

Employee Dishonesty

Even though you may think it could never happen to you, employee dishonesty does occur and it is costly. This could range from something as simple as under ringing cash register receipts to sophisticated bookkeeping and computer fraud. Having controls in place can help minimize employee crime.

Employee Controls -- Your best defense against employee theft is to hire honest employees.

- Thoroughly screen all job applicants prior to employment and check references.
- Take extra precautions with those employees who will have financial responsibilities.

Internal Controls

- Duties such as check issuance, deposit functions, inventory management and account reconciliation should be kept separate. Require a second signature for disbursement checks over \$500.
- Individuals having access to company books or purchasing/paying duties should be limited, monitored, and documented.
- Rotate tasks among employees whenever possible. Carefully review all journal entries and be alert to large numbers of unnecessary entries. Consider hiring an outside CPA firm to perform an annual audit.
- Require employees to use passwords to access computers or networks. Have employees change their passwords on a monthly basis. Employees should log off the computer whenever they leave their desk.
- Be certain to make back up copies of the accounting records and store them off the premises.
- Conduct regular inventory audits of all property.

Security -- Maintain control over access to building keys.

- Keep an accurate record of those employees who have been assigned keys.
- Keep keys in a locked cabinet if possible.
- Make sure all shop, warehouse, and office keys are the type that cannot be duplicated without the master.
- Change locks whenever an employee leaves or is dismissed.