



# Small Business Fraud Prevention

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# Association of Certified Fraud Examiners 2010 Report to the Nation

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- ▶ Businesses lose an estimated \$2.9 trillion globally, or 5% of annual revenue due to fraud.
- ▶ Approximately 30% of victimized companies had fewer than 100 employees.
- ▶ Typical median loss of \$150,000 for U.S. firms.



# Fraud Diamond

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## Incentive

- Personal debts
- Greed
- Drug abuse
- Organized crime

## Opportunity

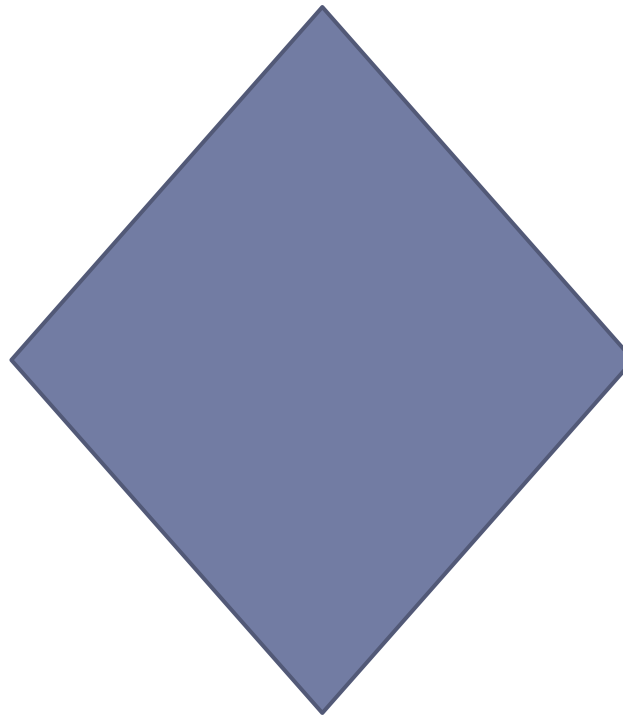
- Inadequate internal control
- Weak/remote management

## Rationalization

- Inappropriate values
- Job or company dissatisfaction

## Capability

- Knowledge of systems
- Skills required to undertake



# Case in Point- LeeAnn Dove

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- ▶ Office Manager of Great Falls Landscapes in Sterling, VA
- ▶ Long-term employee
- ▶ Six year fraud scheme
- ▶ 2004-2010
- ▶ Embezzled \$490,000

# LeeAnn Dove

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- ▶ Indicted November 2011
  - ▶ Embezzlement
  - ▶ Bank Fraud
  - ▶ Mail Fraud
  - ▶ Wire Fraud

Faces up to 380 years in prison

# What Went Wrong?

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1. Ghost employees- paychecks deposited to personal bank account.
2. Company credit card to purchase personal items.
3. Forged signatures on company checks.
4. Opening business accounts to purchase personal items.
5. Set up online banking using company bank account to pay personal bills.



# What can YOU do to protect yourself and your business?

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- ▶ Strong tone from the top
- ▶ Educate employees on company expectations of an intolerance to fraud
- ▶ Open door policy
- ▶ Whistleblower protection policy
- ▶ Fraud risk assessment



"I gotta tell ya, these embezzlement convictions raise a red flag."

# What can YOU do to protect yourself and your business?

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## ▶ Implement Strong Internal Controls

- ▶ Owner oversight
- ▶ Segregation of duties
- ▶ Sign all checks
- ▶ Perform/review bank reconciliations and review bank statements
- ▶ Approve employee expense reports
- ▶ Approve payroll processing



# What can YOU do to protect yourself and your business?

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- ▶ **Implement Strong Internal Controls**
  - ▶ Approve company credit card statements
  - ▶ Mandatory vacation for employees
  - ▶ Authorize all electronic transactions
  - ▶ Approved vendor list
  - ▶ Approve credit memos to customer accounts



# Closing Thoughts

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Average detection period is 18 months.



Appearance of strong oversight is good prevention. Prevention is easier (and less costly) than detection.

# Santos, Postal & Company P.C.

*Certified Public Accountants*

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