

# Theft and Asset-Based Fraud

## Risk Management and Loss Prevention

According to a recent survey, smaller firms are more vulnerable because they typically have fewer anti-fraud controls than larger organizations. In addition, employee theft, asset-based fraud, and retail crimes have domino effects. Larger organizations do not just "eat" their losses. They recover them in the form of higher prices and/or claim them as tax write-offs and credits. In turn, when it has less to "play" with, the Government forgoes funding for something and/or raises taxes. In essence, albeit indirectly, the culprits (and

the rest of us) end up paying for what they take - often at higher premiums!

### Workshop components

- Promoting an ethical organizational environment
- How employee theft and asset-based fraud is committed?
- Who is likely to commit employee theft and asset-based fraud? Behavioral red flags.
- Case studies: Criminal prosecutions, civil suits, recovery of losses
- Designing and implementing effective anti-fraud policies

Similarly, smaller firms are affected not only because they do not qualify for many of the benefits and loopholes that larger organizations enjoy but also because they are at the mercy of their larger vendors.

Asset-theft fraud involves deliberate misuse of organizational resources or assets for personal gain and can manifest in a variety of ways including when employees siphon off funds to dummy vendors or payable accounts. Such activities are not discernible by auditing financial statements because those audits merely aim to identify the firm's overall financial position and ensure that books are balanced. They do not verify each transaction.

Most cases last a median of 18 months before they are detected. Often by the time a firm detects asset-theft fraud, it has no recourse beyond terminating the employee's contract. Even if it can afford the cost of a lengthy civil suit, and even when a judgment is issued in its favor, it may not be able to recover its losses if the employee has already spent the funds and does not have the means to repay them.

Contact [inquiry@eaqc.com](mailto:inquiry@eaqc.com) for pointers about assessing your firm's theft and fraud risk and to arrange a loss prevention workshop for your key employees.