

The Potential for Employee Fraud Can be Minimized

In 1986, a Cincinnati company hired a bookkeeper who became such a trusted employee, the business owner considered her to be part of his family. Building up so much trust often occurs without a problem. But in this case, the woman stole \$210,000 over seven years.

In many small businesses, the foundation of fraud prevention is the division of responsibilities among employees. Yet one-person accounting departments are the rule, not the exception.

Knowing that no hiring process is foolproof, how can you protect your business from employee fraud?

- Understand your company's financial aspects. An outside advisor can coach you.
- Too much trust in employees makes it too easy for employees to commit fraud. To quote from Ronald Reagan, "Trust but verify."
- Order an outside review of your internal financial controls. These controls can make it more difficult for someone to commit fraud and more likely any attempts will be revealed.
- Investigate employees before hiring them. Check professional references and conduct criminal background checks.
- Finally, this must be said again: Trust but verify.