

SMALL COMPANY FRAUD

The owners and operators of small companies are sometimes too complacent about employee fraud.

Many businesses have too few employees to provide for proper segregation of the duties. If one employee is allowed to handle too many functions, such as paying bills, collecting receivables, preparing payroll reports, handling petty cash, and making bank deposits, the company is wide open to fraud.

If you are a small business owner, you should stay close enough to the business transactions to be able to spot unusual problems with the receivables, payables, refunds, etc. Ask questions about accounts receivable balances f run tine to time. Insist on being the first one to open the bank statement. This provides you the opportunity to spot unusual checks, odd vendor names, etc.

Open all incoming mail from customers and vendors. This allows you to see customer complaints and adjustments to account balances.

If you pay your vendors by invoice, always pay on the sane color of vendor's invoice. This should eliminate the possibility of paying the same invoice twice, once on the pink copy and once on the yellow copy. Indicate the date of payment on paid invoices.

If your employees prepare the payroll reports, have them reviewed by your independent accountant.

Have your accountant review your business and set up internal controls. This is the process of segregating duties to help minimize the possibility of fraud and creating safeguards to help prevent unintentional mistakes.

If you don't have a full year-end audit, at least engage an independent accountant to hold a cash-flow review. This will not necessarily establish the existence or non-existence of fraud, but it's one more step to help protect your assets.