

Protecting Your Business against Embezzlement

Implementing these 8 easy steps will help guard your business against a less-than-honest employee.

Ever read those stories about embezzlement and think to yourself, “Wow! What fools? How could they not have known their employee was stealing money from them?” Unfortunately, situations like this happen all too often, and most of the time, the crime is committed by someone you would never suspect. While we all like to think the best of our employees, it’s critical that you be very savvy about the way you handle your money and don’t be unnecessarily irresponsible. If you don’t have proper controls in place, you are just inviting trouble.

So what should you do to ensure that you have controls in place to minimize the opportunity for embezzlement at your company? Here are some tips:

1. **Don’t leave cash lying around in an unprotected spot.** It can easily disappear, and you don’t want to tempt people by being careless.
2. **Don’t use signature stamps for checks.** They’re too easy to misuse. Sign the checks yourself with a pen. If you are hand writing a check, use a gel pen. The ink in gel pens are hard to chemically “wash” so the checks are harder to alter.
3. **Minimize the number of employees** who have signature authority on your bank account. Too many hands in the pot can lead to disaster.
4. **Make deposits nightly** so that excess funds aren’t left onsite.
5. **Do cross-training** so that multiple people know multiple functions. This means multiple people will have the ability to do audits on each other’s work to ensure that processes are followed. It also minimizes the chance of theft. You may also want to pull in your outside accountant to do spot checks from time to time.
6. **Bond with the employees** who will be handling the money. Having a close relationship with the boss offers some protection for your company because it can dissuade people from stealing-they won’t want to hurt someone they care about.
7. **Do a background check** on your employees when hiring them to see if they have had financial problems in the past. It may be a sign that they are struggling financially and might be tempted to take resources from the business to smooth out any personal financial problems.

8. **Institute a proper division of functions.** The following functions should be assigned to different people to help provide a checks-and-balance function at your company:

- Prepare checks for payment
- Receive payments from customers
- Make bank deposits
- Sign checks
- Bank reconciliation

These eight tips can help you minimize your risk of being a victim of embezzlement. Remember, there's no safeguard that can protect your business 100 percent of the time, but you can put easy processes in place to help minimize the chances that your business will be affected by embezzlement. And don't think your company is too small—or too large—because it happens in companies of all sizes. The key is to be proactive rather than reactive.

If this information is “too little, too late” and you believe you've been the victim of embezzlement, contact your banker, your accountant, your attorney, and the local authorities for advice on the steps you should take to handle the situation. This can be a very tricky situation to deal with, and you want to ensure that you protect yourself and minimize damage control as quickly as possible.

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