

ROBUST INTERNAL POLICIES AND PROCEDURES CAN DETECT AND PREVENT FRAUD IN THE WORKPLACE



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Between 22-28% of U.S. businesses are affected by fraud. Whether rates are truly increasing, or detection methods are merely becoming more sophisticated, one thing is certain: the most effective approach to preventing workplace fraud is setting in place a system of robust internal policies and procedures. By doing this, a business can effectively hit the trifecta of loss avoidance through fraud prevention, detection and active response.

Organizations with internal controls are more likely to identify and prevent fraud *prior* to an audit. In a study conducted by the Association of Certified Fraud Examiners, 19% of detected frauds were revealed by internal procedures, whereas only 12% were detected by audits. In the case of workplace fraud, early detection is key and can result in reduced financial and productivity loss, in addition to sustaining a higher employee morale and a more stable company culture.

Protecting Assets and Creating Efficiency

How robust are the internal policies and procedures of your organization? Are they adequately designed and effectively implemented to reveal fraudulent acts early enough to protect the organization's assets? Would they deter potential fraudsters from even attempting criminal activity? These may be questions that make you cringe to think about, but they are worth considering if the goal of your company is to grow net revenue.

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Internal controls should be all-encompassing and cross-departmental. They are not limited to only the accounting or finance departments, and should support the following **goals**:

- Efficient use of available resources and accurate realization of business strategy
- Risk identification and asset preservation
- Compliance with applicable laws and regulations

• A successful internal control system will restrict opportunities and ultimately decrease the temptation to commit fraud, whether intentional or by mistake.

• Internal controls are the foundation for the accounting blueprint of a company, and they become an integral part of operations and the management process. Proactive management, coupled with an effective prevention system, can not only limit the damage of unfavorable conditions with early identification, but also allow for more rapid response times to problems that arise. These controls will also establish structure and repeatable systems and processes, allowing for smoother and more transparent operations.

A Hierarchy of Checks and Balances

An internal control system should operate like a high-functioning machine, creating automated processes, based on established departments and units. Each position within the company should have clearly defined roles and responsibilities with checks and balances that ensure multiple sets of eyes are on specific segments of a process. Not only will this help prevent fraudulent activity, but it will also help to ensure accuracy within a department.

All organizational levels have management who are responsible for regular and complete functioning of business units, while internal departments are responsible for efficient functioning of the policies and procedures. Finding the right candidate for each of these important roles, along with proper background screening and training of all employees, is an essential component for creating a solid system of checks and balances.

In Summary

If your company's internal policies and procedures need a detailed fine tuning, or even just a brief, high-level checkup, it is worth engaging a forensic accountant to take a peek under the hood. Assessments often uncover flaws and shortcomings within the organizations systems, such as improper design, ineffective implementation or opportunity for improvement. Any of these scenarios may lead to devastating financial loss, which can be prevented.

We invite you to reach out and connect with our team to learn more. Let's face it - when it comes to business fraud, an ounce of prevention is worth a pound of cure!

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