

This Issue:  
Focus on Fraud

# Arkansas Investigations

"We Find Answers"

[www.arkansas-investigations.com](http://www.arkansas-investigations.com)

## Investigative News

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### Your Vulnerability to Fraud

Use this checklist to see how vulnerable your business is:

Are all employees required to take vacation (and do you enforce it)?	
Do you have written policies about how money is handled?	
Do you have any physical protection for your equipment items?	
Is your electronic data protected against loss/theft?	
Are your business records/documents shredded when no longer used?	
Do you have backups of your electronic data? Have you actually restored a backup to see if it works?	
Do you have procedures to verify that cash/check transactions have been properly recorded and posted?	

## Internal Dishonesty in Your Business? – 29 Warning Signs

Ever wondered what is causing you to loose money in your business? Ever notice little things that may not mean much by themselves, but don't seem to make a lot of sense?

- \* Excessive number of 'voided' documents.
- \* Decline in purchases by an employee.
- \* Shortage or overage in cash funds.
- \* Daily bank deposits do not correspond with receipts.
- \* Bad checks frequently accepted or approved by a particular employee.
- \* Frequent need to replace tools, supplies or equipment; not consistent with normal wear and tear.
- \* Unusual rise in consumption of supply item.
- \* Frequent payment for merchandise of material based on vendor's 'proof of delivery' rather than normal receiving documents.
- \* Cost of raw materials per unit of production is higher than previous averages.
- \* Unexplained drop in gross profit percentage.
- \* Unusually high percentage of refunds, voids, or credits.
- \* Figures are different on original and carbon copies of a document, all should be the same and using the same hand-writing.
- \* Unexplained alterations in inventory records.
- \* Documents not properly signed or counter-signed.
- \* Excessive use of substitute records because originals were lost.
- \* Employment application cannot be checked out.
- \* Same employee taking out the trash.
- \* Key personnel closing alone.
- \* Cashier working the register with an open drawer.
- \* Key employees never take vacation.
- \* Employee's friends always hanging around.
- \* Employee vehicles not parked in designated areas.
- \* Keys left unattended.
- \* Cashiers not closing register drawer after each transaction.
- \* Management's failure to report observances of cashiers violating company policy.
- \* Inconsistencies in company cashing procedures.
- \* Failure to abide by employee purchase procedures.
- \* Inconsistencies in handling of customer pickups.
- \* Discrepancies between inventory records and physical counts.
  - Inability to ship out the same number of units received because units are missing.
  - Controlled documents missing or out of



"THIS IS A WHITE-COLLAR CRIME! HAND OVER YOUR INVESTMENTS, SECURITIES AND PENSION FUND!"

sequence.

Take a look around your business. I mean take a good analytical view of how and why things are happening. You might be surprised or even alarmed. If you spot any of these warning signs, you need our assistance. We're professional fraud analysts and we have experience in protecting your business. As a **Certified Fraud Examiner**, I have specialized knowledge in the investigation of fraud and what you can do to protect your money and livelihood. If you would like to read some of our published materials, look at our *sitemap* at [www.arkansas-investigations.com](http://www.arkansas-investigations.com).

**FREE CONSULTATION**  
Call 501-605-0360 today!

## Fraud Clues

Here's some of the things you might notice about other people in your business.

1. **Accounting Irregularities**  
If the fraud is big enough, it will usually show up somewhere in the company's books and records. For example, when a company adds millions of dollars in phony inventory, it make the company's profits look abnormally high. At the same time the company was showing record profits, it did not have enough cash on hand to sustain its operations. One of the first clues to trouble is a company showing record "profits" but no money.
2. **Rule-breakers**  
Breaking rules includes ignoring generally accepted accounting principles when preparing

the company's financial statements and routinely violating the retailer's own written set of internal controls for his/her own purposes. (assuming there are any).

3. **Big Spenders**  
Big spending has led to the discovery of countless fraudsters. Some of the stories border on the absurd: A crooked banker who had the company jet fly to France regularly to bring back chefs to cook special dinners for him and his guests; a clerk for an insurance company that frequently took her co-workers to lunch in a limo; a middle-level supervisor who bought a multi-million dollar mansion adjacent to a golf course. Other stories aren't so far fetched. Buying new cars, really expensive golf clubs, or any 'luxury item' can be an indicator.

4. **People With Financial Problems**  
We recently helped a company who had experienced a significant internal theft (\$35,000). By analyzing some of these tell-tale signs we were able to help the company owner understand how he could have spotted the problems before he lost his money. His employee was always complaining about not having any money and not being able to go out with friends; yet she had a \$4000 bicycle delivered to the office. In retrospect it just didn't make sense, yet no one paid any attention. Just like the co-worker who is always getting calls from creditors and they suddenly stop. There must be some reason. Stop and look at your environment. There is probably a very good reason the calls stopped. Maybe she just came across some extra money — yours!