

Gibbs, Giden, Locher & Turner LLP

Protecting Company Assets From Business Fraud

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National Association of Steel Pipe Distributors



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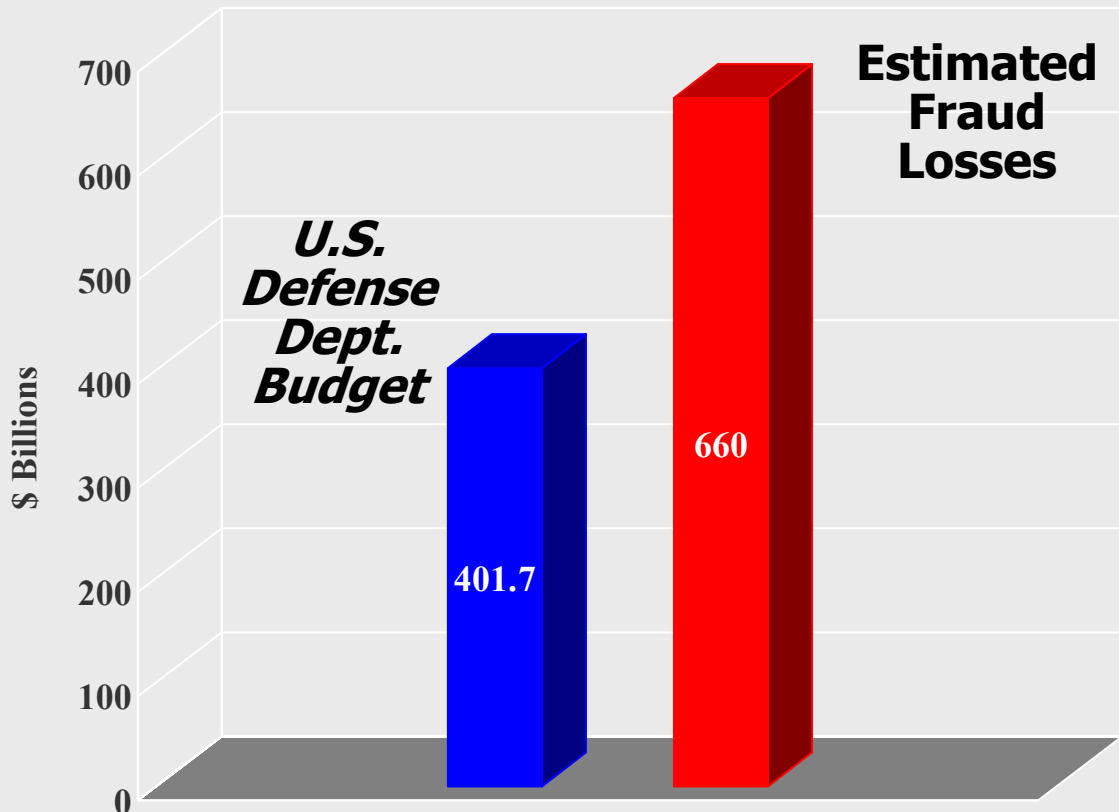
San Diego, California

Business Fraud

- 1. What is Business Fraud**
- 2. Why Your Business Is Susceptible**
- 3. When Fraud Schemes Affect Your Business**
- 4. How to Prevent Business Fraud**

Business Fraud

Estimated Losses to U.S. Business Organizations Due to Business Fraud

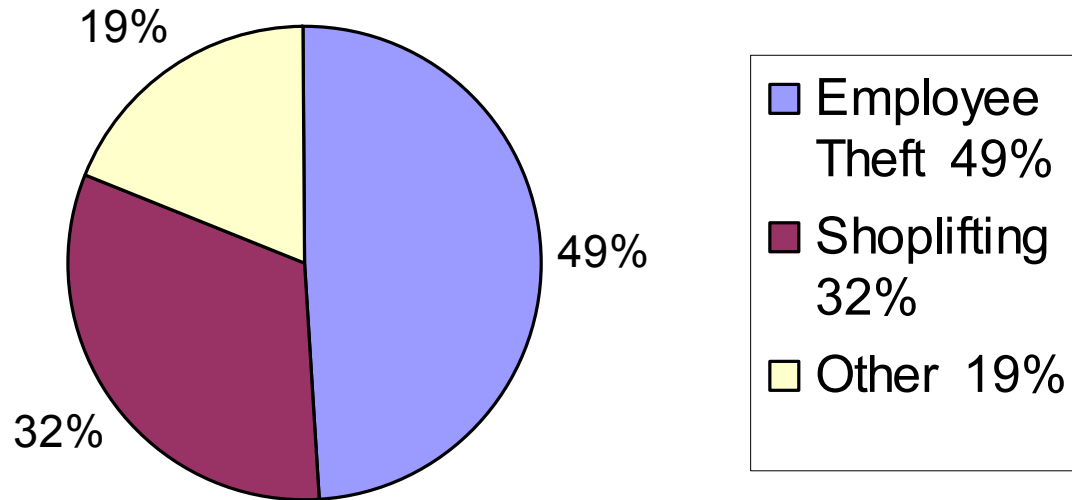


Business Fraud

**33% of all business bankruptcies
are due to employee theft**

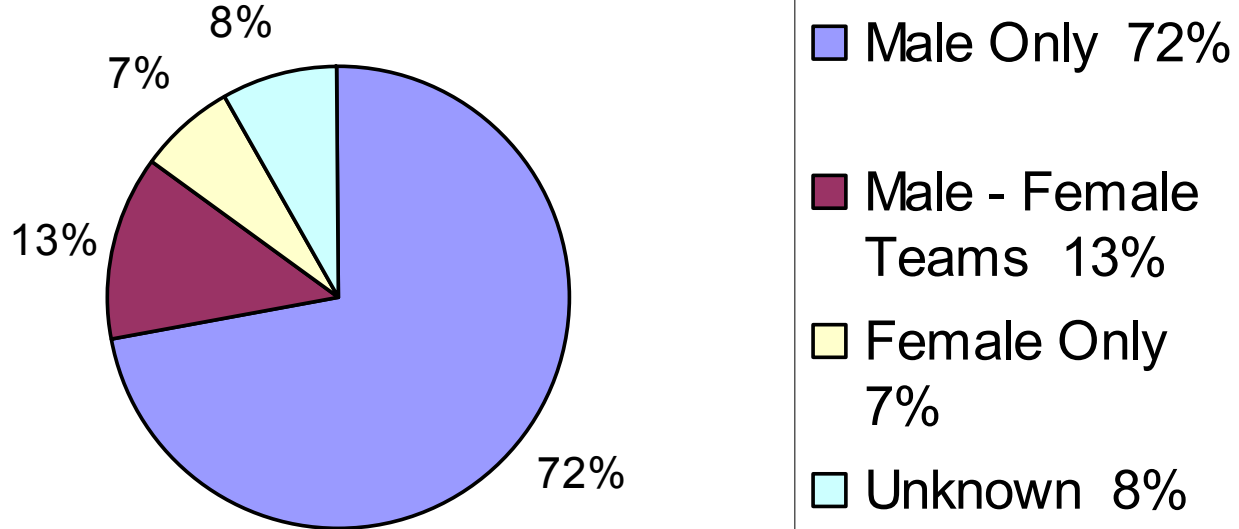
Business Fraud

RETAIL FRAUD



Business Fraud

FRAUD PERPETRATORS



Business Fraud

- **Most Likely To Commit Fraud**
 - **66% by directors or senior managers**
 - **Long-serving male executives**
 - **Business areas most targeted:**
 - **Finance department is first**
 - **Procurement is second**
 - **Sales commit only 1 in 10 frauds**

Business Fraud

Consequences:

- **Financial impact**
- **Damage to reputation**
- **Loss of competitiveness**
- **Secondary costs**

Business Fraud

Business Fraud:

Any business activity which involves misrepresentation or deceit made with the intent to defraud and deprive another of property or other right, or to cause economic injury.

Business Fraud

Warning Signs:

- **Rising expenses and/or declining revenue**
- **High inventory shrinkage**
- **Unfamiliar vendors or other payees**
- **Excessive spending by employees**

Business Fraud

Fraud from within:

- **Asset Misappropriation**
 - cash
 - noncash
- **Corruption**

Business Fraud

Fraud from outside the Company:

- **“Bustout” or “Overbuy”**
- **False Credit Reference**
- **Disregard of Job Account Procedures**
- **Hit and Run/Check Fraud**
- **Internet and Computer**

Business Fraud

Tips to avoid a scam:

- **Look for deals that are too good to be true**
- **Look for a more than aggressive sales pitch**
- **Avoid certain companies**
- **Do not be pressured to make an immediate decision**

Business Fraud

Tips to avoid a scam: (continued)

- **Do not commit or provide financial information over the telephone**
- **Compare prices and quality**
- **Check records**
- **Check invoices**

Business Fraud

Minimize the Risk:

- **Start from the top**
- **Hire carefully**
- **Maintain tight credit procedures**
- **Check credit references thoroughly**
- **Closely scrutinize financial statements**

Business Fraud

Minimize the Risk: (continued)

- **Beware of unsolicited new customers**
- **Check addresses**
- **Protect computers**
- **Control financial practices**

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