

# Management fraud

[Business](#), [Management](#)



Management Fraud Angela Battle Aiu Online Outline Types of Fraud

Stealing Money, Computers, Inventory Trips on business expense Finding a business trip idea by traveling close to family Paying bills for personal accounts with business account Normally this would be a bookkeeper Reimbursements Turning in receipts for personal use and claiming it was a business expense. Why Does It Occur One bad habit leading to another Once fraud is committed once, they will attempt it a second time. Employee trying to borrow from the company without legitimate paperwork.

Embezzlement often is a way of life for some people. Loss of time or money from job Impact of Fraud Fraud is not unusual Most companies will have to deal with some sort of fraud at some time or another Financial Loss The money or items that have been taken is a loss for the company. Cost of the Investigation It takes time and money to investigate any case and to hold litigations. Reputation The reputation of the company could be in danger if the fraud is against something like Medicare or a government official. Could lead to a shut down and negative publicity Damaged Morale

Damaged relationships with employees and co-businesses Loss of Employees Protecting Against Fraud Have the right attitude Don't believe that most employees won't steal " We have auditors that will catch it" Hire Smart Know as much as possible about every employee before hiring. Employee Knowledge Allow employees to know that they could be audited and that the company is watching. Internal Controls Audit periodically External Controls Do external audits if something looks incorrect. Mr. Wellington should say: Fraud can and has hurt many companies over the years.

One type of fraud is management fraud that has been found. There are many ways that fraud can happen, and it normally starts off with something small. This could be anything from money to computers to inventory that all belongs to the company. This company knows what to look for and will be explained to each one of you, so that you will know what steps to take and what we are protecting. There are several ways that this hurts the company. First of all, the merchandise or expenses have been spent, so that is money out the window.

Second of all, the money that it takes to investigate these types of problems. This can ruin the reputation of the company which could lead to a company wide shut down. This would create job loss for everyone at the company, especially if it is a government fraud. If it does not shut the company down, it could create doubt in many of the good employees and they would quit. Some companies have the wrong attitude when it comes to fraud. They will make statements like “ Most employees will not steal” (Lang, A. 2001). Unfortunately, under the right circumstances, if they are under enough pressure and they think that it is justified, the vast majority of employees will steal. John J. Hall, a well-known fraud expert, estimates that 95 percent of employees will commit fraud given the right circumstances” (Lang, A. 2001). It is important for the companies to stay on track and not to put anything past anyone. Ways to reduce this risk is to create internal audits periodically. If anything suspicious comes up, then bring in external auditors that will have no relationships with the employees.

Setup boundaries for the employees so that they can only get onto approved parts of the systems. Make sure every employee has an up to date copy of

the company hand book that will state the consequences of fraud. Things that I feel strongly that should be included: Management should always be looking at what their employees are doing while at work. This should be maintained at all times. The management should know when to audit and when to reach for outside support. Maintaining the integrity of the company is the main objective to create job security for all the employees.

The employees need to know what the procedures that is in place and know what will happen to them if they commit fraud. They should be automatically terminated and prosecuted. There is a zero tolerance for fraud for anyone at the company, from the CEO down to the regular worker. The management team has to be audited as well because they have all access to business fund, such as credit cards and specialized accounts. They have been known to turn in receipt for reimbursements that were for personal pleasures. They are known to order laptops stating that it is for business purposes and it not to be.

My favorite statement that I have found for this matter is “ Unfortunately, under the right circumstances, if they are under enough pressure and they think that it is justified, the vast majority of employees will steal. John J. Hall, a well-known fraud expert, estimates that 95 percent of employees will commit fraud given the right circumstances” (Lang, A. 2001). This is how most employees feel when they are caught or while committing the crime. References Lang, A & Ricciardella, T (2001) Retrieved November 26, 2012 from: [http://www.boardsource.org/dl.asp?document\\_id=19](http://www.boardsource.org/dl.asp?document_id=19)