



BUSINESS BEAT

CRIME TIPS AND INFORMATION FOR THE BUSINESS COMMUNITY

Can you afford fraud?

Louise Rogers-Feher
Baltimore County Police Department
March, 2011

Strange question, but how many companies are ready to deal with internal fraud?
Forward thinking, proactive businesses think about it well before it occurs.

Many businesses have faced natural disasters and have implemented disaster contingency plans should things go wrong. They need to back up their files, keep important, sensitive information off-site in case of floods, earthquake or fire. We know that if these steps are done, we can get back to business as usual. However, many corporations or small companies do not have contingency plans when it comes to dealing with financial deception by an employee or an outside source such as a vendor.

[McGOVERN & GREENE LLP](#), a CPA and Forensic Accounting firm, strongly advises clients to have contingency plans in place should they discover fraudulent activity.

Contingency plans cover a myriad of situations that can occur when a crime is detected. Companies should, says the accounting firm, approach the problem in two steps and avoid knee-jerk reactions.

The most crucial outcome of any plan is the ability of the company to get back on line as soon as possible after the incident. The accounting company calls for a plan that acts much like a road map.

Companies, if they follow the plans set out by the firm, can minimize damage, protect evidence, maintain client relationships and, in these days of 24 hour news cycles, deal with the media.

When fraud is detected, retaining a fraud investigator is an option that may need to be explored. Meanwhile, advise the client to try to conduct business as usual as the investigation proceeds. It is recommended that the business catalogue losses through an inventory of assets and evidence as soon as possible.

If someone is suspected of committing fraud, the first reaction by management is to fire the suspected employee. However, this is not always the best route to go. Rather than fire the person in question, place him or her under suspension.

Suspending the employee gives your investigation time to make sure:

1. that the person committed fraud
2. that the person acted alone
3. that the company knows the full extent of the fraud
4. that the stolen funds have been located and recovered

The experts stress that the company keep the employee off the property while the workplace or office space of the person is searched. It is important to inform security and other employees that the employee in question is not permitted on the premises unless otherwise directed by management. As soon as the employee is suspended, block all outside or remote computer access to files and other pertinent information. If you do not do this, the employee could compromise the investigation.

Looking over the documents can be daunting for those who are inexperienced in forensic accounting. The article from [McGOVERN & GREENE LLP](#) says that an initial examination of documents and personal papers may uncover ambiguities and/or irregularities. This is the time to call in the experts.

Why use a forensic expert? These professionals are more acquainted with the laws surrounding fraud. They know how to get to the important and valuable information that can be lost by someone who lacks the skills to retrieve documentation without damaging evidence. The evidence could be contained in electronic files, user logs, or file access data that was opened by the accused.

As in police work, trained investigators know how to interview those suspected of committing fraud. These professionals know the questions to ask, as well as the technical jargon that others might not know. This know-how helps when it is time to go to court.

Putting together a contingency plan is one of collaboration. It needs to be approved by all in the upper echelon of the company or business. This means that the plans that have been laid out clearly detail when the internal investigation should begin, and when it is time to call outside investigators and the police.

There is no such thing as a minor fraudulent incident. As the article points out, this “minor” incident could be only the tip of the iceberg. Unless you and your managers are vigilant and take fraud seriously, unscrupulous employees or others who deal with your company will continue this behavior until they are caught or your business goes bankrupt.

[Subscribe here](#) to join the growing number of business community members who receive this free monthly publication via e-mail from the Baltimore County Police Department.