

Seven Signs of Internal Accounting Fraud

Many small business owners feel that their companies are immune to internal accounting fraud and embezzlement for two reasons: they don't have many employees, and the ones who deal with money are usually close to the owners. But regardless of size, any business is vulnerable to fraudulent activities by employees.

Following are seven indicators small business owners should consider:-

1. An in-house accountant works without direct supervision on every aspect of a company's financial operations. When one trusted bookkeeper or accountant is responsible for records, payroll, receivables, deposits, and payments....., the company is placed at risk for fraudulent activity.
2. An in-house accountant refuses to follow recently established accounting and/or payroll guidelines. In such a case, owners should demand that guidelines be strictly followed and investigate financial and payroll records for up to several years in the past.
3. An accountant continually works after hours, comes in frequently on weekends or insists on taking work home. Fraudulent activities are easier to accomplish when work is unobserved and unsupervised.
4. An accountant refuses to take a vacation. This individual may be thought of as a highly dedicated and hard-working employee, but it could be that he or she simply doesn't want anyone to discover how the books are being cooked.
5. An accountant insists that he or she handle activities for which other departments are normally responsible. These can include picking up the daily mail (for fear that something could arrive that would tip-off management), acting as the sole go-between with the company's financial contacts (banks, auditors, creditors, etc.) and working with police when items or money are found missing.
6. An accountant continually misfiles important items such as payroll receipts, deposit records, supplier correspondence and estimates.
7. Deposits frequently seem too small. Owners should always carefully monitor income and deposits, comparing sales receipts against actual amounts put into the bank.

Usually, there are no sure-fire tip-offs to internal accounting fraud. But by being on the lookout for any of the above seven danger signals, a small business can avert a potentially disastrous and embarrassing financial loss.