

Naden/Lean, LLC

A PROFESSIONAL SERVICES COMPANY OF
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

**So You Want to Know
about **FRAUD...****

**“How Your Employees
Steal from You.”**

**Andrew J. Runge CPA/ABV, CFE, CVA, MBA, CFF
Director of Forensic Accounting, Business Valuation and
Litigation Services, Naden/Lean, LLC www.nlgroup.com
410-419-2840 * 800-772-1065**

SMALL BUSINESS FRAUD FACTS

- **Companies Most Vulnerable to Fraud**

Those with less than 100 Employees.

- **Average Length of Time Fraud Continues**

18 Months

- **Average Fraud Loss**

\$127,000

Computer Fraud Loss - \$1,500,000 (\$1.5 Million)

Average Bank Robbery Nets \$2,500

Fraudster Profile

- **Position in Firm**

Managers/ Executives – about 1/3 of the time

Average theft of \$250,000

Employees – about 2/3 of the time

Average theft of \$70,000

- **Gender**

Men – 54% Average theft - \$200,000

Women 46% Average theft - \$60,000

- **Age**

72% of \$100,000 or greater thefts committed by over 35 year olds

- **Education**

College Degree or higher – 43%

Average theft - \$243,000

Fraud Triangle



PRESSURE

- Inability to pay one's bills
- Drug or gambling addiction
- Need to meet earnings to sustain investor confidence
- Need to meet productivity targets at work
- Desire for status symbols such as a bigger house, nicer car, etc.
- Non-shareable problems and the importance of status

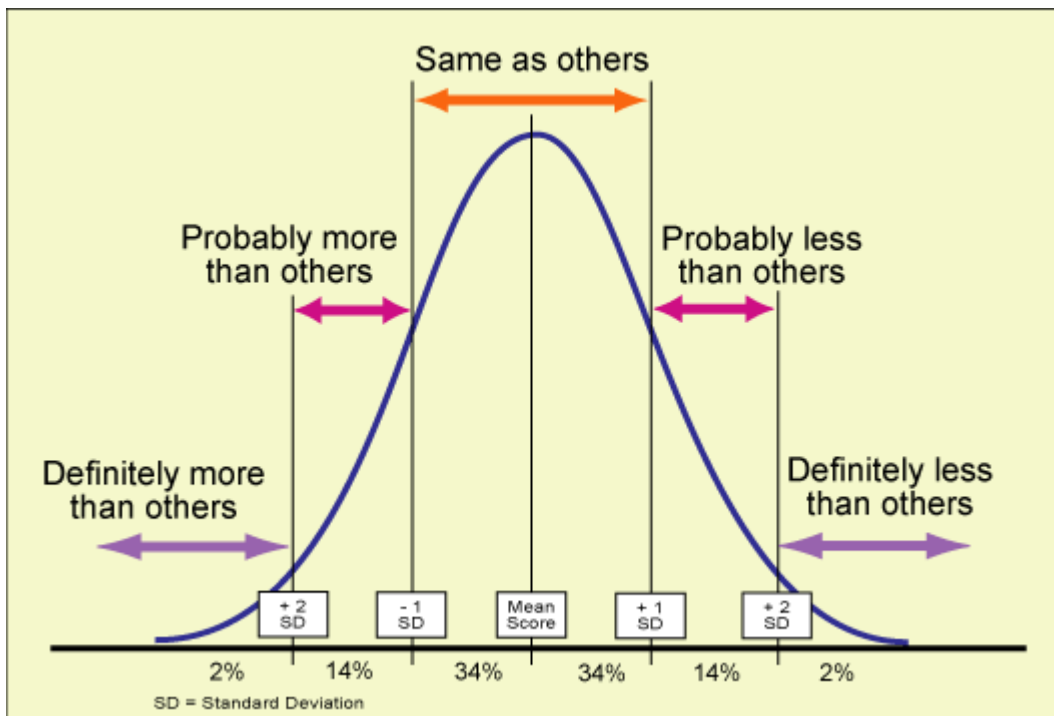
OPPORTUNITY

- Supervision and review
- Separation of duties
- Management approval
- System controls

RATIONALIZATION

- I was only borrowing the money
- I was entitled to the money
- I had to steal to provide for my family
- I was underpaid/my employer had cheated me
- My employer is dishonest to others and deserved to be fleeced

BELL CURVE



- About 5% are completely dishonest
- About 5% are completely honest.
- Remaining 90% can be assisted in honesty by the Control Environment

RED FLAGS

- Lifestyle changes
- Unusual behavior
- Refusal to take vacation
- Has work done ahead for vacation
- Borrowing money from co-workers
- Creditors or collectors appearing at the workplace
- Gambling beyond the ability to stand the loss
- Excessive drinking or other personal habits
- Easily annoyed at reasonable questioning
- Providing unreasonable responses to questions
- Bragging about significant new purchases
- Carrying unusually large sums of money
- Rewriting records under the guise of neatness in presentation

FRAUD PREVENTION

- Criminal and credit checks
- Call references
- Bond employees who handle cash
- Active management
- Code of conduct
- Separation of duties
- Prenumbered documents
- Review bank statements and checks
- Dual check signatories
- Prosecute dishonest employees
- Consider a secret shopper
- Create mindset – If you steal you will get caught

HOW IS FRAUD DETECTED

- By accident
- Tips from other employees
- Financial controls
- Internal/External accountants
- Outside tips
- Confession
- Follow up employee discovers fraud