

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.

We are noticing a significant increase in organisations experiencing fraud by an employee. The reasons for fraud are varied but can cover areas such as:

- Gambling;
- Feeding a drug habit;
- Funding lifestyle;
- Helping out family and friends who are in financial trouble; and
- Making up for a sense of a loss of entitlement.

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 / organisation accounts;
- Unauthorised disbursement of funds to external parties;
- Paying personal expenses from bank funds. This may include using the employer's 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; and
- Unauthorised, unrecorded cash payments or theft or other unauthorised use of collateral.

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

1. When possible, require two (2) 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 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 National Centre for Indigenous 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

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 Riverina/Murray office on (02) 6921 9055 or by email andrew.bowcher@rsmi.com.au or tim.gumbleton@rsmi.com.au.



Andrew Bowcher CA, CPA, CFE
Director

Andrew is a National Partner of RSM Bird Cameron and founded the National Centre for Indigenous Services and the Fraud & Forensic Accounting Division in 2002. He is one of a limited number of Australians who holds the Certified Fraud Examiners qualification.

Principal Areas of Practice

- » Insolvency and Reconstruction
- » Turnaround Management
- » Fraud Investigation
- » Forensic Accounting
- » Fraud Risk Management
- » Special Administrations
- » Grant Acquittal Review
- » One Off Investigative Assignments
- » Conducting Feasibility Studies



Tim Gumbleton CA, IPA
Principal

Tim is Principal of RSM Bird Cameron and is a key member of the National Centre for Indigenous Services and the Fraud & Forensic Accounting Division.

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