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Word to the Wise

What's on Your Fraud Prevention Checklist?

Are you aware that manufacturing ranks in the top three industries most frequently victimized by occupational fraud? That's according to the Association of Certified Fraud Examiners' (ACFE) most recent "Report to the Nations on Occupational Fraud and Abuse."

Anti-Fraud Practices

Preventing fraud requires ongoing attention to managing risk. Below are some of the top fraud prevention requirements suggested by the ACFE.

- **Code of conduct:** As with all important initiatives, fraud prevention starts at the top. Consider implementing a code of conduct to be signed and adhered to by all employees at every level of the company.

This code should spell out the ethical standards required of every employee when dealing with customers, vendors and each other. Having a yearly "signing ceremony" is one way to reinforce and remind employees of these expectations.

- **Internal controls:** Good internal controls enforce checks and balances that deter fraud, making fraud discovery more likely. Internal controls include things like obtaining appropriate approvals for payment, having checks signed by someone other than the person who writes them, and having bank statements sent to the owner's home instead of the office.

These protocols are simple ways to help keep everyone honest. Implementing them is not difficult, yet they are highly effective.

- **Training:** Are your employees reminded regularly of the types of scams your company may encounter? Do they know what to do if they suspect fraud either internally or by a customer or vendor? Keeping fraud top of mind with employees is one way to encourage a culture of honesty and zero tolerance.
- **Rule enforcement:** Lax enforcement of rules is an indicator that the company doesn't take fraud seriously. Steps such as monitoring inventory on a regular basis, requiring receipts for expenditures over a certain amount, and doing a spot check on shipping and receiving procedures let employees know you are committed to running a tight ship.
- **Communication systems:** According to the ACFE, anonymous tips are the most common means of fraud detection. Phone hotlines and email and web-based forms are the most popular reporting mechanisms. Be sure to set up and promote such mechanisms in your company and encourage both employees and non-employees to use them.
- **Prompt investigation:** Have a process in place to investigate fraud and resolve the concerns of those who reported or discovered it. Design a plan that dictates the appropriate avenue for investigation — for

example, human resources, legal counsel, fraud specialists or law enforcement. Investigate quickly and be as transparent as possible once action has been taken.

Face Fraud Head On

Fraud is expensive, both to your reputation and your bottom line. Therefore, you should do everything you can to prevent occupational fraud by tackling it on all fronts.

Vacation is a Must

One often overlooked fraud prevention strategy is to enforce your vacation policy. Many fraudsters carefully guard their territory to deflect attention and deter detection. They often don't take vacation because they don't want to be discovered while they're away.



Is it time for an assessment of your fraud risk and controls? Ask us for help in reducing fraud risk at your company.



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