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Protecting Your Business from the Internal Enemy

It is difficult for anyone to believe or accept: the office manager or bookkeeper that you trusted implicitly has been robbing your company blind. Month after month, small amounts have been taken out of the company's bank account and now they have been traced to having been taken by that "trusted" employee. Does this mean that, as business owners, in order to safeguard our companies from employee fraud, we must do everything ourselves? Certainly not! However, there are certain measures that every company should have in place in order to protect itself from internal misappropriations.

First and foremost, you should obtain as much information as you can about a prospective employee. Take the time to verify references and confirm all relevant information supplied by an applicant. Also, if this individual will have access to your company's bank accounts, a criminal background check is advisable. The last thing you need to find out is that your trusted "former" employee has been convicted of theft charges three times!

Prior to delegating financial responsibilities to an employee, ensure that there are adequate checks and balances in place. For example, if an employee will be paying your bills, ensure that someone else, preferably a principal of the company, balances and reconciles bank statements promptly. When the same person performs both functions, without an external audit, fraud can go undetected for long periods of time. Take the time to spot check signatures to ensure that only authorized signatories are issuing checks. Ensure that there is adequate office supervision of all employees at all times. Lack of supervision may enable any unauthorized employee access to records and account information which may prove detrimental to your business.

Finally, here are some suggestions, that are simple to implement, that will help safeguard your business' finances.

1. Store your reserve supply of blank checks in a secure location that is accessible only to authorized personnel.
2. Keep canceled checks and bank statements, both of which contain sensitive information, in a secure place.
3. Keep all cash in a locked cabinet or safe until it is deposited in the bank.
4. Be sure that any facsimile signature machines and signature stamps are only used by designated employees and are locked-up when not in use.
5. Notify your bank immediately if an employee with signature authority leaves your employ or, for whatever reason, no longer has signature authority.
6. Never sign a blank check.

Short of doing it all yourself, there is no "fool proof" way to safeguard your company from internal fraud. Should you decide to delegate certain financial responsibilities to your employee or employees, by implementing the suggestions contained in this article, you will hopefully prevent your hard-earned dollars from mysteriously walking out the door.