



Douglas County District Attorney Charles Branson recently spoke to Chamber members on the topic of "Employee Fraud Prevention Tips. Chamber members learned about hiring the right employees, separating accounting duties, consulting with a CPA and other issues that can assist a company in preventing employee fraud. The meeting was held in conjunction with the Chamber's Government and Community Affair Committee.

One part of the program included the self-assessment below. This tool can help companies determine their susceptibility to fraud.

Look for future Chamber meetings on ways to protect your business.

Employee Embezzlement Vulnerability Assessment
How vulnerable is your business?

1. How many employees handle administration in your business?
 - a. 1 10 points
 - b. 2 or 3 6 points
 - c. 4 or more 0 points

2. How many employees handle / review accounting functions?
 - a. 1 10 points
 - b. 2 (1 each for payables & receivables) 7 points
 - c. 2 (interchangeable or share functions) 5 points
 - d. 4 or more 0 points

3. Are accounting employees required to take at least one week annual vacation?
 - a. No 8 points
 - b. Yes 0 points

4. Does one employee handle all bank deposits?
 - a. Yes 10 points
 - b. No 0 points

5. How many employees are involved in reconciling the bank statement?
 - a. 1 10 points (add 3 more if checks are returned to that employee)
 - b. 2 or more 3 points
 - c. I review the reconciliation 0 points

6. Do you periodically check the work of each accounting employee?
 - a. No 10 points
 - b. Yes 0 points

7. Do you check references and criminal backgrounds of prospective employees?
 - a. No 10 points
 - b. Yes 0 points

8. Do you sign blank checks before going on vacation or a business trip?
 - a. Yes 8 points
 - b. No 0 points

9. Does an independent accountant review or audit your books annually?
 - a. No 6 points
 - b. Yes 0 points

10. Do you have an employee fidelity bond policy?
 - a. No 5 points
 - b. Yes 0 points

SCORES:

- 0 – 25: Low vulnerability to employee theft.
26 – 50: Increased vulnerability to employee theft.
51 – 87: High vulnerability to significant loss from employee theft. Some procedures should probably be modified for better security.

* Based on Employee Embezzlement Vulnerability Test, posted on the Denver District Attorney's website at http://www.denverda.org/html_website/denver_da/aa%20New%20ECU%20pages/embezzlement.html