

Employee Embezzlement

In this issue, we focus on the complex topic of employee embezzlement which can be extremely difficult to identify and resolve. Such embezzlement can have a devastating effect on the financial position of your organisation.

As the developed world economy limps along and our local economy faces ongoing challenges, many organisations and individuals will experience lower cash flows and pressure on their financial performance.

Periods of economic downturn can lead to an increase in fraud, especially those schemes committed by employees. Businesses that are trying to do more with less are generally more susceptible to fraud, which is why fraud is thought to increase during a recession.

In our experience, some of the more common embezzlement schemes include:

- False accounting entries, made to fictitious accounts or a complicated series of journal entries aiming to confuse and hide transactions;
- Unauthorised withdrawals from customer accounts;
- Unauthorised disbursement of funds to external parties;
- Paying personal expenses from bank funds. This may include using the employers fuel cards to fill up private motor vehicles and personal use of petty cash funds;
- Theft of physical property. This may include office equipment, building materials or use of company property to perform work as independent contractors;
- Moving money from dormant or inactive customer accounts. This may be from accounts with small balances and little activity often where it is difficult to contact the customer;
- Unauthorised, unrecorded cash payments;
- Theft or other unauthorised use of collateral.

So how can your business reduce the risk of employee embezzlement?

There are some simple steps that an employer can take to reduce the likelihood of employee embezzlement. These include:

1. When possible, require two signatories on cheques.
2. Separate duties, including a requirement that the bookkeeper does not sign cheques.
3. Verify the work of employees.
4. Review cash flow on budgets. When actual results vary from what you expect, conduct investigations.
5. Improve internal controls, with the assistance of Fraud & Forensic accounting professionals.
6. Promote a positive work environment and convey the message of corporate responsibility and accountability.
7. Carefully screen all job applicants. This may include reference checks and criminal checks especially where the employee will be handling money.
8. Conduct ethics training.
9. Devise and document a fraud risk management plan with the assistance, when necessary, of Fraud & Forensic accounting specialists.

A proactive approach to fraud within the workplace can protect your organisation against embezzlement and ensure that appropriate controls are in place.

Our Fraud and Forensic Services division can assist your organisation with preventing employee embezzlement through fraud risk management and financial investigation in the following areas:

Reactionary	Prevention
<ul style="list-style-type: none"> Identify legislative breaches of a financial nature Identify timesheet fraud Investigate fictitious employees Detect and provide advice on complex financial discrepancies Trace assets One off investigative accounting assignments Investigate, document and present evidence in preparation for the prosecution of a breach Provide expert testimony in Courts or Tribunals 	<ul style="list-style-type: none"> Identify and assess inherent fraud risks within your organisation Assess the effectiveness of existing fraud controls Devise and document a fraud risk management plan Set internal control strategies to detect and prevent fraud Conducting ongoing reviews and interviews Reviewing/assisting with screening of personnel

Our team of professionals includes a Certified Fraud Examiner and our experience includes:

- Fraud Investigation and Control Plans;
- Potential Time Sheet Fraud;
- Fictitious Employees;
- Forensic Accounting;
- Fraud Risk Management;
- Grant Acquittal Review;
- One-off Investigative Assignments;
- Conducting Feasibility Studies;
- Insolvency, Reconstruction & Turnaround Management; and
- Acting as Administrator and Grant Controller under respective Acts of Parliament.

To find out more information on how RSM Bird Cameron can assist your organisation in minimising fraud risk, please contact Andrew Bowcher or Tim Gumbleton in our Wagga Wagga office on (02) 6921 9055 or by email andrew.bowcher@rsmi.com.au or tim.gumbleton@rsmi.com.au.

Contact Us:

RSM Bird Cameron's Fraud and Forensic Services team is drawn from a dedicated consulting and advisory division comprised of experienced professionals specialising in fraud, government consulting and insolvency matters.

For further details regarding our services please contact:



Andrew Bowcher CA, CFE, IPA

Director

Andrew is one of a limited number of Australians who are Certified Fraud Examiners. He is also a Registered Liquidator and Official Liquidator.

His experience includes:

- Litigation Support - assistance to solicitors and barristers on legal matters, including business valuation, expert witness, and economic loss reports; and
- Forensic Accounting/Fraud Investigation - a range of proactive fraud and risk management services tailored specifically to identified areas of risk. Andrew has assisted with fraud risk management and financial investigations as well as assisting with the prevention of fraud and the creation of fraud prevention plans.



Tim Gumbleton CA, IPA

Principal

Tim is both a Registered Liquidator and Official Liquidator and he assists clients with all aspects of personal and corporate insolvency administration.

His experience includes:

- Turnaround management and workout strategies
- Insolvencies under the Corporations Act
- Fraud and corporate investigations
- Due diligence reviews
- Business plans
- Bankruptcies and personal insolvency agreements under the Bankruptcy Act
- Deed of company arrangement proposal formulation and implementation

For more information on the services we can provide, please contact Andrew Bowcher or Tim Gumbleton on (02) 6921 9055

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