

Internal Financial Controls Can Prevent Fraud from Hurting Your Business

Every day, fraud costs local businesses thousands of dollars. But your business doesn't have to be a victim. By updating your internal financial controls, you can avoid fraud.

Here's an example of smart thinking that prevented one business from suffering a big loss:

This case begins with a bank manager we'll call Molly. One morning, a delivery driver dropped off a bank draft to Molly's branch for \$450,000, made payable to one of Molly's largest customers. Attached was a letter stating that the draft was from a foreign company that had placed an order with Molly's customer

Molly contacted her customer, who verified that the foreign company had a large pending order. The draft was deposited into the customer's bank account. It could have taken several weeks for the draft to be paid to the bank.

The next week, Molly received a phone call from her customer, saying that the order had been cancelled and the foreign company wanted the funds wired back to it. Molly felt uneasy. She advised her customers to delay. The bank then discovered the draft was a fraud, saving Molly's customer a potential loss of \$450,000.

Molly's customer is fortunate to have such an alert banker. But the customer could have its own practices to prevent fraud, including a policy to not provide refunds on bank drafts that haven't been cleared by a bank.

It's not too late to have an outsourced chief financial officer review the internal financial controls of your business. Bob Lynch of Strategic Financial Leadership is an expert at fraud prevention. He's been recognized as a Certified Fraud Examiner.

He can help your business prevent fraud.

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