



**TIP OF THE WEEK**

June 10, 2008

It's always a red flag when an owner tells me that "we're making money but we just don't seem to have any cash." When I hear this, the FRAUD ALARM goes off in my head. In my experience, the three likely frauds are: 1- stealing or diverting the customer checks before they get deposited, 2- creating fake employees or overpaying real ones, or 3- creating fake vendors or overpaying legitimate ones. There are way too many examples of fraud committed by a "trusted" employee who found the temptation too great to resist, when the organization had a lack of systems.

Take control of your business by putting in appropriate financial controls. Ask your independent accountant to assess your systems for areas of potential risk. One good idea is not having the person who deposits the checks be the one who restrictively endorses them.

Here's an example of one unfortunate incident. A controller issued company checks to a not-for-profit – because they were doing great work but were strapped for cash. He embezzled \$35,000 from his employer to help them out. Not a penny went to him personally. You might call him a chump. I call him a felon.

Good luck. Work **ON** your business. Stay in touch.

51 HOLLAND

AVENUE

WESTFIELD

MASS

01085-3730

**The Markens Group**

Ben Markens

[413] 562.8405    FAX [413] 562.8406