

Employee Theft 101

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Theft By the Best- The Embezzler

Embezzlement

"the fraudulent appropriation of property by a person to whom it has been entrusted."

Managing A Small Business

The Embezzler

Is someone in your department with whom you know and trust.

The Embezzler

- Usually thinks that they are clever – even smarter than their manager/director
- Cunning enough to beat the system
- Someone with more self imposed authority than their current title

Typical Schemes

- Pocketing cash without ringing up sales
- Check-kiting- is taking advantage of the time period (or "float") which is the number of days between deposit of a check and collection of funds.

Typical Schemes

- "Lapping"-involves the temporary withholding of receipts such as payments on accounts receivable
- Stealing goods

Typical Schemes

- Payroll frauds
- Padding travel forms/reimbursements
- Purchasing agents can accept "kickbacks" from suppliers from purchasing goods at inflated prices

Typical Schemes

- Overtime being falsely recorded
- Abuses from personal use of company postage stamps, supplies, and equipment

Just Remember

Dishonest employees can figure out any number of ways to defraud their employer



Know Your Employee

Take this quiz:

Dam, Shell, Taveirne Certified Public Accountants, Chicago, ILL.:

1. Is your employee/manager possessive of his/her paperwork or reluctant to share their responsibilities?

Know Your Employee

Take this quiz:

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2. Are any of your employees apprehensive about taking time off?
.....First one in, last one to leave?

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3. Are any of your employees living beyond their means? Any life changing events that would require additional income to cover expenses? Financial difficulties?

Know Your Employee

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4. Could your employee have a possible substance abuse problem?

Know Your Employee

How many potential embezzlers could you identify from this quiz?



Clues To Look For



Clues....

- Large number of account adjustments
- Large number of voids
- Decrease in sales or decrease in pre-payments



Clues....

- High volume of food purchases, but low participation
- Production records cannot provide accurate documentation



Clues....

- Official date stamp on deposit ticket doesn't match the date written in by manager
- Personal checks being cashed
- Parent calls concerning errors in student account balances



Clues....

- Customer is quick to make note "she never charges me this much" or something similar when a different person cashiers
- Potential cash versus cash recorded on deposit ticket is less and checks are more.
- Employee doesn't want anyone to "learn" their job



Let's Hear From.....

PANELIST #1

Brittany Granados, Director
Davidson County Schools

Let's Hear From.....

PANELIST #2

Cindy Marion, Director
Stokes County Schools

Let's Hear From.....

PANELIST #3

Daughn Baker, Director
Davie County Schools

An Ounce of Prevention....

Tighten Internal Controls

Rotate cashiers

Employee training

Document!

Create an environment of accountability

Be an example

Separation of duties

An Ounce of Prevention....

Is worth a pound of cure!



Resources

- Managing a Small Business, Bizmove.Com
- Dam, Shell, Taveirne Certified Public Accountants, Chicago, ILL.