

HAVING AN ACE UP YOUR SLEEVE IN ROUGH TIMES

Every fortnight at Kerry & Associates, partners of the firm would select clients' files at random to check if there are any discrepancies in them. This practice acts as a risk management measure to find any discrepancies in a file as well as to avoid fraud and misappropriation of money. During one such exercise, Kerry, the managing partner, found several irregularities in a payment request by one of their clerks, Sandra, who was on leave that very day. Kerry immediately alerted the other partners of a possible predicament.

Upon scrutinising the details in the payment form, Kerry found that certain items were erased and replaced with handwritten figures. She scrutinised the signature purportedly belonging to her but noticed the dissimilarities in the forged signature. Furthermore, she does not remember signing off on such a distinctive payment request.

Kerry cross checked the details of the payee with the firm's client reference database. The results showed that the payee was not a client of the firm. This revelation set off Kerry's warning bells further and she made the choice to call for a meeting with the other partners and lawyers in her department. They concluded that all files that were or may have been handled by Sandra are to be checked for anomalies.

The following day, Kerry questioned Sandra on the inconsistencies. With Sandra's consent, Kerry recorded their conversation and after a bout of

evasive responses, Sandra succumbed and confessed to forging Kerry's signature on not only payment request forms and cheques, but misappropriating money from the Clients' Account in six other files.

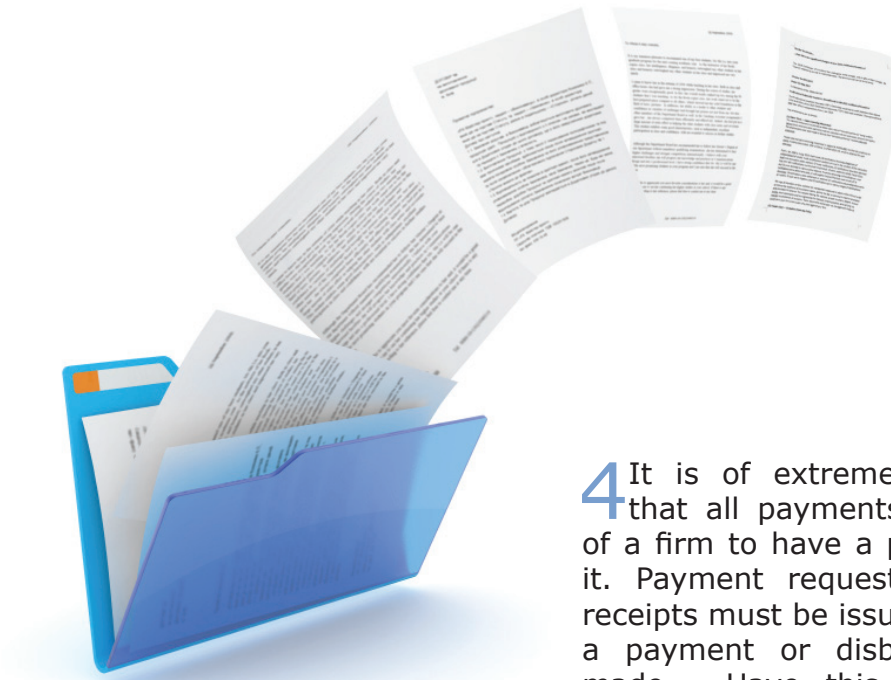
Knowing this may lead to potential claims against her or the firm, Kerry notified the Insurers of the situation. Along with her notification, she was able to submit a list of all disbursements made, each with its own specific reference number, date of payment made and categorised by purpose of payment.



Adding to the corporate liability nightmare, investigations on Sandra's background showed that she fabricated her qualification documents and has misconduct records reported against her in prior legal firms. It was also discovered that Sandra had made multiple falsified claims on behalf of Kerry's expenses by reusing receipts that were returned once a claim had been reimbursed.

In lieu of Sandra's impropriety, partners of Kerry & Associates immediately brainstormed on how to rectify the loopholes that enabled the embezzlement. Due to their efficient and accurate decision-making, the firm was able to mitigate the loss and recover the embezzled money from Sandra.

Word to the Wise



1 Risk management is a continuous process. Random audits should be conducted on clients' files to ensure proper implementation of internal procedures. Follow up audits should be overseen by a partner or the assigned senior lawyer to prevent collusion within the firm.

2 Do not use stationaries which are easily erasable to prevent tampering of documents. Forms, especially in regards to payment, should be electronically printed to pre-empt information from being rigged.

3 Legal firms are encouraged to implement the usage of a practice and case management software. This would act as a convenient and efficient method for lawyers to manage their clients' records, billing and accounts of the firm, and calendaring.

4 It is of extreme importance that all payments in and out of a firm to have a paper trail to it. Payment request forms and receipts must be issued whenever a payment or disbursement is made. Have this rectified by a senior lawyer or partner to avoid wrongful enrichment of an unlawful party.

5 Receipts submitted for claims reimbursements should not be returned to the claimant for the sole reason of preventing repetitive claims on the same expense. Record the details of the receipt, such as the transaction number, to catch duplicates.

6 You never know when it may be a rainy day – establish back up plans and procedures in the event there is an unfortunate incident. Swift and correct decisions in dire times may save you from more trouble.

7 Be careful of whom you hire – run checks and conduct extensive interviews before you decide to hire someone. It is advisable to contact the applicant's previous employment as any red alert signs would likely arise from their last workplace.