

**"Winning Business Strategies"
Webinar Series**



Employee Fraud: Prevention and Remedies

Presented by:

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A review of common fraud areas that occur in closely held businesses, how to prevent them and what your legal remedies are if you are a victim of fraud.

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- For companies with under 100 employees, the average cost per occurrence of fraud is **\$155,000***!

* Survey conducted by the Association of Certified Fraud Examiners and reported in the 2010 Report to the Nations on Occupational Fraud and Abuse.



OVERVIEW

- *Fraud Categories*
- *Asset misappropriation*
- *Motivating Factors*
- *Prevention*



FRAUD CATEGORIES

- *Corruption*
- *Asset misappropriation*
- *Fraudulent Statements*





Asset Misappropriation – Sub Categories

- Skimming
- Cash Larceny
- Billing
- Expense Reimbursements
- Check Tampering
- Payroll

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Asset Misappropriation – Sub Categories - continued

- Cash register disbursements
- Cash on hand misappropriations
- Non-Cash Misappropriations

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Motivating Factors - Financial

- Living beyond means
- Medical bills
- Poor personal credit
- Bankruptcy
- Recent divorce

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Motivating Factors - Vices

- Alcohol
- Drug use
- Gambling
- Extra-marital affairs



Motivating Factors - Job Dissatisfaction

- Unappreciated
- Lack of respect
- Low pay
- Poor raises
- Unfair treatment
- Poor relations with supervisors and co-workers



Motivating Factors - Other

- Greed
- Challenge to "get away with it"
- Pressure from family or friends
- Pressure from co-workers (collusion)



Prevention - Management Tone

- Set good examples
- Supportive and respectful of employees



Prevention – Internal Controls

- More common examples of controls for misappropriation of assets
- Segregation of duties
- High chance of detection will deter action
- Management Review



Other Considerations

- Mandatory vacations
- Background checks of employees
- Fidelity bonding of employees
- Anonymous tip hotline



If you've noticed . . .

- Customer complaints
- Vendor complaints
- Inventory shrinkage
- Unexpected / unexplained financial trends
- Abrupt changes in employee behavior and lifestyles
- Employees living beyond their means



Or . . .

Is it possible that a whistleblower has been trying to give you anonymous information?
Have you discovered possible systems or control problems?



Fraud engagement . . .

In connection with the preparation of your tax returns and financial statements, your CPA is not required to *consider* fraud unless providing audit services.



Call Your Accountant

- Expedite your investigation
- Calculate your loss



Call Your Lawyer



Call Your Lawyer

- Sort through legal maze
- Get collection plan in place
- Act quickly to tie up assets



Get Supporting Documents

- Internal documents
- What's missing and where did it go



Internal Loan Doc

VERIFIED QUALITY CONTROL CHECKLIST
Continued

Part 8. Completed by the Prime Banking Loan Officer or Designated
Date of Issue: _____

Completed Funding Information:
- Identify the "Borrower" to whom the loan is being
- All the money from the loan is being used for the purpose of funding this, please specify current business (SMB or SOA). Please note
- If not, please specify the purpose of the loan.
- If not, please specify the purpose of the loan.
- If not, please specify the purpose of the loan.

Independent Verification and Analysis:
- Date of Review: _____
- Reviewer: _____
- Reviewer Title: _____
- Reviewer Signature: _____
- Reviewer Date: _____

Part 9. Completed by the Prime Banking Loan Officer or Designated
Date of Issue: _____



Company Check – Personal Bill

USA

CHECK 1043

36602

366.92

DATE: 08/02/20

AMOUNT: 366.92

TO THE ORDER OF: WELLS FARGO FINANCIAL

WELLS FARGO FINANCIAL

0738111591

0738111591

0738111591



Company Check – Forged Sig.



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Interview Suspect

- Get admission / promise to repay
- Suspend / fire employee
- COBRA issue?
- Retirement accounts
- Defamation issue?

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Exit Interview – Still Lying

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Secure Computer / Emails

- Immediately
- Block outside access



Interview Co-employees

- Keep confidential
- Learn suspect's motivation / personal issues
- Social media



Unexplained New Cars





Insurance Claim

- Duty to cooperate
- Coverage issues
- Future Training

Insurance Policy

EMPLOYEE DISHONESTY AND FORGERY OR ALTERATION INCREASED LIMIT

The increased limit coverage is available only for the following:

1. The amount of the increased limit coverage is limited to the amount of the original coverage.

2. The increased limit coverage is available only for the amount of the original coverage.

3. The increased limit coverage is available only for the amount of the original coverage.

4. The increased limit coverage is available only for the amount of the original coverage.

File Criminal Charges

- Insurance policy may require
- In for a penny, in for a pound
- Public relations issue?

Keep Up Morale

- Still need to lead
- Co-employees are victims too
- Will ultimately make you stronger



Questions?

**Thank you
for participating.**

Marty Beyer, Esq. & Randy Domigan, CPA, CFE

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