# Simple Safeguards:
## Preventing Fraud Against Businesses

**Presented by**
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**(Retired)**

## Five Common Scams That Target Businesses of All Sizes

1. **Phishing E-mails** – Phishing e-mails specifically target business owners with the goal of hacking into their computer or network. Common examples include e-mails pretending to be from the IRS claiming the company is being audited or phony e-mails from the Better Business Bureau, saying the company has received a complaint. If you receive a suspicious e-mail like this, don't click on any links or open any attachments.
2. **Data Breaches** – No matter how vigilant your company is, a data breach can still happen. Whether it's the result of hackers, negligence or a disgruntled employee, a data breach can have a severe impact on the level of trust customers have in your business. Educate employees on the importance of protecting information and practice the "need to know policy" internally.
3. **Directory Scams** – Commonly the scammer will call the business claiming they want to update the company's entry in an online directory or the scammer might lie about being with the Yellow Pages. The business is later billed hundreds of dollars for listing services they didn't agree to.
4. **Overpayment Scams** –If a customer overpays using a check or credit card and then asks you to wire the extra money back to them or to a third party, don't do it. This is a very popular method to commit fraud. Wait until the original payment clears and then offer the customer a refund by check or credit.
5. **Phony Invoices** – The United States Postal Service suspects that the dollar amount paid out to scammers as a result of phony invoices may be in the billions annually, mostly from small and medium sized businesses. Scrutinize invoices carefully and conduct regular audits of accounts payable transactions.

A pre-employment background investigation should include checks and verifications in the following areas:

- Employment history; Education;
- Professional accreditation;
- Military record;
- Credit history; Motor vehicle record;
- Arrests; Workplace violence or threatening behavior;

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## Preventing Check Fraud

- Use Positive Pay, the annual cost of which is far below the cost of **one** average check fraud case.
- Use secure checks, which include many features to prevent different types of check fraud.
- Securely store check stock, deposit slips, bank statements and cancelled checks.
- Implement a secure financial document destruction process using a high security shredder.
- Establish a secure employee order policy for check stock.
- Purchase check stock from established vendors.
- Regularly review online images of cancelled checks.

## Preventing Embezzlement

**Things You Should Do:**

1. Separate duties and powers with regard to payments and account reconciliation.
2. Establish a tips hotline that offers anonymity and the possibility of a reward.
3. Conduct surprise audits as employees may be able to cover-up some fraud in advance of an audit.
4. Never completely trust anyone – many large fraud cases have been undertaken by "a most trusted employee".

**Watch Out When an Employee:**

1. Doesn't want to take a day off.
2. Makes expensive purchases including luxury items, cars, boats, exotic vacations and second homes.
3. Has high personal debt, high medical bills, poor credit, personal financial loss and addictions.

## Red Flags That May Signal Integrity Issues

Cynicism; Alienation from coworkers; Poor or inconsistent work performance; Resentment of management; Behavioral changes or work habit changes; Employee sense of entitlement;

## To Promote an Ethical Workplace

- Demonstrate top management commitment.
- Communicate expectations on a regular basis.
- Maintain focus on vision and mission.
- Monitor conduct – trust but verify.
- Maintain whistleblower channels and policies.
- Respond quickly to misconduct.
- Reward acts of integrity.