



TO AVOID EMBEZZLEMENT

Research has shown that small to mid-size practices are often more vulnerable to fraud than their larger counterparts because they have fewer employees. Firms with fewer employees tend to have less segregation among duties, with fewer internal accounting and auditing controls. Because small and mid-size firms tend to develop closer relationship and trust, partners and staff might be less suspicious and thus more susceptible to employee fraud.



Cheque Book Security

1

Always insist on sighting supporting documentation (for example invoices, payment requisition forms, vouchers) when signing cheques to authorise payment.

2

Be vigilante when signing cheques – investigate on requests to sign cheques for vendors whose name or company name you do not recognise.

3

Never adopt the practice of using signature stamps – it is the easiest way to siphon money out of accounts if your signature stamp is left with an employee.

4

Limit the amount of petty cash you keep in the office – whenever payments need to be made using these funds, set proper procedures for reimbursement, for example, the requirement of receipts – even if it is for simple office supplies.

5

Lock up your cheque books. If you assign an account's clerk to prepare your cheques, ensure that each cheque is accounted for. Always ensure the sequential numbers of the cheques is in running order and the number of cheques issued tallies.

6

Keep office account cheque books separate from client account cheque books. This will reduce the chances of staff stealing and forging cheques from both accounts. In addition, it will eliminate the chances of writing the cheque out of the wrong account.

7

Never write cheques out to cash – even if it is either you or your trusted employee encashing it.

8

Never sign blank cheques and leave them with an employee.



The Human Factor

9

Adopt the practice of rotating the duties of your accounts' staff every six months – make this known to employees from the time they are employed. Knowing that they would not be in control of a certain portfolio will lessen the chances of fraud.

10

Assign separate staff for the key accounting structures: accounts receivable, accounts payable and billing.

11

Insist that employees who perform accounting / bookkeeping duties take a vacation every year. Ideally, this vacation should be one week long. Use this time to have an independent party or your accountant to review your books and look for discrepancies.

12

If the staff size of your firm allows it, separate responsibilities and tasks. Creating individual portfolios for your staff limit the chances of fraud.



Electronic Banking & Software



13

If your firm accepts credit cards as a means of payment, take all necessary steps to protect your client's credit card numbers from being used inappropriately, or released unknowingly by your staff to third parties for the intentions of misusing it.

14

If internet or online banking is available for these accounts as well, cancel access to any staff that currently has authority to use the online facility. Even though these options offer ease of banking, bear in mind that it is too, susceptible to fraud by staff that may use the opportunity to make unauthorised payments to their own or a third party account.

15

If your bank offers you an ATM card for your client accounts, decline them. If you already have ATM cards for your client accounts, return to the bank in writing and terminate this facility.

16

If you employ the service of an accounting software or cheque writing programme, understand two things: (a) Data can be corrupted. Protect your computers adequately from viruses and perform backups regularly. (b) If you do not take the initiative to understand your own accounting software, your accounts clerk that does understand it, can easily manipulate the software for their personal gain.



Creating The Paper Trail



17

Pull-out three active files (randomly) monthly which you know payment has been made – verify that payment received from the client was properly documented. Complete this exercise independently without the knowledge of your staff.

18

Have two separate staff attend to your accounts' receivable – one staff receives payment and records it whilst the second staff prepares the deposit slips for the bank, also creating a list of deposits. The record of payment and deposit slips should be reconciled monthly.

19

During reconciliation, examine the transactions for any irregularities. Verify that deposits have been made in timely manner.

20

When your bank statements arrive, reconcile the account. If you are a sole proprietor, do this yourself. If you are in a partnership and your partner is tasked with reconciling bank accounts, ask to examine the results of his reconciliation when he is done. A second pair of eyes can sometimes catch things that the first pair may miss.