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MY VIEW

How to minimize fraud

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Credit card scams. Phony accident claims. Medicare swindles. Florida led the nation in identity theft in 2013 with a rate of about 193 complaints per 100,000 residents, according to the Federal Trade Commission. The Miami area is far worse, with a 2013 rate of 340 complaints per 100,000 residents.

Fraud cost Americans an estimated \$1.6 billion in 2013. It's so widespread that Nov. 16-22 has been designated International Fraud



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Awareness Week by American Certified Fraud Examiners.

As someone who fights fraud, I understand it never will be eliminated. It's just too easy and profitable for many perpetrators. However, every business — large and small — can take some basic internal steps to help minimize their vulnerability.

Be proactive: Every company should adopt an official code of ethics and share it with all employees. Not just a list of do's and don'ts, the code must promote values and inspire employees to act ethically in and out of the workplace.

That said, we all know the phrase "Practice what you preach." Enron had a code of ethics. So did Lehman Brothers. Ethical behavior is created and fostered by top management. If

company leaders are perceived as dishonest or unfair in their business dealings, there's little incentive for staff to behave ethically.

Also, at least once per year, business owners should evaluate their internal controls and identify areas that could be vulnerable to fraud. Take a look at financial accounts you don't regularly review. Follow a paper trail from start to finish. You may even ask a trusted colleague to scrutinize your books.

Follow strict hiring procedures: Gather as much information as possible about a prospective candidate to make an informed decision. Interview prospects in person; face-to-face conversations provide insights you can't gather remotely and demonstrate how candidates fit into your culture. Talk to all references and speak to former employers.

Before starting, consider how critical the position is to determine how deep a background check should be. Know in advance what's allowed and what's prohibited. For most positions, lie detector tests are prohibited, as is discrimination on medical grounds or for bankruptcies. Access to certain records, such as credit scores, military service or college transcripts, requires candidate permission. To ensure your hiring practices are on solid legal ground, consult an attorney.

Train your employees: Most fraud can be stopped by effective internal procedures designed to minimize opportunities for illegal activities, but the best deterrents are your employees. Train them so they understand company policies, know and follow all

guidelines, and understand the repercussions of committing internal fraud. Then school them in ways to detect fraud in the workplace, including identity theft through new account or credit card fraud, phishing activities and false invoicing.

Establish straightforward, simple procedures for what employees should do if they suspect fraud (i.e., immediately notify management), then follow up regularly with your staff to ensure their training remains fresh and is consistently practiced.

Create a fraud hotline: Most fraud is uncovered through anonymous tips. To help facilitate the reporting process, providing a confidential fraud hotline for employees can be an effective tool. Hotlines are simple and, if publicized within the workplace, they heighten concern among would-be crooks that they are being watched and can easily be reported. Since fraud losses tend to increase over time, it makes sense to utilize tools — like hotlines — that stop it early.

The goal of any fraud prevention program is to increase the perception that fraud will be detected. Measures to increase that perception can include reminders that fraud will be prosecuted, video cameras placed throughout an office, and random announcements of security scans. Ultimately, those who believe they will be caught are much less likely to commit internal fraud. Anything we can do to heighten that belief can be an effective deterrent.

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