Ethics in Business Fraud Risk and Prevention

Why Small Businesses Are Targets



LACK OF INTERNAL CONTROLS OR SEGREGATION OF DUTIES



TRUST-BASED ENVIRONMENTS



LIMITED OVERSIGHT AND STAFF WEARING MULTIPLE HATS

Common Types of Small Business Fraud

- Payroll fraud
- Fake vendors or billing schemes
- Expense reimbursement abuse
- Cash theft or skimming
- Identity theft or business email compromise
- Grant or contract fraud (for nonprofits or public funds)



Warning Signs of Internal Fraud

- Employees who refuse to take time off
- Unusual vendor relationships
- Lifestyle that doesn’t match income
- Missing or altered documentation



Protecting Your Business

01

Establishing checks and balances (even for small teams)

02

Reconciling bank accounts monthly

03

Reviewing payroll and vendor lists regularly

04

Having written policies and a code of ethics

Understanding Business Ethics

- Ethics vs. legality: doing what's right, not just what's allowed
- Ethical leadership as a deterrent to fraud
- Modeling integrity at every level of the business
- Conflicts of interest and transparency

Technology & Cybersecurity



PHISHING AND SCAM EMAILS



SECURE PASSWORDS AND 2FA



PROTECTING FINANCIAL SYSTEMS AND CUSTOMER DATA

Building a Culture of Accountability



Encouraging ethical behavior



Having a safe way to report concerns (hotline, third party, etc.)



Documenting and investigating complaints

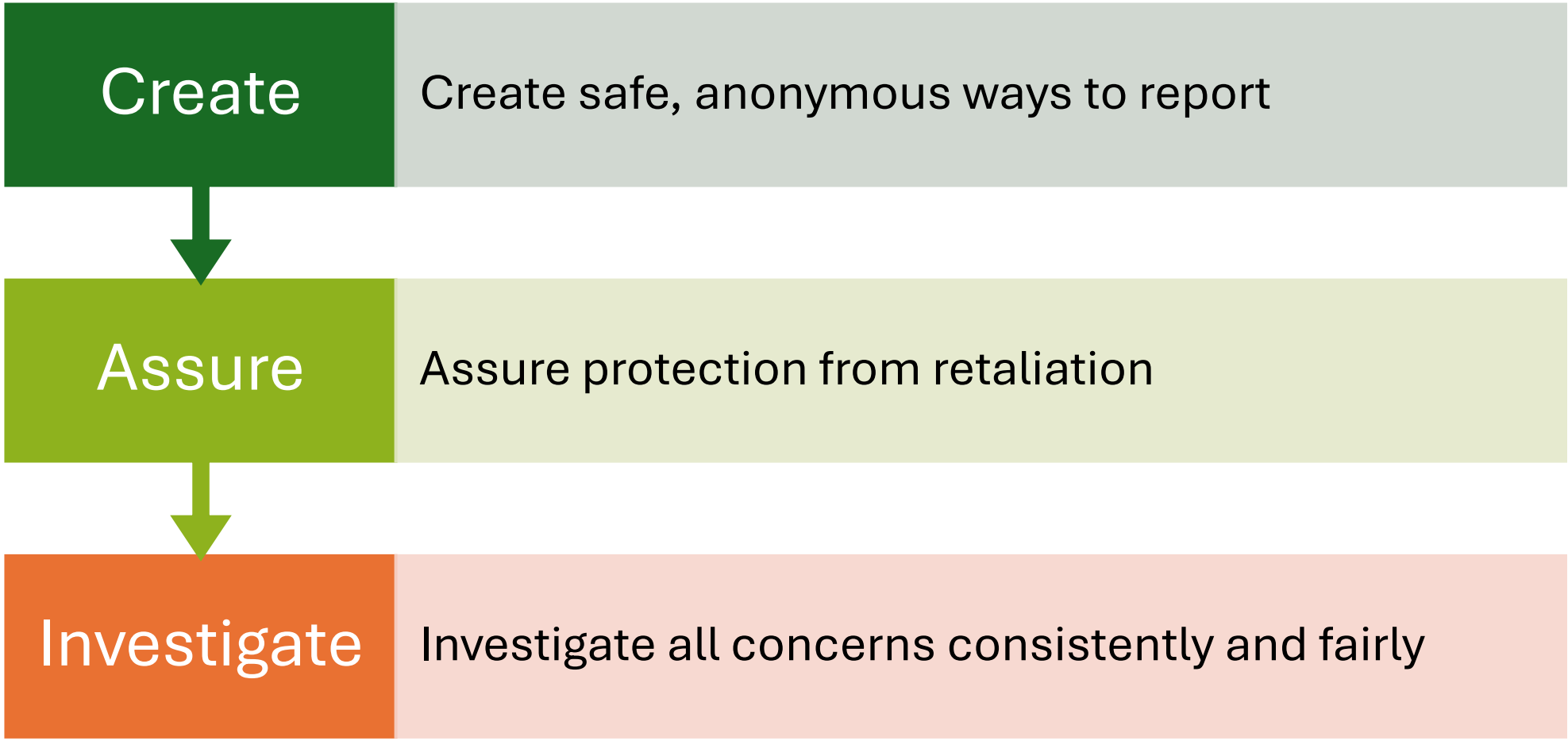
Establishing an Ethical Culture

- Creating and enforcing a code of ethics
- Training staff on ethical decision-making
- Encouraging openness and accountability
- Zero tolerance for retaliation when raising concerns

What To Do If You Suspect Fraud

Don’t confront	Don’t confront — document
Contact	Contact legal/accounting professionals
Preserve	Preserve evidence
Report	Report it

Encouraging Whistleblowing the Right Way



Questions?