

# The CEO's Guide to Reducing Fraud

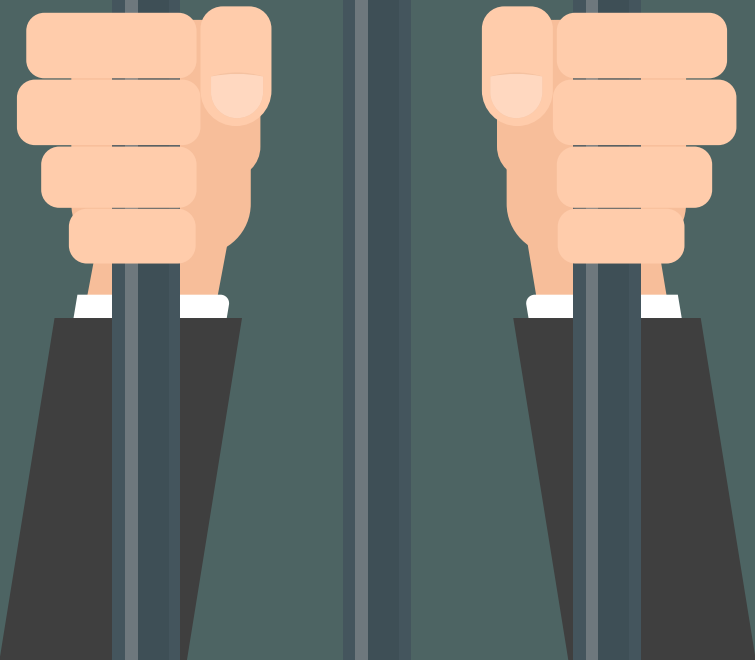
Implement the necessary steps to detect, reduce, and ultimately prevent fraud.



# Can Fraud Happen in Your Business?

**90%**

**of Fraudsters are  
First-Time Offenders  
with Clean Records.**




# 76%

of reported fraud cases were **committed by employees** working in the following six departments: Accounting, Operations, Sales, Executive/Upper Management, Customer Services, and Purchasing.



# What's the **Real Impact** of Occupational Fraud?

 **40-60%**

of businesses **never recover** any fraud-related losses.





**The typical surveyed organization lost**

**5%** of it's annual  
revenue to fraud at a  
median loss of

**\$150,000** per case

# Fraud is Especially Damaging for Small Businesses

Statistics show that the average occupational case of fraud is active for 18 months before it's detected.

Imagine the scope of the financial and data losses that can occur within that time frame.



# Why Does Fraud Happen?

Many CEOs of small businesses believe they'd feel it in their gut if something were amiss.

Many nonprofit and religious organizations believe they're immune to fraud because they have strong core values.



**In 2016, nonprofits and religious organizations experienced median losses of**

**\$100,000** and

**\$80,000,**

**respectively, per fraud incident.**







# How to Prevent Fraud: Internal Controls

The most fundamental way to reduce the risk of fraud is setting up internal controls.

One **key best practice** is to prevent fraud is to **never** build a system of internal controls based on trust.

Start with the following:



**Separation  
of Duties**



**Written Policies  
& Procedures**



# Job Duties Need to be **Separated**

The principle of **separation** (or segregation) **of duties** is the cornerstone of a solid internal control system.

# In fraud prevention, separation of duties involves:

Dividing the critical duties into 3 primary accounting and bookkeeping functions, which are split between 2 or more employees or departments.



# Written Policies and Procedures

Control activities are policies and procedures that ensure management directives are fulfilled. They usually involve two elements:

- » A policy that prescribes what should be done
- » The procedure to implement the policy



# Establish all policies and procedures in writing.

You shouldn't build a business on "tribal knowledge." A well-run company will handle transactions consistently across the workforce over time.



# Remember the Human Factor of Fraud

Be **alert** to warning signs in employee behavior.

Fraudulent acts can be triggered by external factors in an employee's life:

- » Personal debt
- » Other financial pressures, including
  - medical bills,
  - a spouse losing a job
  - an ailing parent moving in



There also can be other factors, such as:

- » Drug or alcohol use
- » Gambling
- » An inability to control spending

# Ask yourself these questions

Are any of your employees:

- » living beyond their means?
- » experiencing financial difficulties?
- » exhibiting control Issues?





# Set up an anonymous hotline

The best way to catch fraud is to set up a hotline.

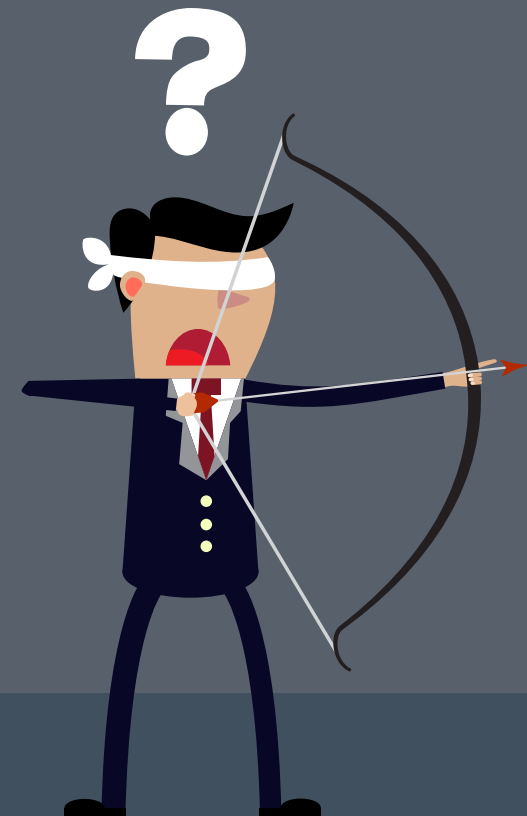
Let everyone know **“if you see something, say something.”**



# Leverage Outsourcing

The truth is that the more people you have overseeing your books, the less attractive your company becomes as a target for fraudsters.

One of the most effective ways to reduce your risk of fraud is to **outsource** your bookkeeping, accounting and control functions to an experienced provider. This eliminates the risks associated with a lack of internal controls and ensures that every transaction is checked for accuracy.





In addition to providing a significant amount of protection, outsourcing also provides **peace of mind.**

# 6 common fraud scenarios & how to avoid them

In our eBook, **The CEOs Guide to Reducing Fraud**, we review the six most common fraud scenarios in small business.

Each section walks you through a different fraud scheme, what it costs and how it happens. We also show you **how to avoid these fraud scenarios in your business.**



# Get the eBook!

Download our eBook and review the **fraud prevention checklist on page 8** to determine if your business is prepared to prevent fraud.

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