

Preventing Bookkeeper Fraud

One of the most common forms of internal fraud is bookkeeper fraud, a form of occupational fraud perpetuated by an employee. Bookkeeper fraud arises when a trusted employee has been granted full authority to issue and reconcile payments. As a result, fraud is facilitated by such full access and is often undetected for some time, even years. Bookkeeper fraud represents nearly 85% of all fraud targeting businesses and entails either paper based fraud associated with checks or confidence games such as investment schemes, sales schemes or identity theft.

In addition to instituting dual control practices, and tight internal controls, bookkeeper fraud can be reduced by converting paper based payments to electronic payments leveraging ACH (Automated Clearing House) solutions as well as card solutions such as the Regions Commercial Card and the Skylight ONE card issued by Regions. Also, be aware of the following contributing factors to bookkeeper fraud:

- Requests to have blank checks signed. The check could then be converted for personal use.
- Situations where dual control is not practiced. A sole employee is responsible for all facets of bookkeeping, including check issuance and reconciliation, and handles all banking activity. Such practices represent a highly increased risk for fraudulent practices. Oftentimes, a rogue employee will open a bank account with a similar name to your business and divert checks payable from your company to the bogus account. Fraud is also perpetuated through the creation of erroneous vendors/companies to whom the criminal then issues payments.

One of the best defenses is simply making sure all employees are well aware of and adhere to established internal controls related to financial accounting and reporting. Restrict employee access to accounting systems and use available online functions to periodically audit system activity. Finally, implement an approval process for new vendors to help prevent misappropriation of funds by employees looking for a legitimate appearing cover for fraudulent activity.



Did you know?

* Most occupational fraudsters are first-time offenders with clean employment histories.

Approximately 87% of occupational fraudsters had never been charged or convicted of a fraud-related offense, and 84% had never been punished or terminated by an employer for fraud-related conduct.

In 81% of cases, the fraudster displayed one or more behavioral red flags that are often associated with fraudulent conduct. Living beyond means (36% of cases), financial difficulties (27%), unusually close association with vendors or customers (19%) and excessive control issues (18%) were the most commonly observed behavioral warning signs.

**Selected findings from the 2012 Report to the Nations released by the Association of Certified Fraud Examiners.*

