COLUMBIA RIVER GORGE

BUSINESS REVIEW



Methods of **Embezzlement**

Embezzlement is not an easy subject to discuss. A business owner may begin to notice that something just does not seem right within her business. Maybe there are an unusual number of returns or the cash drawer is short more often than normal. If you are a business owner and start to notice discrepancies in your business, you may be a victim of embezzlement.

What is embezzlement and why is it defined differently than theft? According to Gaeblers, "Resources for Entrepreneurs", embezzlement is the fraudulent appropriation of property by a person to whom funds or assets has been entrusted. The embezzler is someone in your company whom you trust and given permission to have access to the business' assets. Conversely, a theft is committed by either a stranger or someone who is not authorized access to money. This is one of the most difficult aspects of being a victim of embezzlement: The business owner realizing that they were betrayed by a person they trusted.

There are many different ways people steal from their employees. Some ways are simple; some take more effort and are more complicated. Some of the more simple ways business owners are victimized are:

- Taking cash. The most common method in a cash base business such as a bar or restaurant is to pocket cash receipts. It is difficult to track transactions in a cash-based business so there is a lot of opportunity for an employee to pocket cash payment.
- Not completing a transaction. This happens most often in a smaller retail-style business. The clerk will ring up a transaction and collect the payment as a subtotal. When payment is received, the embezzler will void the transaction and pocket the money.
- Undercharging. Another common way someone steals money is by undercharging a friend or relative for merchandise. Many times the friend will return the merchandise for a full refund and give the employee a cut of the profits. Sometimes the friend will give the employee a kickback for the undercharged merchandise.
- Not charging a friend or relative for an expensive item when ringing up merchandise. This similar to the undercharging scheme. This ploy is effective since it appears everything is legitimate and it also avoids the need for a traceable price adjustment.
- Fake refunds. A fake refund is difficult to trace in most cases. In this case, no one really returns any merchandise but the clerk will either process a cash refund to her or credit her own credit card.
- Fraudulent vendor invoices. This is a common trick used by a bookkeeper to commit fraud. The bookkeeper will form a dummy company and open a business bank account using the registry number. The bookkeeper submits a fake invoice, writes a check from her employer's account and deposits the check into her bogus business account.

- Fake payroll employee. One of the more creative ways to embezzle is to add a relative such as a child onto the payroll who is not an employee. This can be easily done when a payroll check is electronically deposited and the business owner does not review the payroll summary.
- Bogus expense receipts. For some employees submitting bogus expense receipts for reimbursement is common way steal money. A careful review of all expense receipts for reimbursement should be mandatory.

A business owner never wants to believe that an entrusted employee would every betray them but it happens. And it happens often. Being an owner of a successful small business is difficult and normally there is a very small margin for error between success and failure. Be vigilant when it comes to overseeing your company's finances. Don't be afraid to ask questions and enact appropriate policies and procedures so your business doesn't become a statistic. As the late Andy Grove said, "If you think you are safe from embezzlement, you're an easy target".



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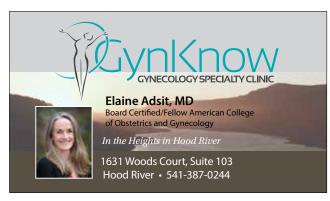


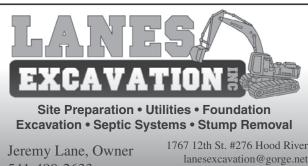
















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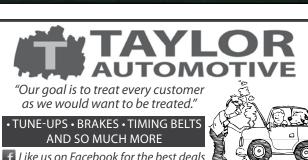
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