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Delap LLP is helping to promote awareness of the new research, as it indicates that fraud continues to be a serious problem for businesses and organizations worldwide. We realize Fraud is a topic that is not easy to think about or discuss. The perception people have is that it will not happen to them.

### **ACFE Report Finds Small Businesses Especially Vulnerable to Fraud**

AUSTIN – According to a report released by the Association of Certified Fraud Examiners (ACFE), U.S. organizations lose an estimated seven percent of their annual revenues to fraud – but the damage is the worst among small businesses. Among the fraud cases detailed for the survey, the median loss suffered by organizations with fewer than 100 employees was \$200,000, higher than the median loss for any other category.

The ACFE's benchmarking data is compiled from 959 cases of occupational fraud that were investigated by Certified Fraud Examiners between January 2006 and February 2008.

The study also found that check tampering and fraudulent billing were the most common of all small business fraud schemes. In fact, more than one-fourth of all small business frauds in the survey involved check tampering, making it a much more common method of fraud than in larger organizations. Check tampering commonly occurs in situations where duties over the cash disbursements function are not separated.

The *Report to the Nation* is available for download online at the ACFE's web site: [www.ACFE.com/RTTN](http://www.ACFE.com/RTTN). The *Report* is in PDF format.

### **Combating Small Business Fraud**

There are some simple steps a small business can take to identify and effectively manage potentially costly fraud losses.

#### **1. Be proactive**

Establish and maintain internal controls specifically designed to prevent and detect fraud. Adopt a code of ethics for management and employees. Set a tone at the top that the company will not tolerate any unethical behavior.

#### **2. Establish hiring procedures.**

Every company, regardless of size, can benefit from formal employment guidelines. When hiring staff, conduct thorough background investigations. Check educational, credit and employment history, as well as references. After hiring, incorporate evaluation of the employee's compliance with company ethics and antifraud programs into regular performance reviews.

### **3. Train employees in fraud prevention.**

Once carefully-screened employees are on the job, they should be trained in fraud prevention. Are employees aware of procedures for reporting suspicious activity by customers or co-workers? Do workers know the warning signs of fraud? Ensure that staff know at least some basic fraud prevention techniques.

### **4. Conduct regular audits.**

High risk areas, such as financial or inventory departments, are obvious targets for routine audits. Surprise audits of those and all parts of the business are crucial. A good starting point in identifying fraud risks and establishing a strategy to prevent such losses is ACFE's *Fraud Prevention Check-up* (PDF): [http://www.acfe.com/documents/Fraud\\_Prev\\_Checkup\\_IA.pdf](http://www.acfe.com/documents/Fraud_Prev_Checkup_IA.pdf)

### **5. Call in an expert.**

For most firms, fraud examination is not a core business component. That's why, when fraud is suspected or discovered, it is important to enlist the anti-fraud expertise of a Certified Fraud Examiner (CFE). The CFE credential is recognized by businesses and governments worldwide as the standard for fraud prevention and detection. To locate a CFE in your area, visit [www.ACFE.com](http://www.ACFE.com).

### **About Delap LLP**

Delap LLP is one of Portland's largest locally owned public accounting firms and has earned its reputation as a firm of quality, integrity, and stability by delivering client satisfaction in the Northwest community for over 75 years.

Delap provides a full range of services including accounting, audit, tax, and consulting services across industries to help clients meet their strategic goals and business needs. For more information about Delap, visit [www.delapcpa.com](http://www.delapcpa.com).

### **About the Association of Certified Fraud Examiners**

The ACFE is the world's premier provider of anti-fraud training and education. Together with nearly 50,000 members in over 125 countries, the ACFE is reducing the incidence of fraud and providing the training and resources to fight fraud more effectively. Founded in 1988 by Joseph T. Wells, CFE, CPA, the ACFE proudly celebrates its 20<sup>th</sup> anniversary as the leader in the global fight against fraud. For more information about the ACFE, visit [www.ACFE.com](http://www.ACFE.com).

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