Tips for Preventing Corporate Fraud

Even before corporate scandals made headlines, American companies were waging war against fraud. Not counting the impact of Enron, WorldCom and other stricken companies, annual fraud losses were topping 600 billion according to the Association of Certified Fraud Examiners' *2014 Report to the Nation on Occupational Fraud and Abuse.*

Despite various economic times and seemingly rampant misconduct, now is not the time to panic. There are simple, practical steps you can take to protect your company from fraud.

1) Set an ethical tone that starts from the top.

Every company needs a written code of contact conduct that reflects their ethics and values. But it can't just beyond paper. Management must take the code to heart and demonstrate their commitment through their actions. Like any aspect of corporate culture, expectations regarding ethical behavior need to be communicated, understood, and supported from the top down.

2) Establish regular fraud detection procedures.

Regular internal auditing procedures specifically designed to detect major fraud are valuable tools. Simply having these procedures discourages employees from committing fraud in the first place.

3) Have a hotline.

A confidential 24/7 hotline operated by a third party professional is your best option for uncovering fraud. Companies are now legally required to have a way for employees to anonymously submit concerns. A hotline is an ideal tool, helping you identify issues early, investigate them and take action.

4) Educate employees about fraud.

A hotline cannot be effective if employees forget it's there and why to use it. Use tools like posters and employee newsletters to continually talk about ethical behavior.

By communicating regularly, investigating incidence and taking corrective actions, your commitment to ethics gains credibility among employees. It becomes part of your corporate culture.

5) Involve your suppliers in fraud detection efforts.

Look beyond your employees for tips on potential misconduct. Vendors and suppliers can be a valuable source. Offer the employees of your key supplier's access to the same hotline you provide internally, so that they also have the means to confidentially report any concerns.

6) Take all tips seriously and investigate.

Once any tip is received, it is critical that it gets to the right people within your company and is thoroughly investigated. This way, every tip is documented, acted upon, and even prosecuted.

7) Decide who will be notified about tips.

Companies handle anonymous tips in a variety of ways. The best way to handle hotline tips is to have a hotline provider do a sort of triage to determine where the tips are to be sent. For example, allegations of discrimination should be sent to both your HR department and your legal department, while allegations of fraud should be sent to both your audit committee and board of directors.

8) Conduct background checks.

This is a simple action they can prevent you from hiring someone who has a history of stealing from employers. No hiring effort is so urgent that this step can be skipped, because creating an ethical environment begins with the hiring the best possible employees. If there is an incident in the candidates past, it's best to know about it from the start, so you can decide if it's an issue.

Summary:

By following these simple tips, you can reduce fraud and its financial impact on your company. In today's volatile climate, that can translate to dollars saved. But beyond your bottom line, you'll find the approach helps you create a positive, productive work environment and demonstrate good corporate citizenship to your employees, customers and shareholders. If you have any questions regarding concerning fraud in the workplace, please feel free to contact me.

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