



Fraud Advisor

ISSUE 1

LET THEM KNOW SOMEONE IS WATCHING

Fear Is Prevention

“English philosopher Jeremy Bentham originated classic criminological theory in the 18th century. One of his theories holds that a person’s propensity to commit a crime is determined by his or her perception of related risks and rewards—the greater the risk of detection and apprehension, the less likely a person is to violate the law.” (*Accountancy Journal* — June 2002)

So how does that translate to your business? If better oversight was in place in our “Betty Bookkeeper” illustration below, Betty would have thought twice about committing the embezzlement.

Betty Bookkeeper

Betty, a bookkeeper at a local doctor’s office, began her career with Doctor Dan twenty years ago as an office assistant. Over the past twenty years she had taken on more and more responsibilities including the daily bookkeeping functions. Some of the duties that Betty had included receiving, recording, and depositing cash receipts, check writing, and bank reconciliations. Doctor Dan signed all the checks, but did not review any of Betty’s work because he did not have time and trusted Betty entirely.

Betty became unhappy when Doctor Dan began giving her pay raises below what she expected. She began using a fraudulent disbursements scheme to embezzle small amounts of money because she thought she deserved it.

The scheme worked well and Betty became convinced that “no one was watching”. After a while, she became bolder and eventually was taking \$4,000 per month from the business illegally.

Doctor Dan’s outside accountant eventually uncovered the scheme when noting that the Doctor’s expense ratio’s appeared abnormal. By the time the discovery was made, Betty had embezzled over \$100,000. Betty was able to commit the crime because she had the opportunity and she felt she would not get caught because no one was watching.

Embezzlement has happened to every size of business and has happened in doctor’s offices, law offices, construction companies, and every other industry.

Let Packer Thomas review your business for fraud potentials. Please call Jerry Ricciardi or Bill Bennett for a free consultation.

You Have Questions, Packer Thomas Has The Answers . . .

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