The Virginian-Pilot

EDITORIAL

Desperate Times Are Breeding Ground for Insider Fraud

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NORFOLK – It's after dark. The office has been closed for hours. A man sits at the computer he usually operates between 8 a.m. and 5 p.m. The man can't stop looking over his shoulder, nervously surveying the office for threats. The office suddenly fills with blinding lights and shouting voices. Police officers overrun the room and order the man to get on the floor. Caught, he complies. Handcuffs appear and an officer tells the employee he is under arrest for forgery. Another officer begins reading the employee his Miranda Rights.

If this sounds like a scene from a movie, think again. With business fraud and forgery on the rise, businesses that do not stay vigilant during the current downturn in the economy could be losing money on two fronts.

One is obvious and occurs naturally: Consumer uncertainty climbs, often causing even faithful clientele to moderate their spending.

The other and often overlooked loss of capital is more nefarious, harder to detect, and may even go unnoticed. And it seems to happen more often when the economy takes a nosedive. Rather than getting another job to help make ends meet, or dialing back their spending, a worker seeks creative ways to siphon money from an employer.

The biggest mistake business owners and managers make is thinking it will not happen to them. When you first meet a "fraudster," he or she doesn't exactly say, "Just give me the chance, Boss, and I'll steal you blind." To be fair, most "fraudsters" have no intention of committing crimes when they are hired. These particular types of "fraudsters" are born of desperation.

Often an unexpected circumstance changes his or her situation. Maybe their mother needs a life-saving operation; or recent divorce hits them hard. Out of desperation and fear, these "fraudsters" quietly steal from company funds by taking checks from the back of the checkbook. By the time the company discovers the missing checks the person has vanished.

Recognizing on going fraud is difficult at best. However, by knowing the three most common ways fraud and forgery occur in the workplace, and by following five simple checks and balances to keep it from happening in the first place, even the boldest of dishonest employees with think twice before attempting business fraud.

The three most common ways people dupe their companies are stealing and forging company checks, submitting false invoices that are paid and sent to a PO Box or spurious address and altering financial books or bank deposit slips

To prevent internal robbery or forgery:

• Keep your business checks under lock and key.

• Do not authorize one person to handle accounts receivables, accounts payable and to sign company checks.

• Have all potential employees fill out employment applications by hand. You'll then have a sample of a suspect's handwriting for comparison purposes if a handwriting-related crime is committed.

• If you use a rubber-stamped signature for your checks, keep the rubber stamp in a locked location where only one to two people have the key.

• Keep a copy of every document signed by the owner of the company.

Armed with a genuine signature, employees can steal on many levels. From forging loan co-signers to signing for payment of personal goods, the burden of proving forgery always falls to the boss or supposed co-signer.

According the FBI, more than 1,400,000 checks are forged every day. Employee fraud now costs businesses $400 billion in annual losses.

In the end, only you can determine whether your business is successful or merely a statistic by keeping informed with updated information, along with constant vigilance.