

10 Tips for Detecting and Preventing Employee Theft

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Introduction

According to the ACFE's Report to the Nations, the typical organization loses five per cent of its annual revenue to fraud, translating to a potential total fraud loss of more than \$2.9 trillion worldwide.

Median losses in the study were \$160,000 with nearly a quarter of them being more than \$1 million. The frauds in the study lasted a median of 18 months and the perpetrators often displayed warning signs, such as living beyond their means and experiencing financial difficulties. Anonymous tips were the most common means of detection.

Depending on a company's size, a significant fraud can mean the end of business for some companies, a significant loss to others, and a blow to the reputation for all. Your company can't afford to ignore the risk. The following guide provides practical tips for deterring, preventing and detecting workplace fraud so that you don't become one of the statistics.



Preventing employee theft starts with hiring the right people - but it doesn't stop there.

1. Smart Hiring

Checking references and performing criminal and other background checks are just the beginning. Sometimes it's the more obvious and seldom-checked information that can tip you off to a dishonest applicant. You can screen them out by doing the following extra checks:

- Confirm name and address of applicants
- Confirm educational qualifications
- Check membership in professional bodies
- Confirm employment history
- Check financial status
- Confirm directorships held and any disqualifications
- Perform a media and internet search

2. Training and Education

Provide your employees with anti-fraud and theft policies and training. Make sure the consequences for violating such policies are clearly laid out and understood by all employees. Ensure all employees are aware of the tools and techniques to report fraud.

During training sessions, explain to employees why it's important to report fraud and theft and the consequences those types of activities have on the company. Make sure employees sign a form stating that they have read the policy and received training and that they understand all of the information. Your company name is riding on the backs of your employees- they are your ambassadors and your best line of defense against fraud. Let them know that.

3. Establish a Reporting System/ Hotline

Anonymous reporting hotlines have been identified as the most effective and most commonly used method of detecting fraud. And employees are reportedly speaking up more frequently, now that these mechanisms are in place. Anonymous hotlines allow employees to look out for the best interests of the company without fear of reprisal." i-Sight Investigation Software is a great system that is easy to use and allows you to track these tips as they come in and keeps all details in one place as you carry out your investigation.

4. Positive Work Environment

Develop mutual respect between employer and employees. Encourage managers to establish an open door policy. The physical act of leaving your office door open during times where you are able to meet with employees makes it easier for employees to communicate with you and makes them feel that their input is welcome. Give employees time to speak with you and don't play favorites.

A positive work environment encourages employees to follow established policies and procedures and act in the best interests of the company. When a company has written job descriptions, clear organizational structure, comprehensive policies and procedures, open lines of communication between management and employees, and positive employee recognition employees feel valued and loyal. This will all help reduce the likelihood of internal fraud and theft.

5. Internal Security Policies

Establish and assess the fraud and theft prevention tools that you have put in place. Make sure that they meet laws and regulations, expenses are accurately documented and anti-theft and fraud training is up-to-date. Monitor the workplace to ensure that employees are following policies and procedures.

Putting in place the following three controls will help to reduce the opportunity for fraud:

- Separation of duties: No employee should be responsible for both recording and processing a transaction.
- Access controls: Access to physical and financial assets and information, as well as accounting systems, should be restricted to authorized employees.
- Authorization controls: Develop and implement policies to determine how financial transactions are initiated, authorized, recorded, and reviewed. Internal controls will reduce opportunities for fraud.



6. Audits

Conduct scheduled and random financial and accounting audits. When employees are aware that there will be random checks of their areas, they're more likely to be honest. It reinforces the culture of accountability in the company. Also, they will not feel singled out when it's their turn for an audit.

7. Pay Attention to Change

A key investigation technique is to be aware of changes in employee actions. There could be multiple reasons behind an employee's changing behaviour, but you may want to monitor these changes in case something happens down the road.

Foster an atmosphere of understanding and openness with employees so that they feel comfortable enough with management that they can talk to you if they're having financial difficulties that might tempt them to steal from the company.

8. Consistent Investigation of ALL Tips

It's best to investigate, or at least make an inquiry into, every incident reported regarding theft or fraud. In order to address issues quickly and show your commitment to preventing theft and fraud, action must be taken immediately. The faster you look into the incident and can resolve it, the better your chances for avoiding repeat problems or snowballing into a BIG problem that could tarnish the reputation of your company.

9. Lead by Example

To prevent fraud and theft, everyone in the organization needs to be on board. Leadership needs to make it clear to employees that theft and fraud isn't permitted. Policies need to be backed up with training but, most importantly, they need to be backed up by the actions of those at the top. Employees need to believe that management is serious about preventing fraud and theft, which means that everyone should be held to the same standards regardless of job title.

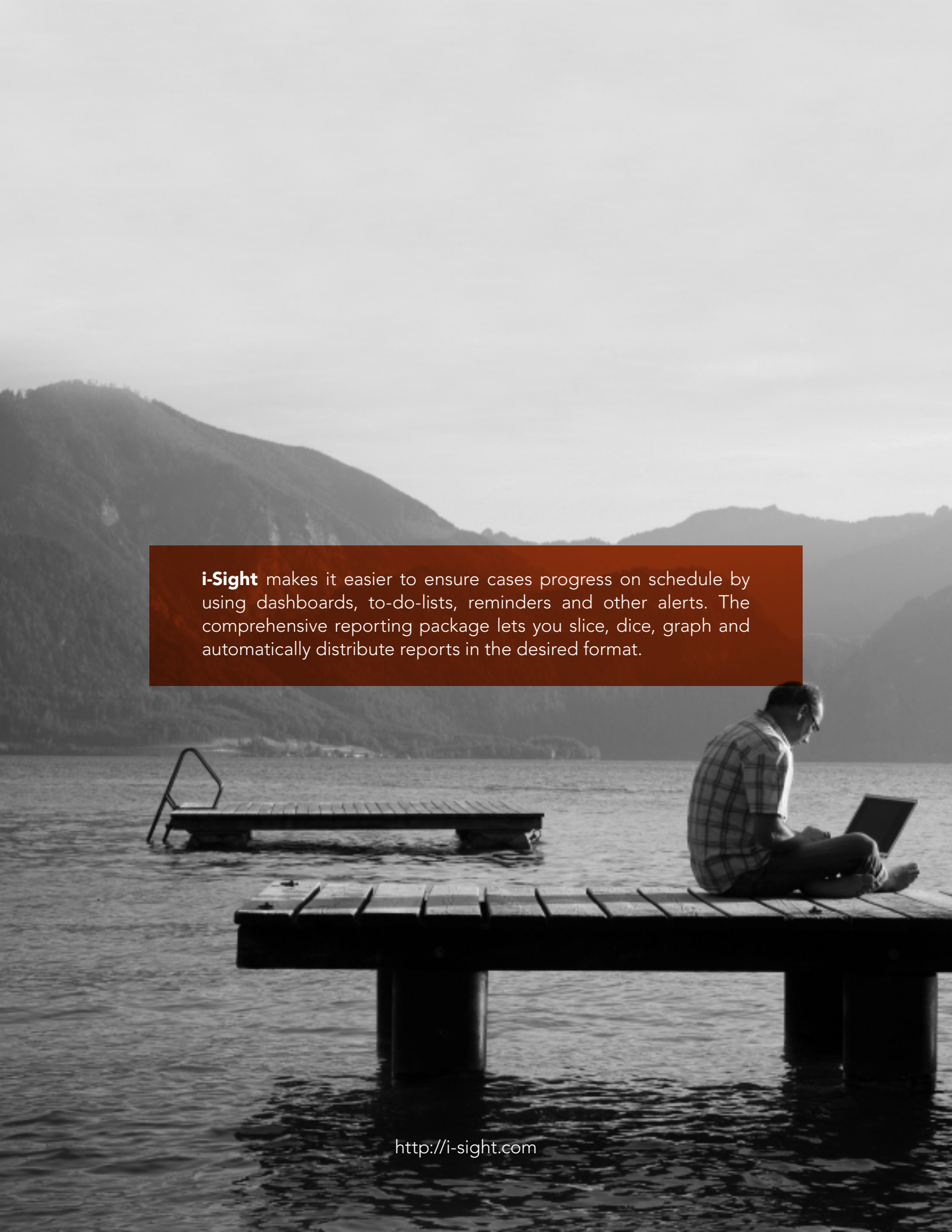
Preventing employee theft is a team effort. Reprimand those that do steal .

10. Continuous Improvement

Management should be always looking for ways to improve policies and procedures. Fraud prevention is an ongoing, dynamic process that requires continuous evaluation and improvement.

Stay up-to-date on changes made to financial and accounting laws and regulations. Integrate these changes into company policies and employee training. Develop a training schedule in order to train new employees, as well as provide training to present employees, to continue demonstrating your commitment to an honest, open workplace. Communicate regularly with employees and stick to audit plans. If you make changes, cancel or cutback on any of the established control measures, employees will notice and it could send the message that you have lost your focus on the prevention of workplace theft and fraud.





i-Sight makes it easier to ensure cases progress on schedule by using dashboards, to-do-lists, reminders and other alerts. The comprehensive reporting package lets you slice, dice, graph and automatically distribute reports in the desired format.