

Embezzlement Schemes and How to Prevent Them

| SCHEME | WEAKNESS | BEST PRACTICE |
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| STEALING CASH | <ol style="list-style-type: none"> 1. Allowing one person to handle cash 2. Employees in positions of trust not bonded | <ol style="list-style-type: none"> 1. Two people handle cash—conduct surprise cash counts 2. Employees in positions of trust are bonded |
| CREDIT CARD MISUSE | <ol style="list-style-type: none"> 1. No dollar limit on the credit card 2. Bills paid by same person 3. Receipts verified by person who ordered items 4. No control over the number of cards 5. Same person orders, pays, and reconciles | <ol style="list-style-type: none"> 1. Establish maximum dollar limits for single and total purchases 2. Require two signatures 3. Verify receipts by another person 4. Limit the number of cards issued 5. Have an independent person reconcile credit card statement |
| FALSIFYING ACCOUNTING RECORDS | <ol style="list-style-type: none"> 1. Computer logins and passwords in a visible location or shared 2. No separation of duties 3. Not requiring vacation or staff rotation 4. Using pre-signed checks 5. Accepting altered documents instead of originals | <ol style="list-style-type: none"> 1. Document a clear electronic audit trail stressing the need for accounting system security 2. No checks may be made out to CASH 3. Periodically rotate staff and have mandatory vacations 4. Do not use pre-signed checks 5. Require original documents, and double check bills, receipts, and checks that have been altered |
| UNAUTHORIZED OR FORGED CHECKS | <ol style="list-style-type: none"> 1. No security of signature stamps 2. Not recording amounts of checks and deposits correctly 3. Only one signature required on checks | <ol style="list-style-type: none"> 1. Require security of signature stamps if used 2. Independently reconcile checks, deposits, and bank statements monthly 3. Require two signatures |
| FRAUDULENT BILLINGS | <ol style="list-style-type: none"> 1. No documentation to support payment 2. Billings for services not ordered | <ol style="list-style-type: none"> 1. Require receipts, supporting documents, and bills 2. Use pre-numbered purchase orders |
| PAYROLL SCHEME—GHOST EMPLOYEE | <ol style="list-style-type: none"> 1. Not reconciling payroll payments to valid employee listings 2. Unclaimed checks not verified | <ol style="list-style-type: none"> 1. Require payroll reconciliation 2. If not using direct deposit, follow up on unclaimed checks or require employees to personally pick up checks |
| MISAPPROPRIATION OF PROPERTY | Personal use of supplies, equipment, or construction materials | Establish inventory control procedures, limited access, locked storages, and sign-out logs |
| MISAPPROPRIATION OF SERVICES | Services performed for personal use or benefit | Independently validate receipt of services |