

The Methods Companies can use to Reduce Employee Fraud

Businesses call it fraud, profiteering or theft. No matter what it's called, some people on the payroll are robbing companies each and every day. Employee theft now costs businesses in Asia at least \$100 billion a year, according to the latest estimates.

Michael Moses, Executive Director of DeJUZ Consulting said businesses could save millions of dollars if they followed certain business practices and rules, took fraud more seriously and responded to instances of fraud swiftly and aggressively. "Occupational fraud is one of the most prevalent and costly problems faced by today's business community," Moses said. "So much of it could be prevented, if businesses would put basic checks and balances into place in the company."

Often businesses shrug off fraud as just another cost of doing business. This attitude is one of the reasons more people are helping themselves to corporate property and cash. Businesses should put stop to it. In fact, the estimates that employee theft is growing by as much as 15 percent each year. The problem has become so pervasive, the Chamber of Commerce reported, that one of every three business failures occurs as a direct result of employee theft.

With the approach of DeJUZ Consulting Fraud Awareness, we suggest businesses follow these steps to curtail corporate fraud:

1. Lay down the law. Employees need to understand the rules, regulations and the expectations of management. Do not take for granted that employees will understand that making long-distance calls on company time is unacceptable. Develop a specific code of conduct and ethics that describe what activities are unacceptable. Distribute the code to all employees and include it as part of all new employee information materials.

2. Create an ownership environment. Employees who act and feel like owners of the company generally are less likely to

steal. A culture of ownership promotes shared responsibility of company successes and failures and a more committed workforce.

3. Prevention is the best cure. Do your homework before hiring employees. At a minimum, contact references and verify educational backgrounds. Consider conducting criminal and financial background checks on prospective employees under consideration for financially sensitive positions.

4. Take away temptation. Too often, corporate fraud occurs because of easy access to information and assets. Establish internal controls over assets and computer systems. Consider conducting periodic reviews and occasionally rotating job functions to limit the possibility of fraud.

5. Set up a communication hotline. Establish an anonymous reporting hotline that employees can use if they know or suspect fraud is occurring. When a call comes in, act quickly to confirm the validity of the call and take action if necessary. This sends a strong message that the company is serious about combating fraud. At least 70 percent of all fraud is uncovered because of employee tips, according to Department of Justice.

6. Tighten computer security. Instead of allowing employees unlimited access to computer systems, establish procedures for accessibility and authorization.

7. **Keep employees informed.** Information about the implementation of new policies and procedures should not be contained to the boardroom. Make sure employees know and understand new policies and procedures. Share information about why policies and procedures have changed.

8. **Take action.** When fraud is detected, take swift action and then put controls into place to help prevent the specific type of fraud activity from happening again. Too often, companies deal with the fraudster but do not look for ways to prevent similar fraud from reoccurring.

9. **Establish a system for approving bookkeeping adjustments.** Approve any adjustments to the books no matter how

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slight – even adjustments made to correct an error.

10. **Implement checks and balances.** Most corporate fraud occurs in the non-management ranks. However, fraud by executives and managers often proves more costly. In response, create an advisory committee to provide oversight at all levels. When people know they are being watched, they are less likely to steal.

11. **Responsive Management.** In most companies fraud occurs in management level often proves more costly. In order to prevent it the managers need to be quick to act and have a system in place for reporting business activities. The feeling of responsibility will make it less likely to steal.