



Fraud Recommendations

We are often asked about actionable recommendations for business owners who would like to increase their fraud awareness and protection.

TOP 10 RECOMMENDATIONS

For business owners who would prefer to improve controls on their own, here are our top ten recommendations:

1. Create a process for identifying and monitoring the significant fraud risks to which the company is exposed. Different companies have different inherent risks.
2. Implement a hotline allowing for anonymous tips – the most effective fraud detection and deterrent. There are several third parties that provide such services in a cost-effective manner.
3. Implement 'Positive Pay,' a fraud prevention tool offered by many banks to help prevent unauthorized or duplicate disbursements.
4. Avoid having the same employee record checks, sign checks and reconcile the bank account.
5. Review the payroll register on a surprise basis for unknown employees, unexpected pay rates, overtime and bonuses.
6. Have a second copy of the monthly bank statement sent directly by the bank to the owner for review.
7. Implement 'call back' verifications from the bank to the owner for all wire and ACH disbursements initiated by employees.
8. Meet with the company's insurance broker to review the coverage for employee crime and fidelity insurance.
9. The owner should be on alert for behavioral/lifestyle changes by the accounting staff, particularly signs of domestic stress or new-found wealth.
10. Insist that all employees in the accounting department take annual vacations. In the employee's absence, another employee should perform the functions of the vacationing employee, rather than deferring the work.

QUESTIONS? CONTACT:

Dave Porter, dporter@gmco.com, 503-445-3417