



STRATEGIES TO SUCCEED

How to Spot Accounting Fraud

This article was originally published DJ Dudley

Dan begins by saying: "I don't know why so few people admit that they've been duped by bookkeepers. I never kept it under my hat, never saw any reason to. Once, my accountant embezzled \$400,000. I eventually recovered \$156,000. No one talks about their personal experiences with sticky-fingered accountants, that is, unless you mention it FIRST. Then EVERYONE tells you their own story. Embezzlement, it seems, is as widespread as chicken pox and just as embarrassing."

Here are his suggestions on how to spot fraud. You may want to also check out his web site above.

1. Never wants to take a vacation. There's a reason, and it's not workaholism. Bookkeepers behaving badly like to be in a position to intercept phone calls and correspondence. And as for the boss rifling through their desk to find something when they're out of the office -- that would be unbearable, of course!
2. Always has more work to do than can possibly get finished during normal working hours. So much, in fact, that they have to stay after everyone else goes home. Or, if you'll let them, they like to take the work home. This might not be the loyalty you expect: unsupervised work lets the bookkeeper tamper with records with less chance of discovery.
3. A tattletale. Likes to point out incompetence of other employees. Pointing fingers at others puts an alibi in place, should you discover something amiss. Dan doesn't collect all his accounts. The deposit seemed too small? (It's Dan). Sharon hangs around the office when she doesn't belong there. There is postage missing? (Could be Sharon) Linda is disorganized. Why is this letter misfiled? (Linda is sloppy) Maybe the bookkeeper deposited some of Dan's deposit in her own account, and also purloined the postage. Linda's letter might be misfiled because the bookkeeper didn't want an auditor to see it.
4. Volunteers to take care of details that should be handled by the principals -- helping by picking up signature cards when you open a new bank account, for example. The more details the bookkeeper handles, the more opportunity for sticky fingers, and the easier it is to cover things up.
5. Likes to pick up the mail, even if it makes more sense for a lower-level employee to take on that task. The mail is both tempting and frightening to employees who steal. Checks come in the mail. So do unexpected notices that might tip you off to their theft.



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6. Acts like bookkeeping tasks are as difficult as brain surgery, and twice as complex. I dump any bookkeeper who can't explain things to me in terms I can understand. That goes double for accountants who respond to my nosy questions by taking offense. --She acts like she doesn't TRUST me!-- Yes. When they guilt trip you, watch your back.
7. Tells little fibs, perhaps unrelated to accounting. Little lies tell big stories about people's character.
8. Seems to feel that the company owes something; as if he has done more than could be expected of any reasonable person. In fact, most employees who take things really DO believe the company owes it to them. They may start by ...well, borrowing... then justify turning it into a theft by deciding you don't pay them enough.
9. Prints in precise, tidy letters, but can't seem to find things when you ask; shuffles some things into messy little piles. Aha! This is a really good tip-off. People's habits aren't usually so schizo - they are either consistently messy or compulsively tidy. Accountants, more often than not, fall into the tidy category. If you've got one that's tidy and messy at the same time, start spot-checking everything that looks messy.
10. Volunteers to take the following things off your busy shoulders:
 - (a) Interfacing with auditors
 - (b) Personally making the police report if an item turns up missing
 - (c) IRS correspondence