

COMBATTING FRAUD THROUGH MORE THAN JUST INTERNAL CONTROLS

Written by: Timothy Ball, Executive Vice President – The Bonadio Group

A lack of internal controls is one of the greatest contributing factors to fraud occurring within an organization. However, you can do more than just install and maintain a sophisticated internal controls system to prevent fraud - you can also educate your employees on what fraud looks like and how to report it if they see it.

By providing your employees with fraud education and a process for reporting, you can create a protective network of professionals within your organization that understand just how fraud can occur and how they can help protect against it. Research has shown that this can be one of the most effective anti-fraud controls of all.

The following article will highlight the three key elements in establishing a network of fraud detectors within your organization.

1. Fraud Training for Employees, Managers and Executives

First things first, your employees, managers, and executives should know what fraud is. Your internal training program should include regular and recurring sessions that educate employees on what fraud is, what it may look like, key areas where it can occur, and more.

Updating this each year will allow your employees to keep up on common fraud trends and techniques as technology continues to evolve.

2. Anti-Fraud Policy

Your employees shouldn't just know what fraud is and how to recognize it, but also know how fraud is handled within the organization when discovered and what their individual responsibilities are. This information should be widely available and memorialized in a formal anti-fraud policy.

When organizations are clear about their intentions of rooting out fraud within their organization, and the consequences for employees who are caught stealing, it provides an extra layer of protection in fraud prevention. The fear of being caught and prosecuted can act as a major deterrent for employees who may be on the precipice of making a bad choice.

Be sure to have everyone review and understand the anti-fraud policy annually and sign a document stating that they have done so. Ongoing training and updates to consequences for getting caught may be helpful tools to boost deterrence as it relates to the policy.

3. Hotline to Report Fraud

Over 40% of occupational frauds are discovered through a tip, most of which come from employees inside the organization. Having a way for employees to submit anonymous tips, whether through a website or phone hotline, is a crucial way to include them in your fraud prevention strategy and capitalize on the top way that fraud is detected.

When you add in the education, training and anti-fraud policy as discussed above, you can create an entire network of fraud detectors within your organization, armed and ready to report questionable or odd behaviour that might ultimately lead to the discovery of fraud.

Unfortunately, many organizations don't begin to invest in fraud prevention activities until they themselves experience fraud. Oftentimes the cost of the fraud, both monetarily and reputationally, is much greater than the cost would have been for employing appropriate prevention activities. Luckily, training employees and standing up a hotline doesn't break the bank. It's typically a low-cost strategy that statistically puts your organization in the best position to prevent and detect fraud.

The Bonadio Group's Fraud and Forensic Team consults on both preventative fraud and investigative fraud. If you need further guidance or have any questions on this topic, we are here to help. Please do not hesitate to contact [Tim Ball](#), CFE and leader of the Fraud and Forensics Team, to discuss your specific situation or visit our Fraud and Forensics web page [HERE](#).