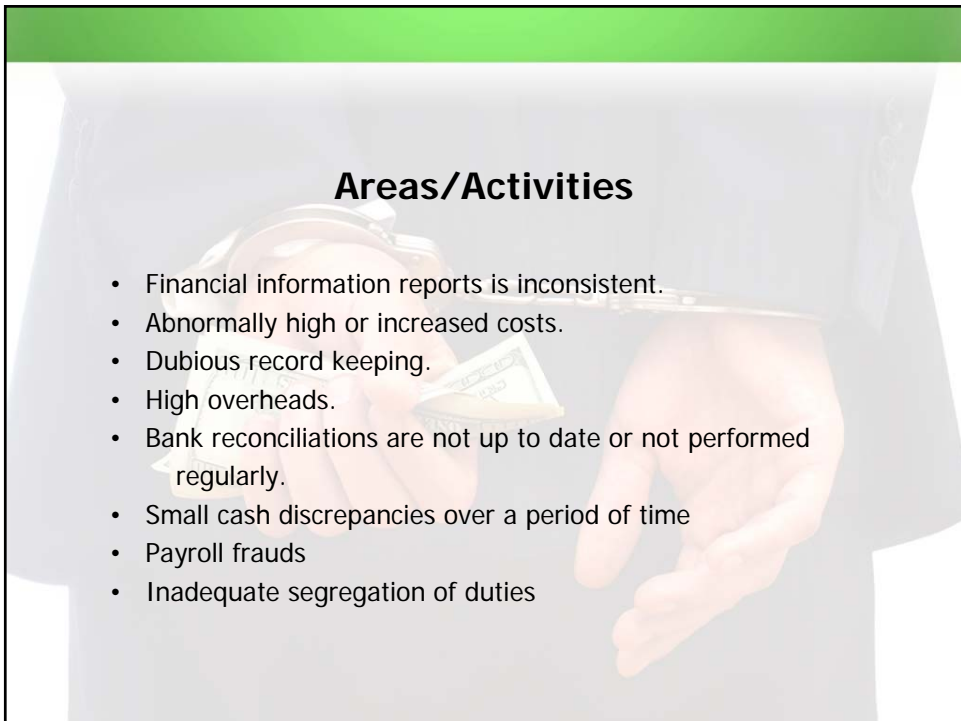




## Fraud Early Warning Signs

### People

- Unwillingness to share duties or take vacations.
- Overly interested in the personal lives of co-workers.
- Refusal to implement internal controls.
- Replacing existing suppliers with "friends".
- Living beyond their means.
- Works excessively yet keeps poor accounting records.
- Chronic shortage of cash.
- Past legal problems.
- Addiction problems.



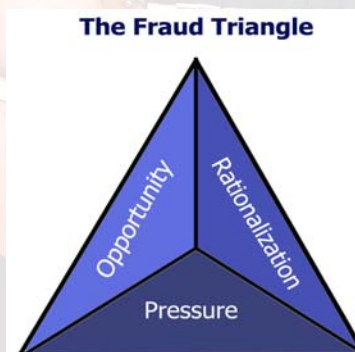
## Areas/Activities

- Financial information reports is inconsistent.
- Abnormally high or increased costs.
- Dubious record keeping.
- High overheads.
- Bank reconciliations are not up to date or not performed regularly.
- Small cash discrepancies over a period of time
- Payroll frauds
- Inadequate segregation of duties

## Business Susceptibility to Theft and White Collar Crime

- Lack of internal controls.
- Small staff with multiple roles.
- Unsupervised employees.
- Failure to implement safeguards.
- Limited accounting staff.
- Business owner becomes too trusting.

## Why Good Employees Sometimes Make Bad Choices

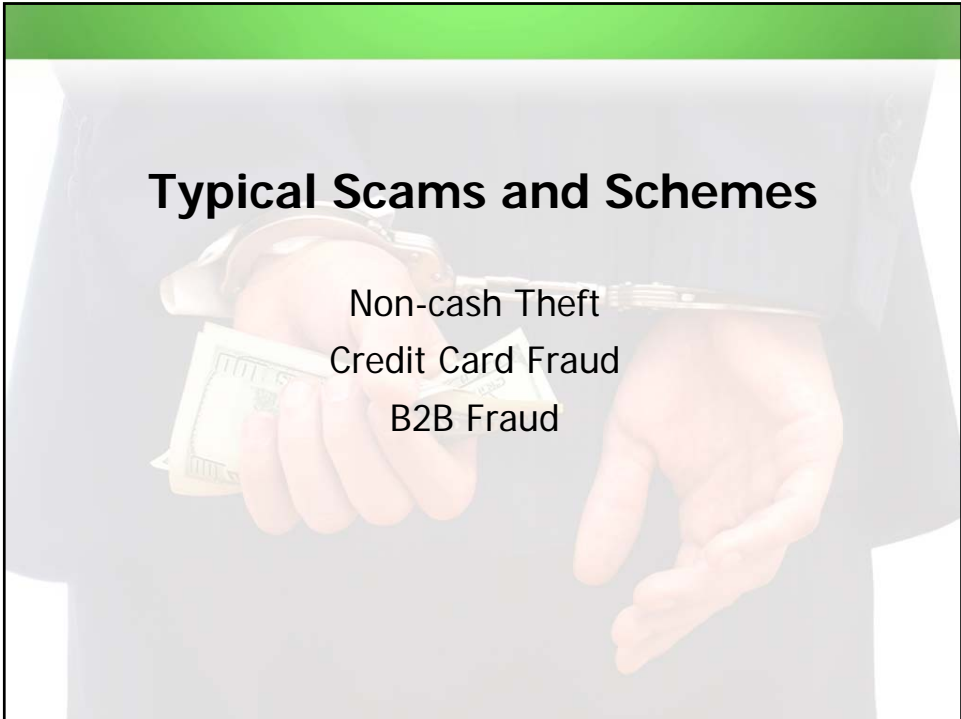


## Components of Fraud Triangle

- Pressure or motivation may include financial problems, addictions like gambling, shopping or drugs, pressure to show good performance or results, or just the thrill of being able to get away with something.
- Rationalization is when individuals think they are justified because they are underpaid, or it's for their family, or they need it now but they'll pay it back before anyone notices.
- Opportunity is created when there are weaknesses in controls. Individuals think they won't get caught because nobody is looking, or reviewing, or performing reconciliations and reviews.

## Emerging Risk Factors Facing Companies

- More employees working from home.
- Online banking.
- Identity theft.
- Debit cards.
- Check fraud.



## Typical Scams and Schemes

Non-cash Theft  
Credit Card Fraud  
B2B Fraud



## Non-cash Theft

- Unconcealed larceny.
- Falsifying shipping and receiving reports.
- Fraudulent shipments.
- Fraudulent write-offs.



## Unconcealed Larceny

- Means - employees steal property of the company and make no attempt to cover it up.
- How is this done?
- Why isn't it reported?



## Falsifying Receiving and Shipping Reports

- How is this done?
- What companies are affected?





## Fraudulent Write-offs

- Forced reconciliation of accounts.
- Altering inventory records.
- Fictitious sales orders.
- Writing off good inventory.



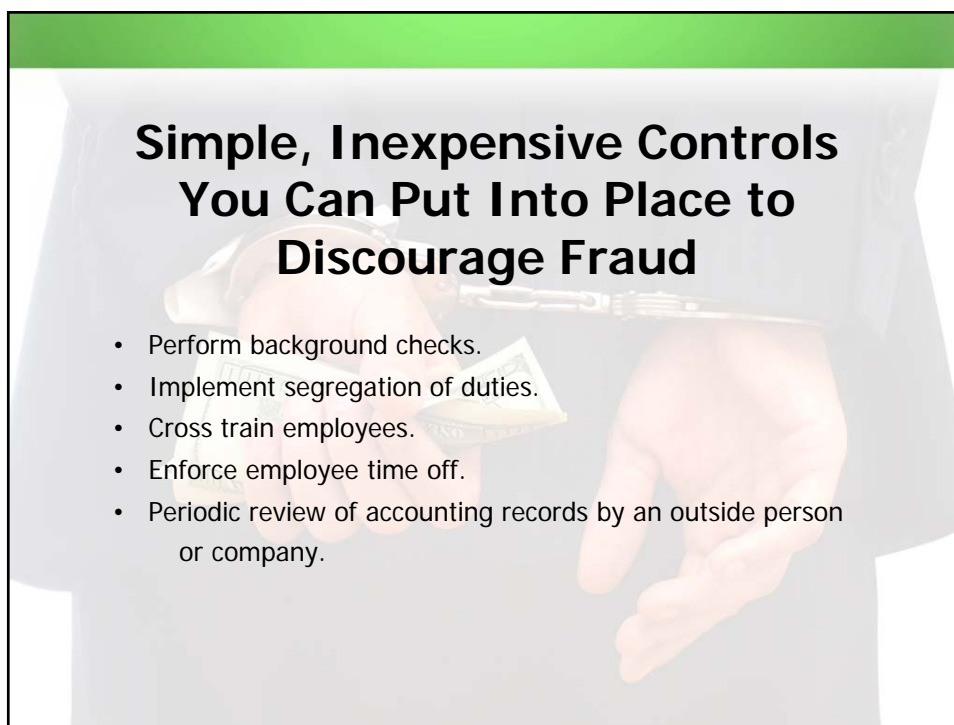
## Credit Card Fraud

- Typical schemes.
- Typical schemes of identity theft.




## **B2B Scams**

- Telemarketing.
- Internet service.
- Supplies scams.
- Buyers club.



## **Simple, Inexpensive Controls You Can Put Into Place to Discourage Fraud**

- Perform background checks.
- Implement segregation of duties.
- Cross train employees.
- Enforce employee time off.
- Periodic review of accounting records by an outside person or company.

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- Keep track of company checks.
  - Personally sign and review all checks that leave your business.
  - Make bank deposits yourself.
  - Business bank and credit card statements mailed to your home.
  - Owner or third party should reconcile bank and credit card statements.



## Controls for QuickBooks Users

- As the business owner, YOU should setup the Administrator account and password.
- Each user/person should have their own QuickBooks User Account, password and access permissions.
- Setup the External Accountant User log in under that account when reconciling the monthly checking/credit card statements.
- Set the Closing Date at least once a quarter.
- Monitor A/R and A/P Reports.
- Direct Deposit pin only used by the business owner.
- DO NOT upload a signature graphic to QuickBooks.
- Review the Audit Trail Report.

## Real-life Case Studies: Problems and Solutions

### Case #1

**Problem:** The bookkeeper of a small engineering firm has total control over bill payment, including check signing authority as the owner travels frequently. She also receives the mail and reconciles the bank statement.

**Solution:** The bookkeeper is removed from check signing authority. The owner leaves a few signed checks when traveling, and reconciles them as soon as he returns. Bank and credit card statements are mailed to the owner's home for review before allowing the bookkeeper to reconcile.

### Case #2

**Problem:** The employee of a medical office accepted payments for services rendered. Cash bank deposits were regularly less than recorded in medical billing program.

**Solution:**

- Copies of all paid receipts presented to patients are printed and matched to cash deposits daily.
- Two people handle the counting of cash and checks, and reconcile prior to making nightly bank deposit.
- Medical billing program is synced to accounting software.

### Case #3

**Problem:** A retail shop was discovered that 33% of merchandise theft was committed by employees.

**Solution:**

- Employees are not allowed to bring large bags to work.
- No employees are allowed to park close to the entrance.
- All bags were checked by a supervisor prior to leaving the store at the end of their shift.

### Questions

Thank you for participating today.

This presentation will be posted on all three of the panelists websites.

Our next webinar will be this August on

**“Show Me The Money”**

Payroll, A/R and A/P Best Practices & Tips



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