

Business Tips

In the course of our work we are sometimes asked to help a business victimized by employee embezzlement of company funds and goods. This is the toughest of all cases for us, as most times the embezzlement is very severe leaving the company in deep trouble. In all the cases I have seen, the embezzlement had a devastating effect on the business, and in some cases the company went out of business.

The important thing to remember is you always need a way of “inspecting what you expect,” meaning not giving someone control over your business without proper oversight. Never give in to the temptation that your key employee can be trusted totally. In almost all cases the business owner was shocked that the employee was stealing money and product. “They were like family to me,” or “I could trust them with my life,” are things commonly heard. And yes, sadly, some of the embezzlers were blood relatives of the business owners.

After serving time in prison, someone who was recently caught embezzling from his former employer is now speaking to business groups on how to avoid this situation. He was caught, only after embezzling a lot of money, when the owner curiously checked into a vendor name he did not recognize on an invoice. Some of his key points to groups are listed below.

Have a good computerized bookkeeping system set up by your accounting professional. If you need one, have a competent in-house bookkeeper and ask your CPA for guidance on conducting periodic security audits.

Don't give one person too much responsibility. Remember the checks and balances and other proper divisions of business functions are important in operating a business. Seek guidance to make sure proper checks and balances are in place.

Stay involved in your business and with your employees. Let them know that you care. Educate all employees on the negative impact of theft. Solicit their support of and involvement in the prevention and detection of theft.

In addition to criminal background checks, consider conducting credit checks on various positions. Contact an employment law attorney or human resource specialist to make sure you conduct these properly.

Know your costs and the benchmarks for your industry so you can spot things that are out of alignment. For example, if your cost of goods is rising unexplainably, it may be a red-flag that goods are disappearing.

If you are the victim of embezzlement, consider prosecuting and consider spending money on resources to help you untangle the mess and to help you collect what is owed.

Besides the affect employee embezzlement has on the owner and their finances, all too often it means lost jobs for those who did nothing wrong. To avoid this from happening to your company, consider

relooking at your systems, and contact your CPA and other business advisors for help in evaluating your company's exposure. If you have discovered embezzlement in your company, seek legal and accounting professional assistance as well as contacting the SBDC for ideas on how you can recover.