

FRAUD, IT CAN HAPPEN TO YOU

By: CATHY DOBRYNSKI, CPA, CGMA



As a small business owner, do you think fraud can happen to you? Most will say no! I'm too involved in my business for that to happen. Or, I know and trust our employees. They are good people.

Unfortunately, the facts don't support those beliefs:

- Small businesses (<100 employees) had 28% higher median fraud losses than larger companies.
 - In more than 41% of cases with fewer than 100 employees, lack of internal controls was a primary factor.
 - Most fraud was committed by staff (42%) or managers (36%).
 - Over 50% of fraudsters had been with their company for more than 5 years.
- Most instances were committed by offenders who had never been punished or terminated by an employer for fraud-related conduct (82%) in the past.

(Source - "2014 Report to the Nations on Occupational Fraud and Abuse. Copyright 2014 by the Association of Certified Fraud Examiners, Inc.)

So what do you do? First, you have to believe that it can happen to you. Second, putting a few controls in place can make a big difference. The perception that you are paying attention to the financial details may deter someone who may otherwise commit or be tempted to commit the fraud.

What kind of controls? The easiest is to make sure you're the first one to see the following documents (they come to you unopened):

- Bank statements
- Credit card statements
- Payroll reports

You don't need to spend a great deal of time reviewing these items; just make sure it's known that you are looking. Ask about something that catches your eye.

If you're concerned that you're not looking closely enough or you really don't have the time, maybe you could have a periodic review of your internal accounting records - not a full audit but also not just what you send for year-end taxes. You could have your CPA come in periodically and randomly check a few areas a few times a year.

None of these steps will prevent all fraud, especially if collusion (more than one person) is involved. But they go a long way in making the statement that you are looking and that you are aware that it can happen - even to you.