

EMPLOYEE FRAUD INDICATORS

It is very common to learn that an employee who has embezzled funds is having personal problems such as:

- 1) spouse lost job;
- 2) substance abuse;
- 3) divorce and/or custody battle;
- 4) a failing outside business;
- 5) a serious health problem for the employee or family member; or
- 6) a gambling addiction.

Standing trustees have observed significant changes in personality, lifestyle or appearance of employees who are later found to have embezzled trust funds.

Employees may fabricate justifications for the embezzlement by, for example, attempting to claim they were reimbursement for expenses or payment of expenses to third parties or that they were simply errors. Be alert to those excuses.

The following management approaches contribute to environments that cause embezzlements to occur and escape detection:

- 1) Lack of trustee involvement;
- 2) Lack of supervision;
- 3) Excessive delegation;
- 4) Allowing single employee to be responsible for a transaction from beginning to end;
- 5) Insufficient investigation of potential employee's background;
and
- 6) Lack of attention to complaints received in office.