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## ORLANDO BUSINESS JOURNAL

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# Experts share tips to stave off employee duplicity

Orlando Business Journal - by [Richard Bilbao](#)

Uncertain economic times not only bring outside problems to a company, but also problems within, such as an increased risk for employee fraud and other spurious activities, said forensic accountants and attorneys.

In fact, some accounting firms such as Kane & Co. PA, which has an Orlando office, already are seeing an increase in fraud and misappropriation cases, said Monte Kane, the firm's managing director. Many other firms expect to see a jump in activity, but none could give exact estimates.

Some cases already have made headlines.

For example, on Jan. 28, Jamal Nayfeh, University of Central Florida associate dean of engineering, turned himself in to Orange County Jail on charges of grand theft and fraud charges of up to \$40,000.

According to UCF police reports, the dean allegedly used a university-issued credit card to buy an 80-inch, high-definition projection system and several expensive television sets for his home. The purchase was flagged during a university audit and the information was forwarded to university police, who investigated.

This type of alleged embezzlement, called fraudulent disbursement, is one of the most common types of schemes, making up three-fourths of all losses incurred from cash misappropriations, said Dan O'Keefe, audit shareholder and certified fraud examiner for Moore Stephens Lovelace PA, a Winter Park-based accounting and consulting firm.

The three most common industries victimized by fraud are health care, government, and banking and financial services, said the Association of Certified Fraud Examiners, a provider of anti-fraud training and education. In addition, small businesses with fewer than 100 employees are more vulnerable to occupational fraud with average losses at \$200,000, the report said.

The most common reason fraud occurs is "a lack of adequate internal controls," said the report.

However, such internal controls can be performed easily through in-depth employee tracking policies that allow employers to control what employees have access to such as Web sites, company financial records and other proprietary information. Internal controls also allow employers to have immediate knowledge of anything suspicious, said Adam Landa, shareholder and e-discovery attorney for Miami-based Greenberg Traurig PA's Orlando office.

Businesses with frequent employee turnover in particular should implement internal control procedures to prevent any employee from leaving with company information, Landa said.

For example, if an employee is leaving a firm, a company automatically should make a copy of the employee's computer hard drive, which can contain evidence of any fraudulent activity, and store the information for a pre-determined time until it is safe to delete, he said.

Companies also should keep an eye out for employees stealing cash and skimming, which involves taking cash from an organization before it is recorded in accounting records, he said.

Stolen cash is the easiest type of fraud to detect due to the fact that most employees don't try to cover up their theft. But trying to detect employee skimming can be more difficult, said O'Keefe.

However, segregating duties can deter the risk of skimming, because it increases the chances of someone detecting irregular activity.

Other red flags of suspicious activity: payments to unrecognized vendors, unexpected or unexplained increases in office and vendor expense, and the apparent lifestyle change of an employee without a credible explanation, said Mike Tessitore, attorney and director for Orlando-based McClane Tessitore Law Firm PA.

Other ways to detect and prevent chicanery include approval of all business expenditures by two managers, as well as periodic management or independent reviews, he said.

The economic recession means this will be a tough year for combating fraud, with many companies cutting back on costs to maintain operations, Tessitore said. But now is not the time to cut back on fraud-prevention practices.

Due to the economy, "companies are faced with a double-whammy of fraud on the increase," said Tessitore. "But at the end of the day, they have to bite the bullet" and spend whatever is needed to protect themselves from dishonest workers.

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