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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

TBC Business Advisory & Forensic Accounting Services Team

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Preventing & Detecting Fraud in the Workplace – July 18, 2014

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Outline

- Occupational Fraud, Including Types & Statistics
- Red Flags
- Construction Specific Factors
- Collusion Case Study
- Information Systems – Investigation / Detection
- Tips To Deter & Detect Fraud / Good Business Practices

What is Fraud?

The term *fraud* has come to encompass many forms of misconduct.

While the legal definition is very specific...

the common usage is much broader and generally covers any attempt to deceive another party to gain a benefit.



Trust

For businesses to operate and commerce to flow, companies must entrust their employees with resources and responsibilities. So when an employee defrauds his or her employer, the fallout is often especially harsh.

Abuses of Trust

The formal definition of occupational fraud is:

- *The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.*

The Cost of Occupational Fraud



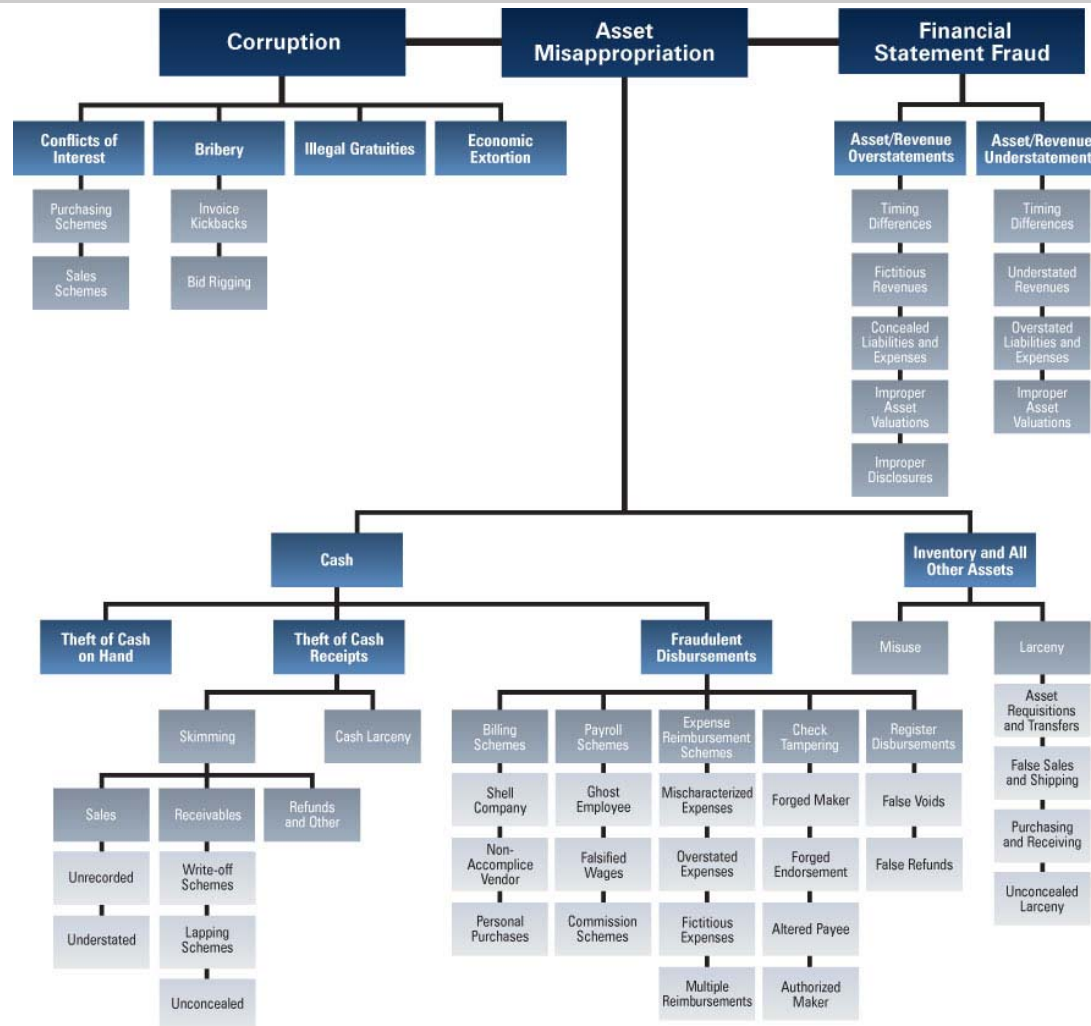
The typical organization loses an estimated 5% of its annual revenues to occupational fraud.

The Cost of Occupational Fraud

The median loss for 1,379 cases was \$140,000.



Classification System



Asset Misappropriation Schemes

- An employee steals or misuses the organization's resources (e.g., theft of company cash, false billing schemes or inflated expense reports).

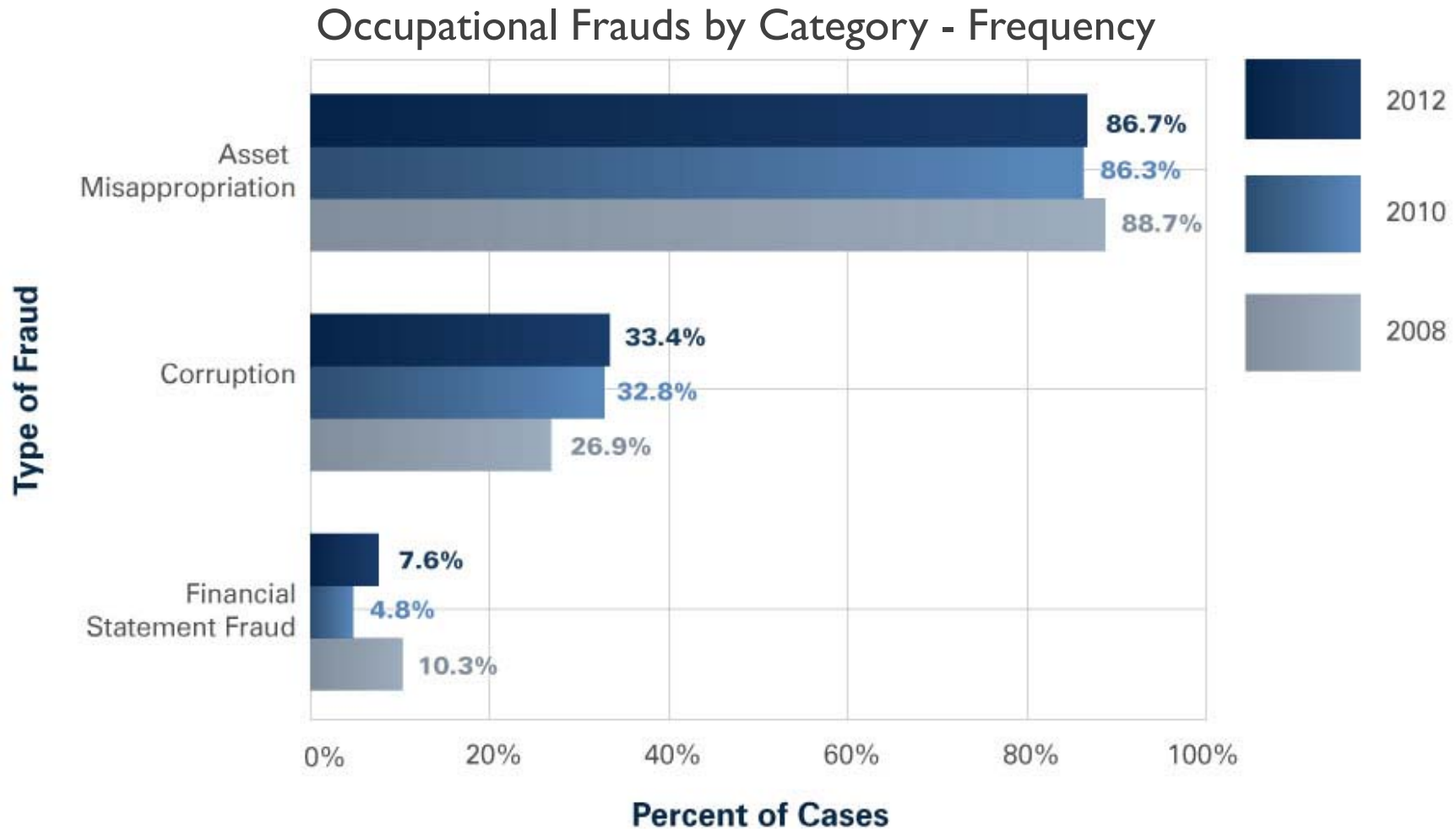
Corruption Schemes

- An employee misuses his or her influence in a business transaction in a way that violates his or her duty to the employer in order to gain a direct or indirect benefit (e.g., schemes involving bribery or conflicts of interest).

Financial Statement Fraud Schemes

- An employee intentionally causes a misstatement or omission of material information in the organization's financial reports (e.g., recording fictitious revenues, understating reported expenses or artificially inflating reported assets).

How Occupational Fraud is Committed

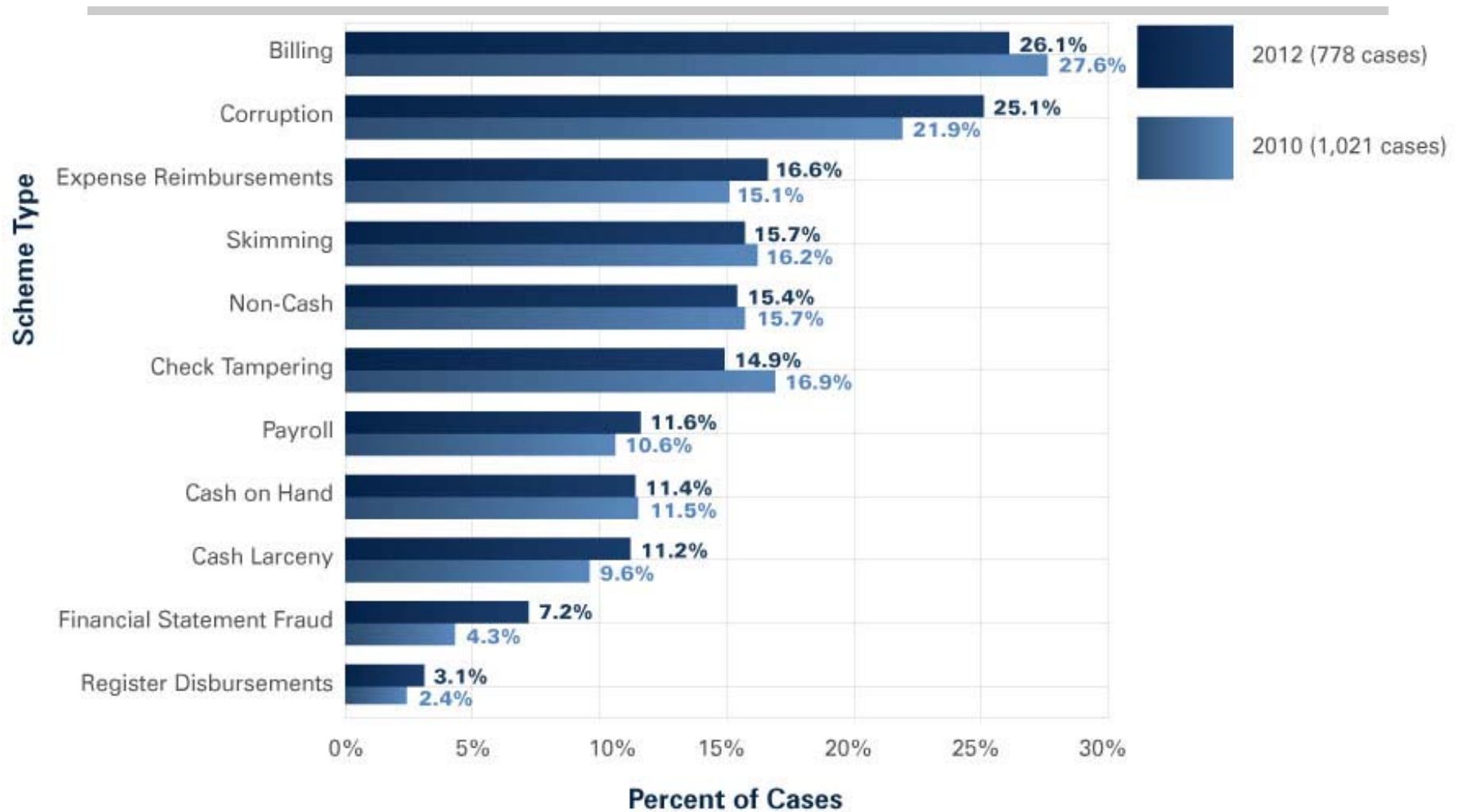


How Occupational Fraud is Committed

Occupational Frauds by Category - Median Loss



Scheme Types



Billing Schemes

- Any scheme in which a person causes his or her employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases.
 - Employee creates a shell company and bills employer for services not actually rendered.
 - Employee purchases personal items and submits an invoice to employer for payment.

Expense Reimbursement Schemes

- Any scheme in which an employee makes a claim for reimbursement of fictitious or inflated business expenses.
 - Employee files fraudulent expense report, claiming personal travel, nonexistent meals, etc.

Non-Cash Misappropriations

- Any scheme in which an employee steals or misuses non-cash assets of the victim organization.
 - Employee steals inventory from a warehouse or storeroom.
 - Employee steals or misuses confidential customer financial information.

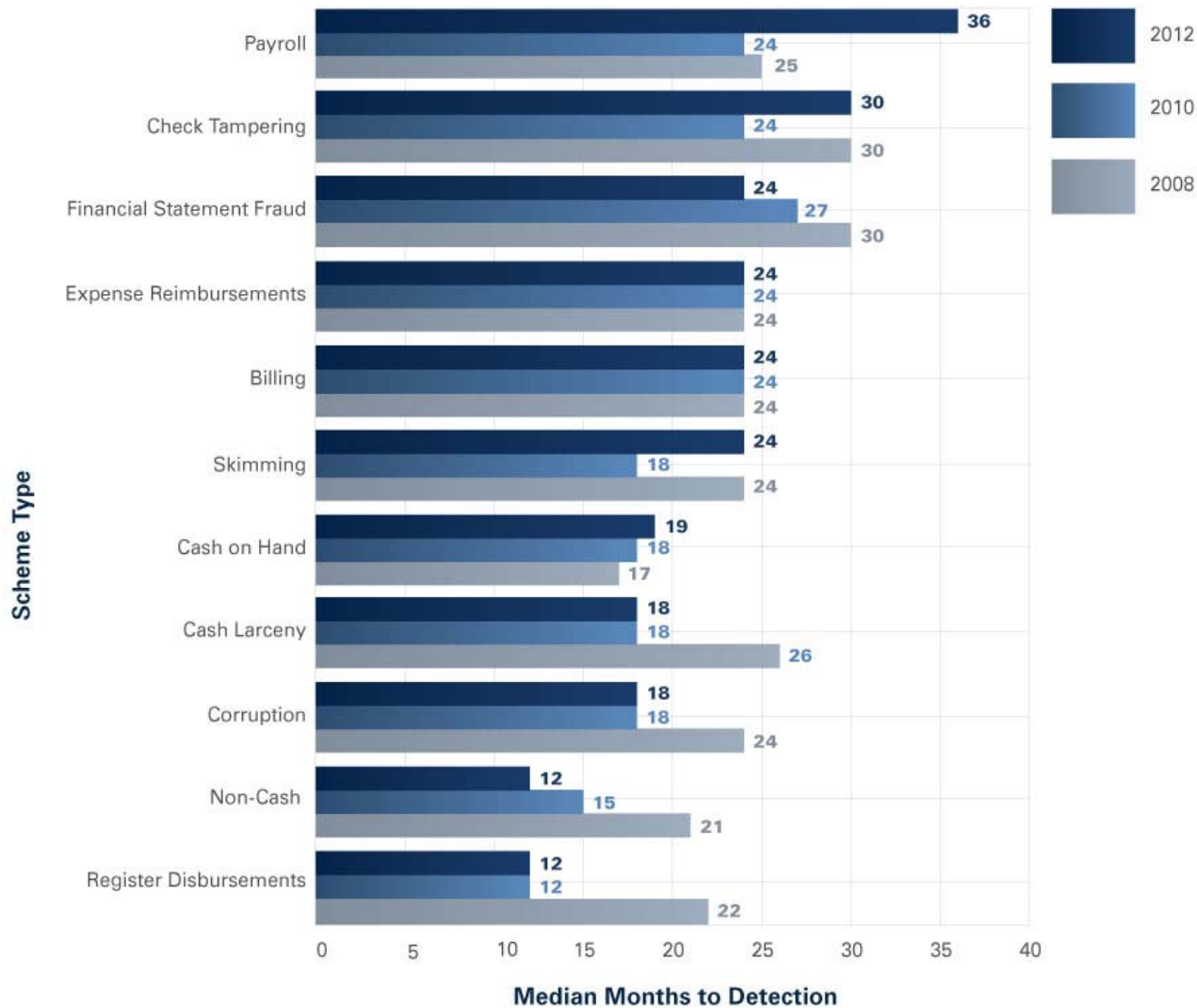
Skimming Schemes

- Any scheme in which cash is stolen from an organization before it is recorded on the organization's books and records.
 - Employee accepts payment from a customer but does not record the sale and instead pockets the money.

Check Tampering Schemes

- Any scheme in which a person steals his or her employer's funds by intercepting, forging or altering a check drawn on one of the organization's bank accounts.
 - Employee steal blank company checks and makes them out to himself or an accomplice.
 - Employee steals an outgoing check to a vendor and deposits it into his or her own bank account.

Duration



- 12-36 Months
- Median 18 Months

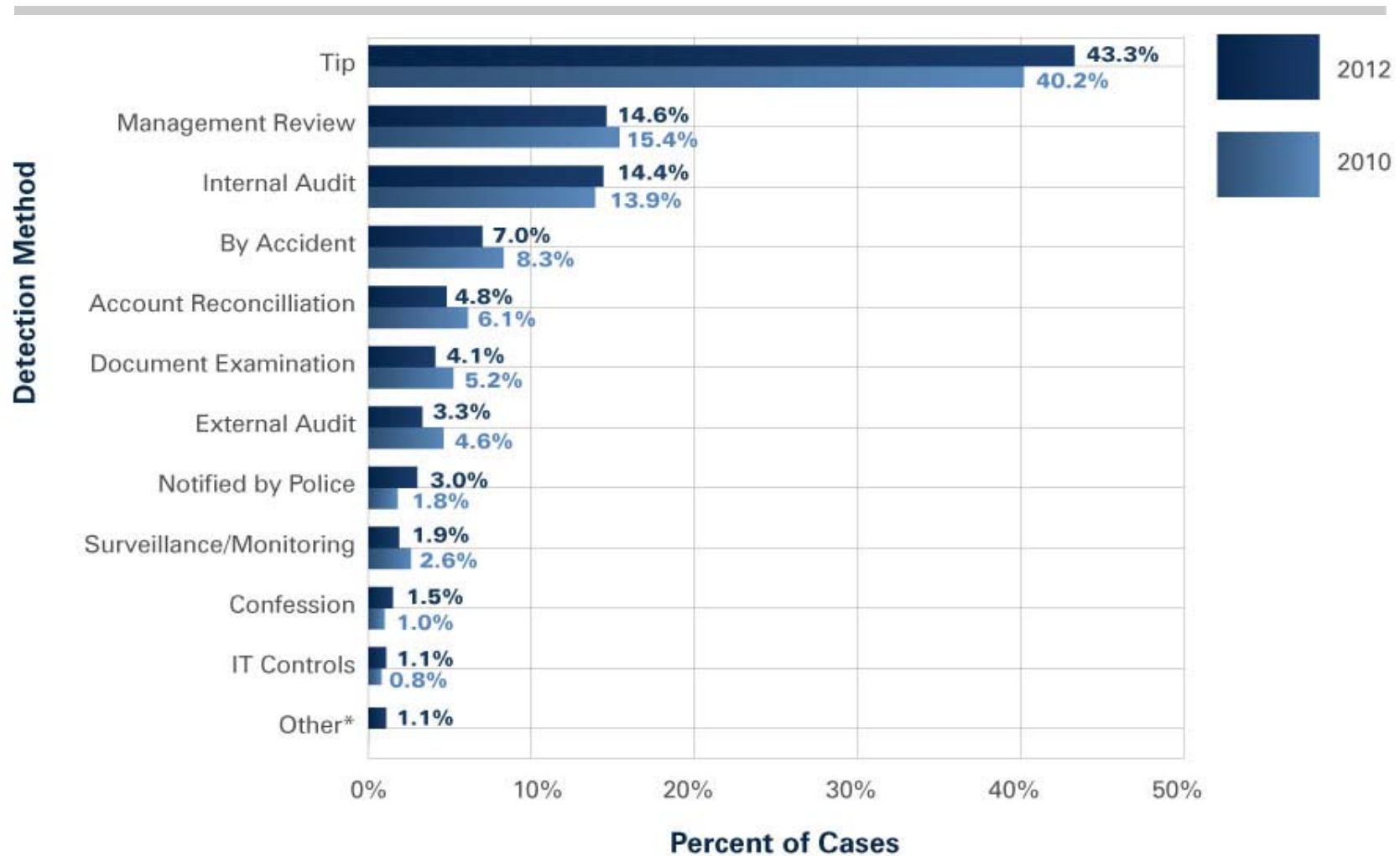
Detection

- Initial detection - most crucial moment in the fraud examination process.
- Decisions must be made quickly to secure evidence, mitigate losses, and execute the best investigation strategy available.

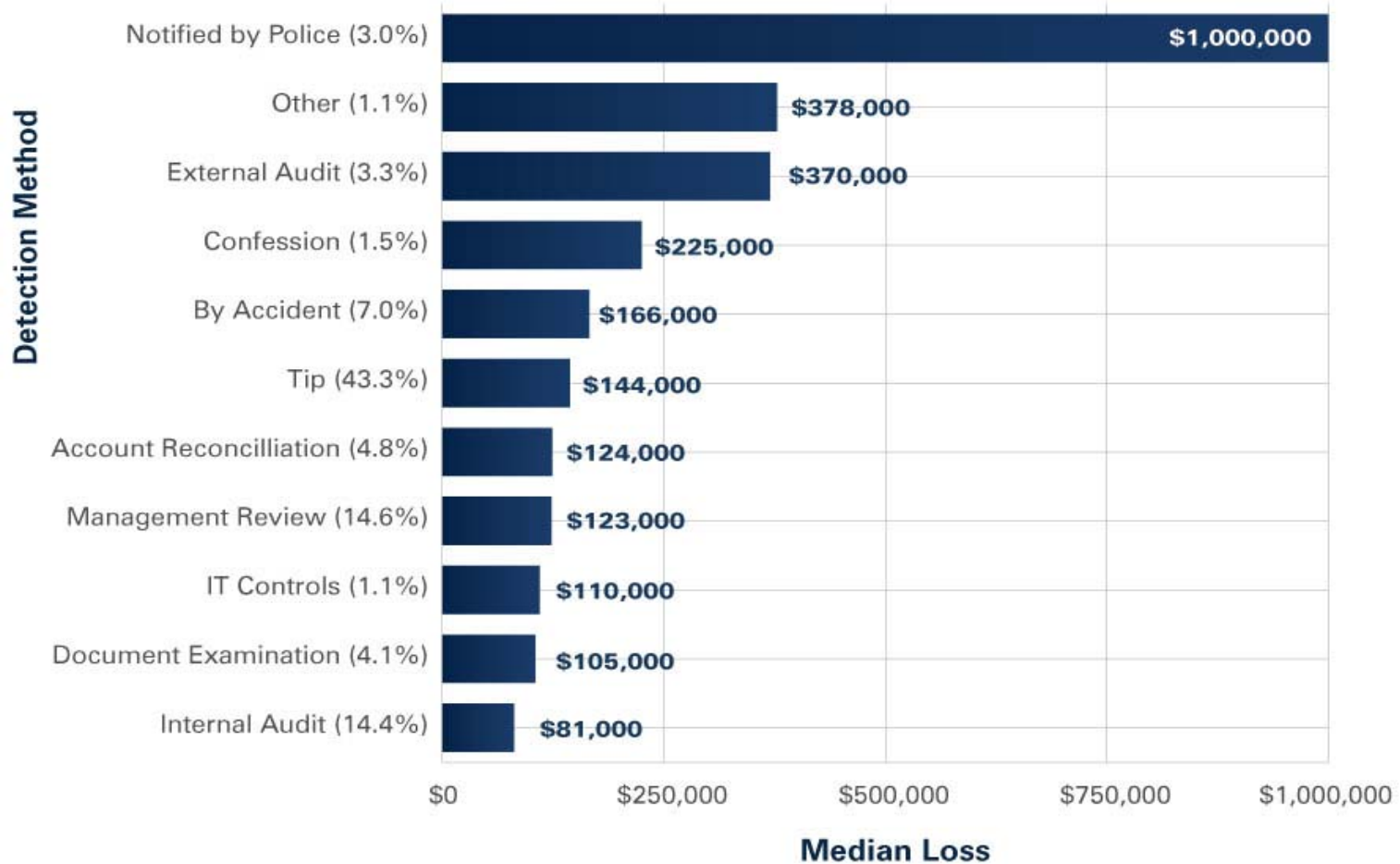
Most Likely Detection Method



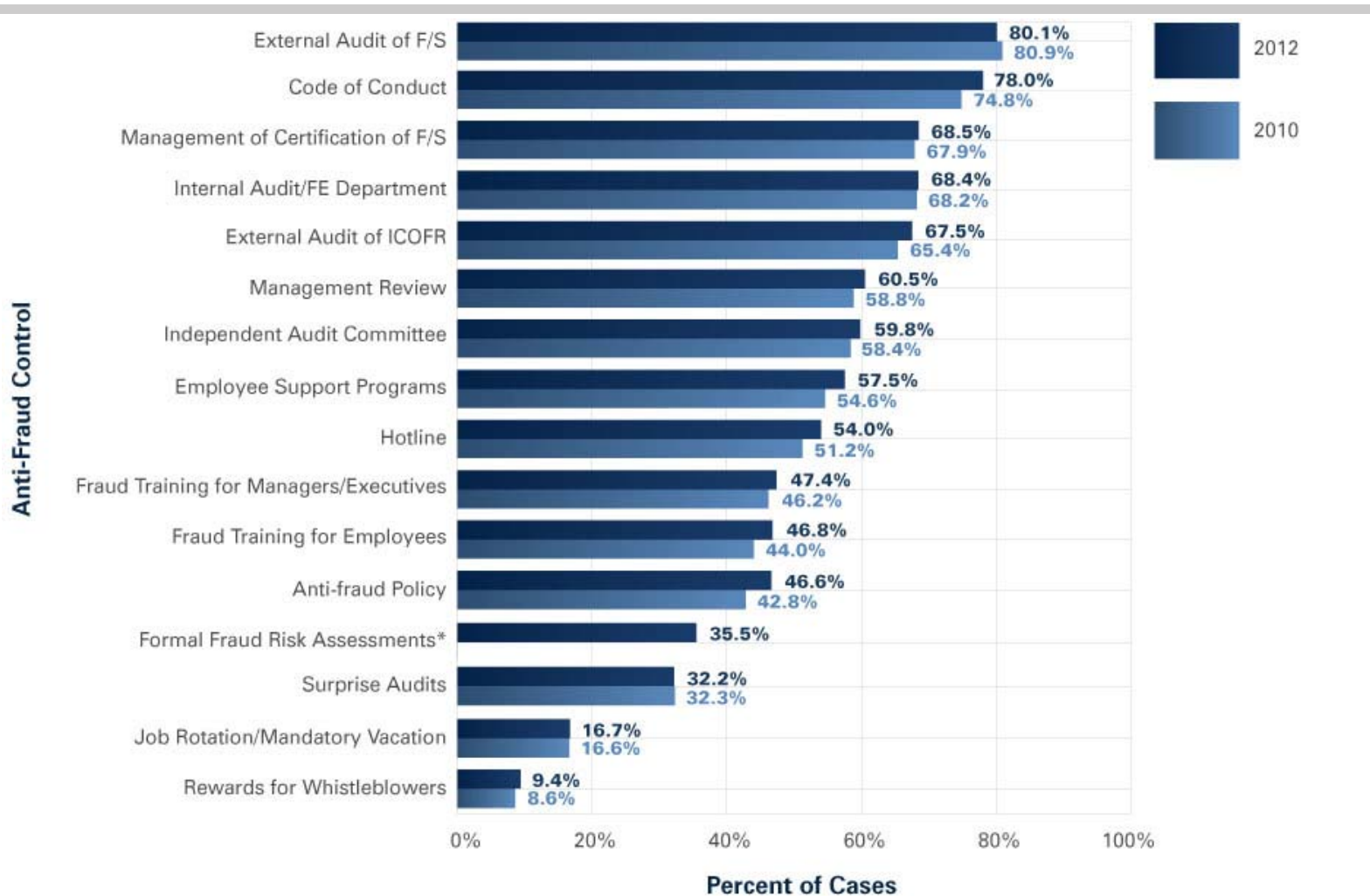
Initial Detection of Occupational Frauds



Median Loss by Detection Method



Frequency of Anti-Fraud Controls



Proactive Fraud Methods

- Use analytical reviews of certain transactions.
- Fraud assessment questioning.
- Enforcement of mandatory vacations.
- Job rotations.
- Surprise audits.
- Increase the perception of detection.

Effectiveness of Controls

Median Loss Based on Presence of Anti-Fraud Controls				
Control	Percent of Cases Implemented	Control in Place	Control Not in Place	Percent Reduction
Management Review	60.5%	\$100,000	\$185,000	45.9%
Employee Support Programs	57.5%	\$100,000	\$180,000	44.4%
Hotline	54.0%	\$100,000	\$180,000	44.4%
Fraud Training for Managers/Executives	47.4%	\$100,000	\$158,000	36.7%
External Audit of ICOFR	67.5%	\$120,000	\$187,000	35.8%
Fraud Training for Employees	46.8%	\$100,000	\$155,000	35.5%
Anti-Fraud Policy	46.6%	\$100,000	\$150,000	33.3%
Formal Fraud Risk Assessments	35.5%	\$100,000	\$150,000	33.3%
Internal Audit/FE Department	68.4%	\$120,000	\$180,000	33.3%
Job Rotation/Mandatory Vacation	16.7%	\$100,000	\$150,000	33.3%
Surprise Audits	32.2%	\$100,000	\$150,000	33.3%
Rewards for Whistleblowers	9.4%	\$100,000	\$145,000	31.0%
Code of Conduct	78.0%	\$120,000	\$164,000	26.8%
Independent Audit Committee	59.8%	\$125,000	\$150,000	16.7%
Management Certification of F/S	68.5%	\$138,000	\$164,000	15.9%
External Audit of F/S	80.1%	\$140,000	\$145,000	3.4%

External audits of financial statements - the most commonly implemented control among the victim organizations - showed the least impact on the median loss suffered.

Effectiveness of Controls

Duration of Fraud Based on Presence of Anti-Fraud Controls

Control	Percent of Cases Implemented	Control in Place	Control Not in Place	Percent Reduction
Job Rotation/Mandatory Vacation	16.7%	9 months	24 months	62.5%
Rewards for Whistleblowers	9.4%	9 months	22 months	59.1%
Surprise Audits	32.2%	10 months	24 months	58.3%
Code of Conduct	78.0%	14 months	30 months	53.3%
Anti-Fraud Policy	46.6%	12 months	24 months	50.0%
External Audit of ICOFR	67.5%	12 months	24 months	50.0%
Formal Fraud Risk Assessments	35.5%	12 months	24 months	50.0%
Fraud Training for Employees	46.8%	12 months	24 months	50.0%
Fraud Training for Managers/Execs	47.4%	12 months	24 months	50.0%
Hotline	54.0%	12 months	24 months	50.0%
Mgmt Certification of F/S	60.5%	12 months	24 months	50.0%
Independent Audit Committee	59.8%	13 months	24 months	45.8%
Internal Audit/FE Department	68.4%	13 months	24 months	45.8%
Management Review	68.5%	14 months	24 months	41.7%
Employee Support Programs	57.5%	16 months	21 months	23.8%
External Audit of F/S	80.1%	17 months	24 months	29.2%

Internal Controls / Prevention

- Designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - Reliability of financial reporting
 - Effectiveness and efficiency of operations
 - Compliance with applicable laws and regulations

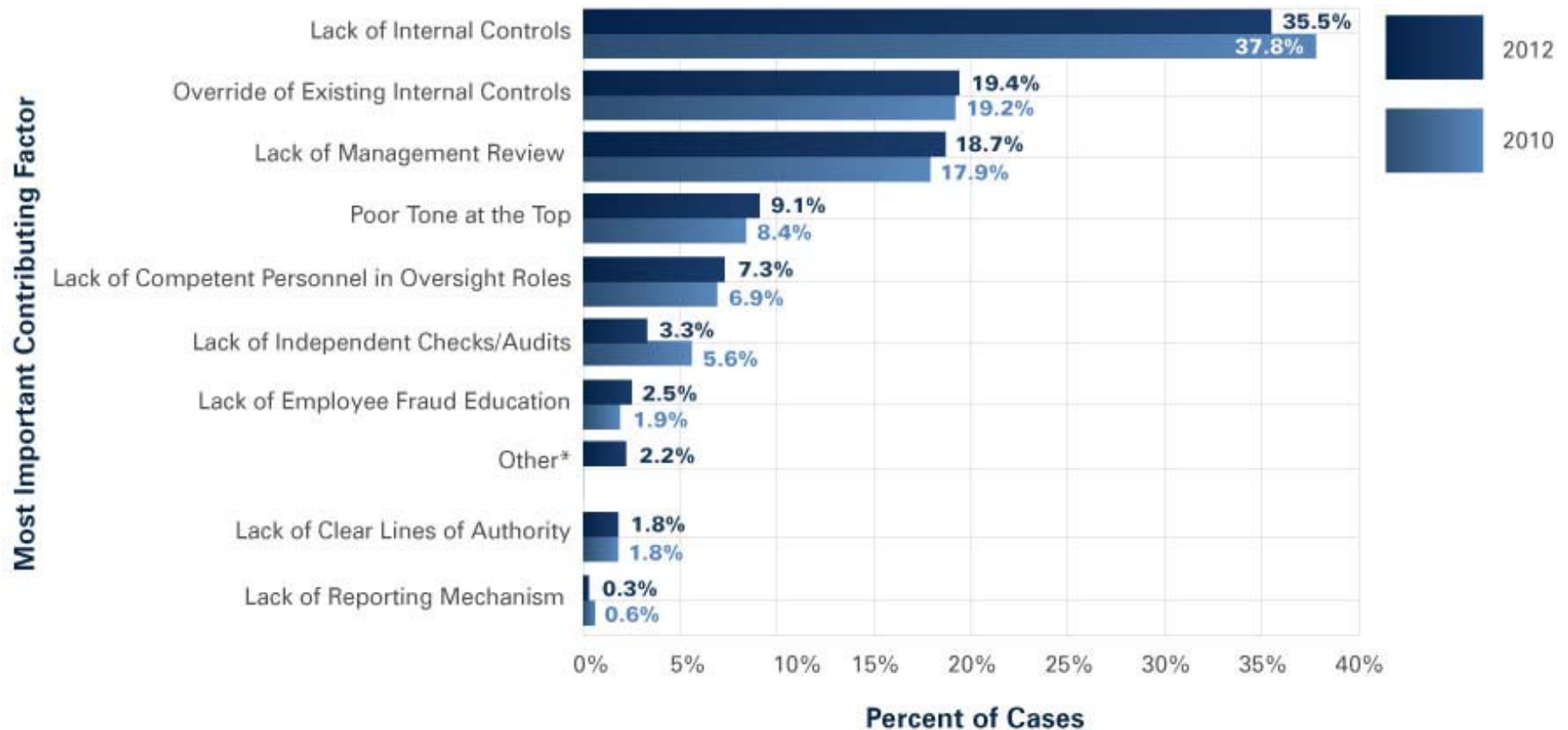
Internal Controls / Prevention

Separation of Duties

- Purpose - to prevent any one person from having too much control over a particular business function.
- It's a built in monitoring mechanism - every person's actions are verified by another.



Primary Internal Control Weaknesses



Small Businesses

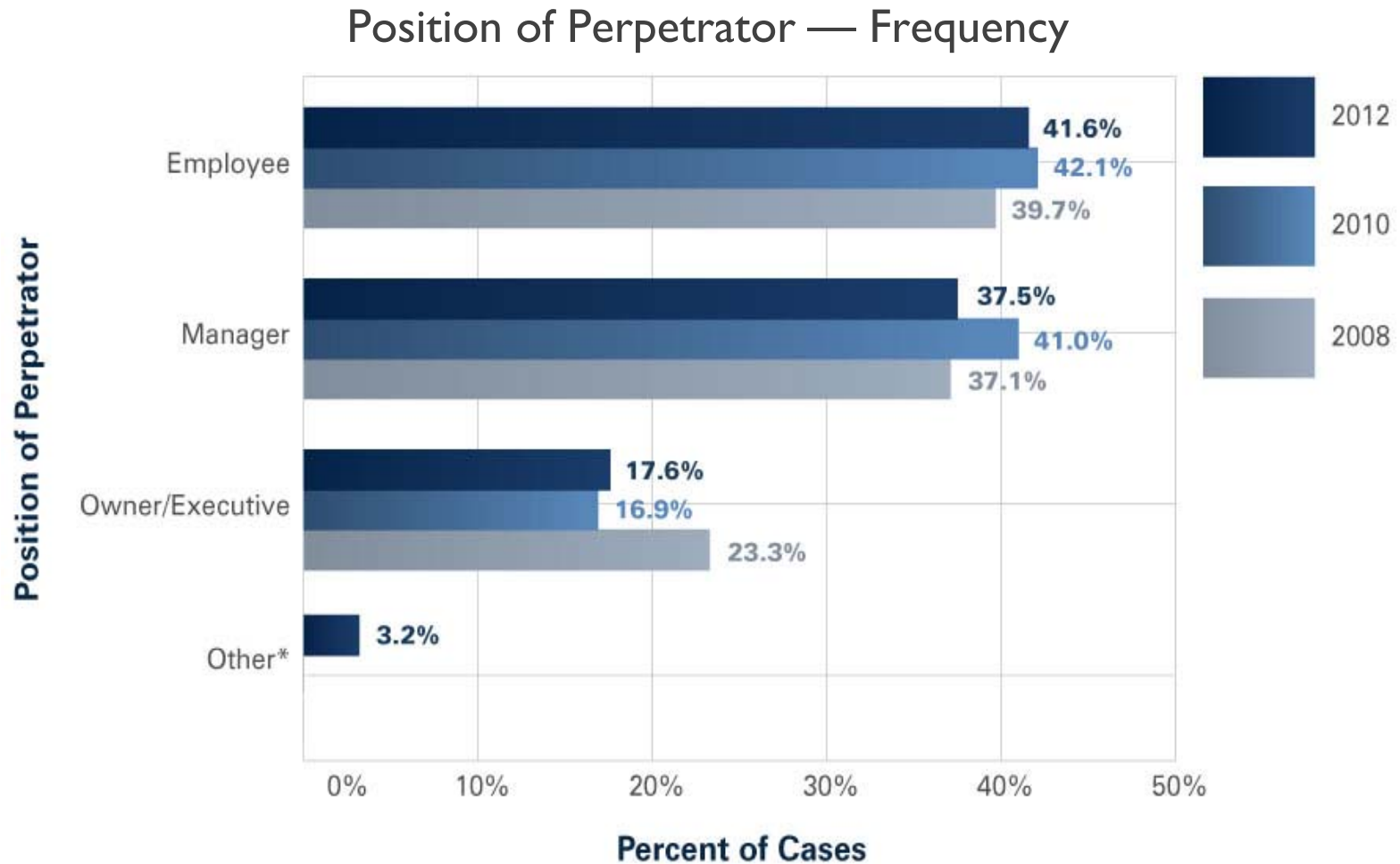
- Due to their limited resources, small businesses can be especially devastated by a loss of funds to fraud.
- An outright lack of controls was the most frequently cited factor, noted as the primary weakness in more than 45% of those cases that occurred in small businesses.

Profile of The Fraudster

ACFE study included demographic information about the fraud perpetrators:

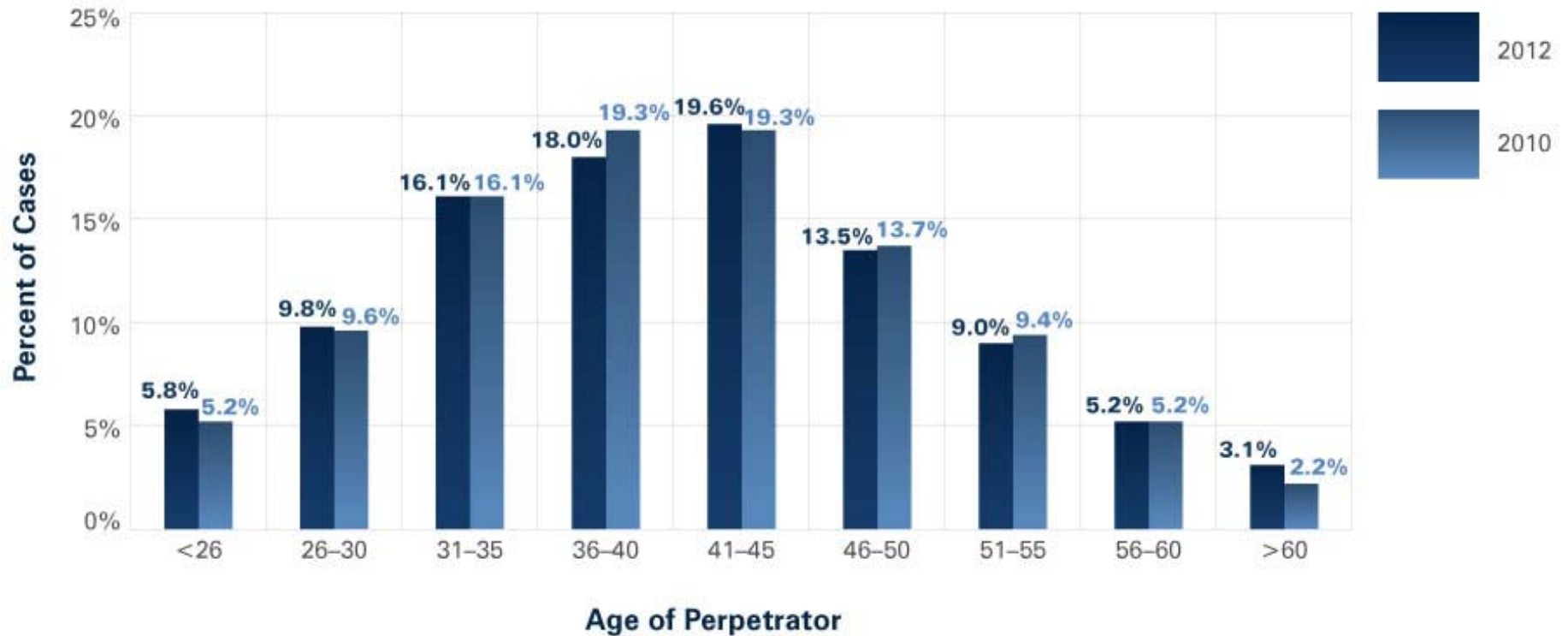
- Level of authority,
- Age,
- Gender,
- Tenure with the victim,
- Education level,
- Department, and
- Criminal and employment history.

Profile of The Fraudster



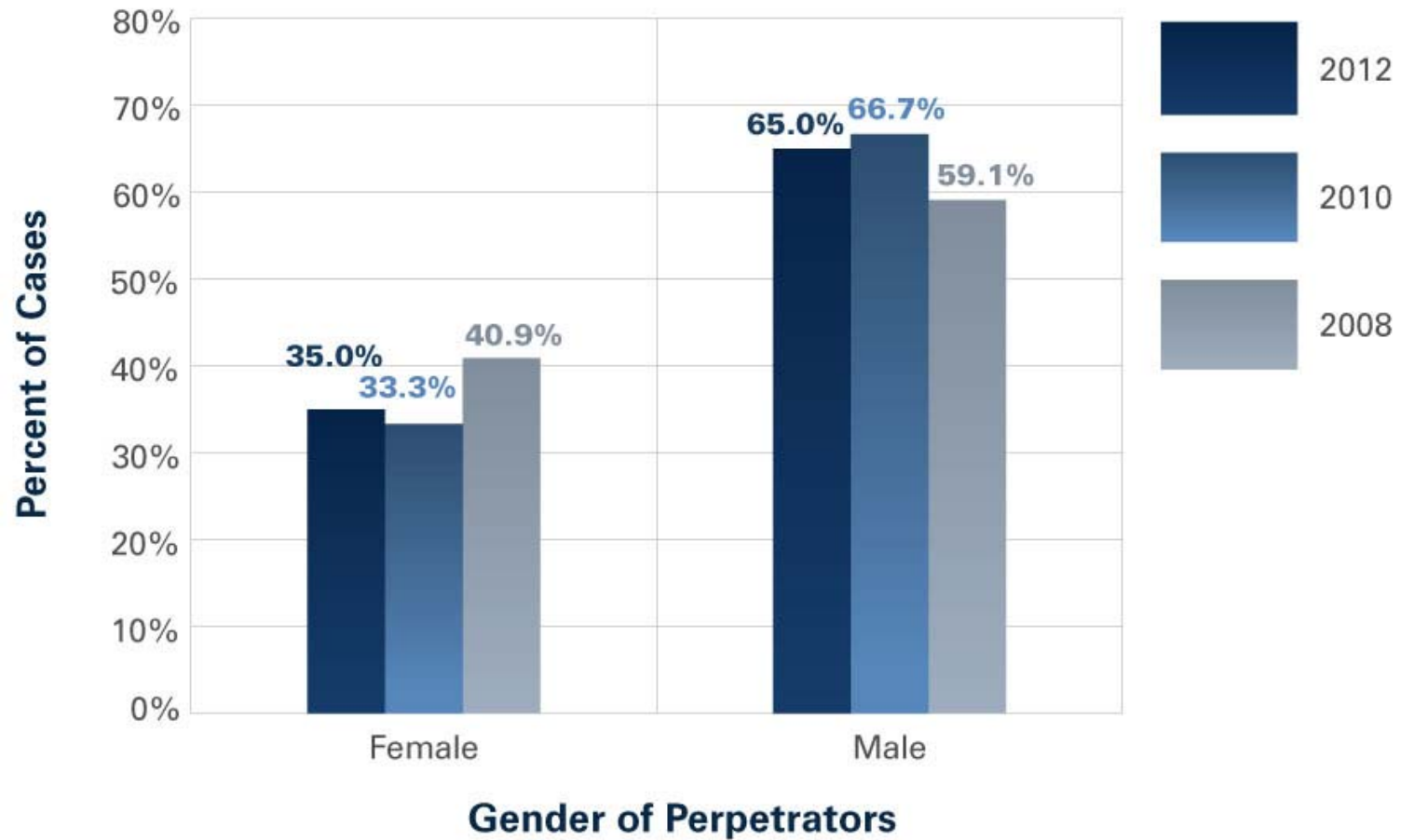
Profile of The Fraudster

Age of Perpetrator — Frequency



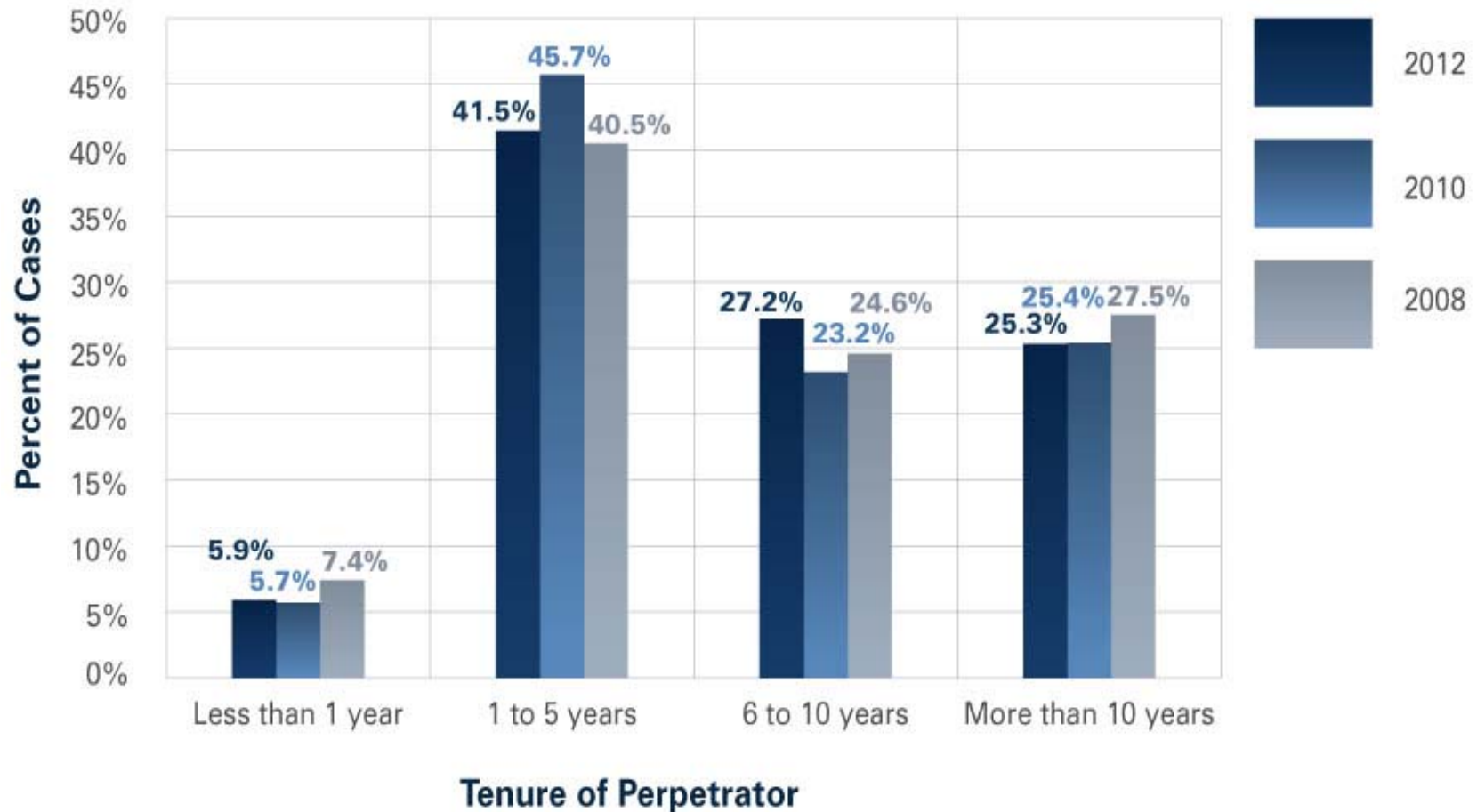
Profile of The Fraudster

Gender of Perpetrator — Frequency

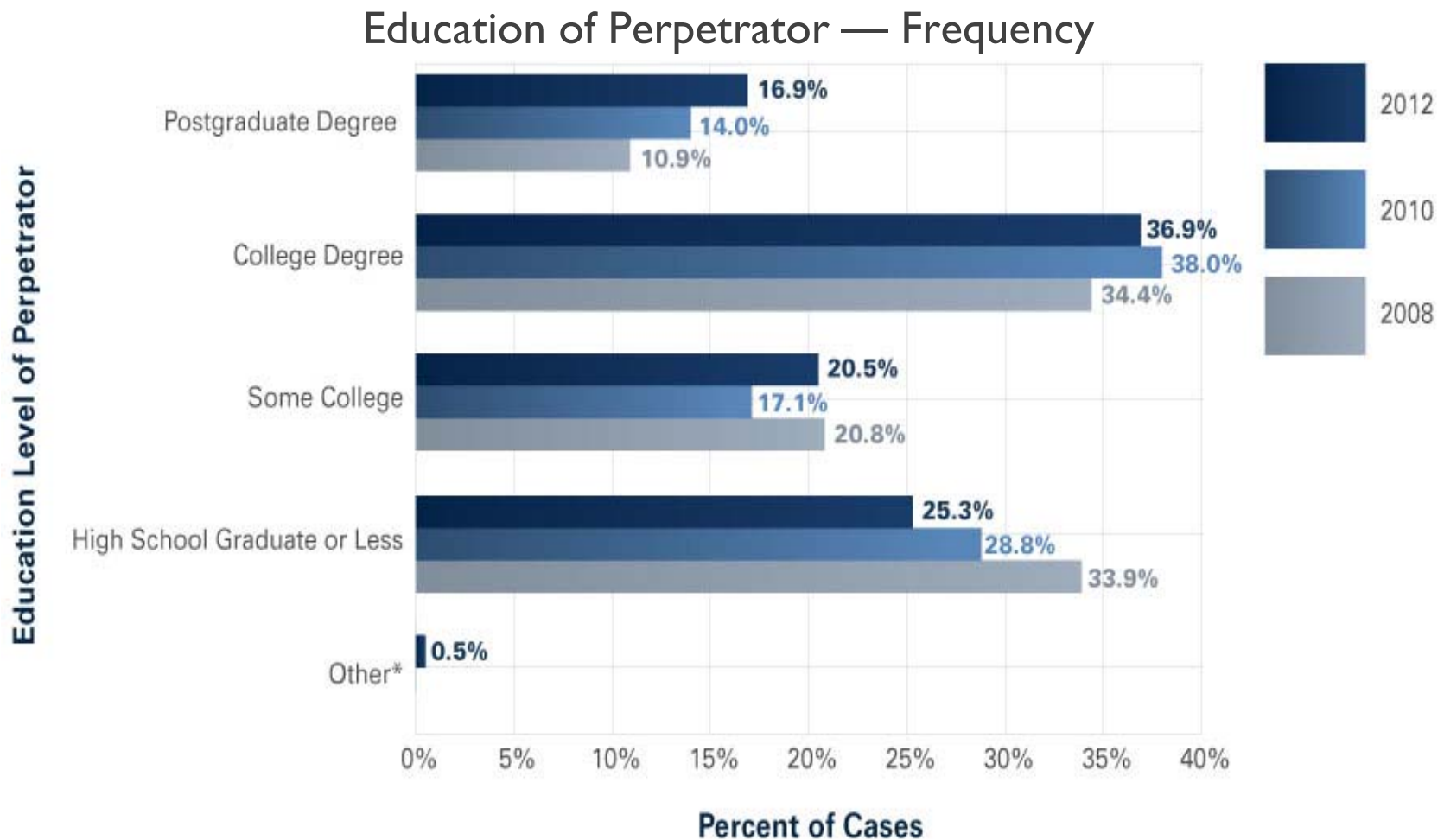


Profile of The Fraudster

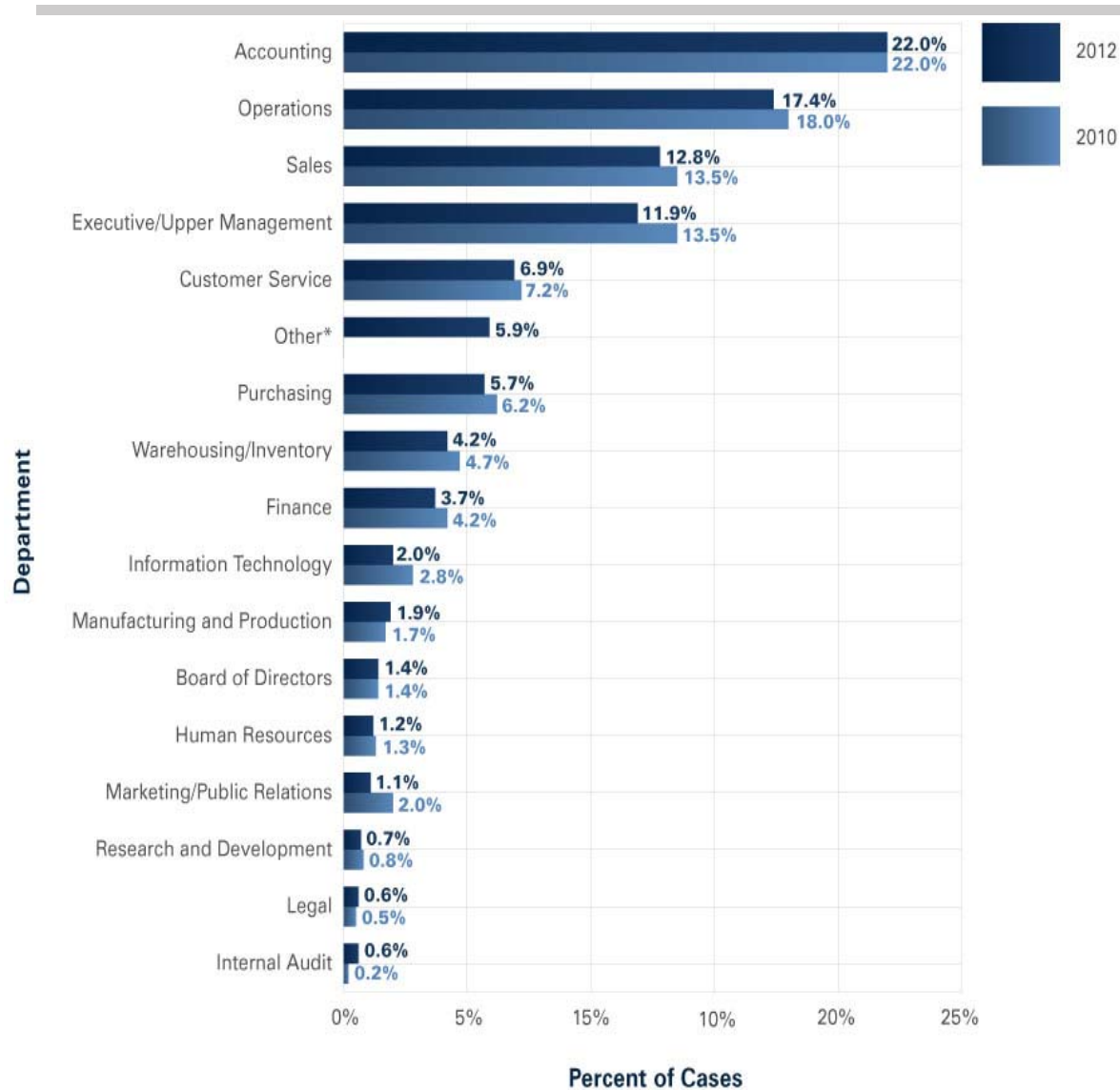
Tenure of Perpetrator — Frequency



Profile of The Fraudster



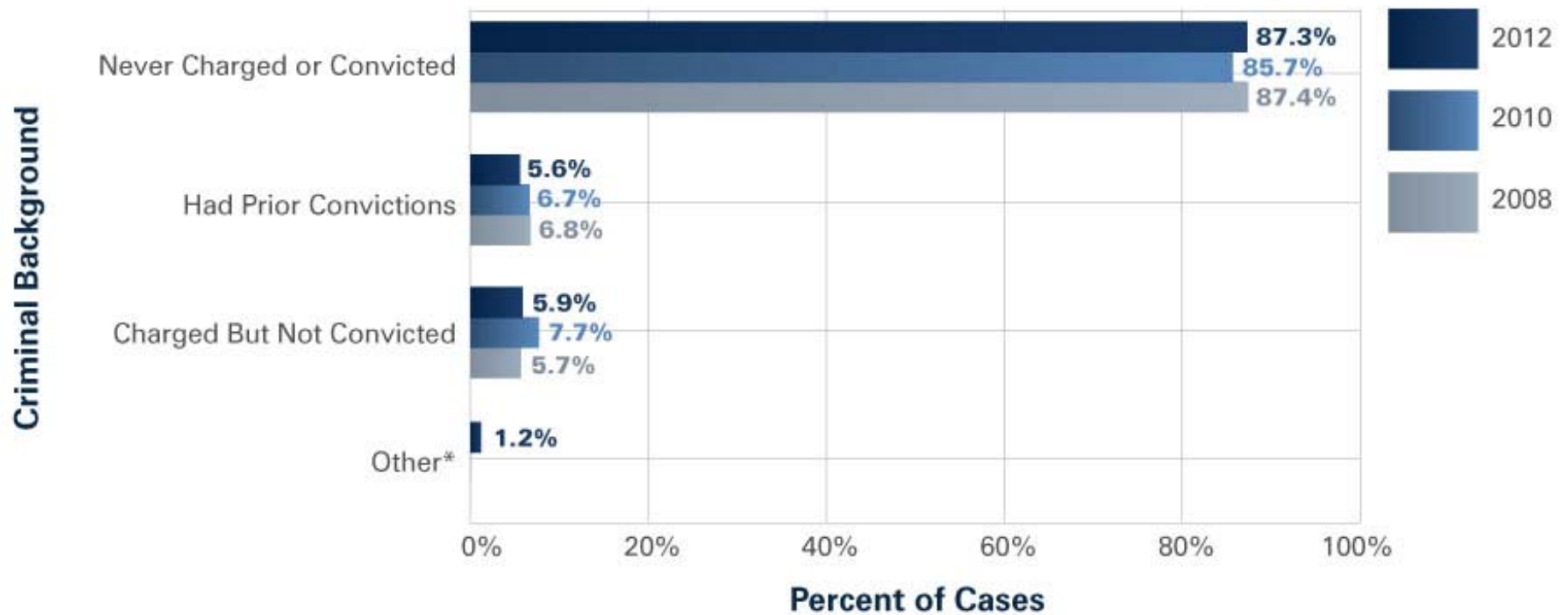
Profile of The Fraudster



Department of Perpetrator — Frequency

Profile of The Fraudster

Perpetrator's Criminal Background



Profile Summary

- Most frequently commit occupational fraud:
 - Male
 - Employee level
 - 1 – 5 years at employer
 - 36 – 45 years old
 - 4 year degree
- Highest median losses resulting from fraud:
 - Male
 - Owner
 - More than 10 years at employer
 - More than 50 years old
 - Post graduate degree

“Red Flags” Indicating Fraud Risk

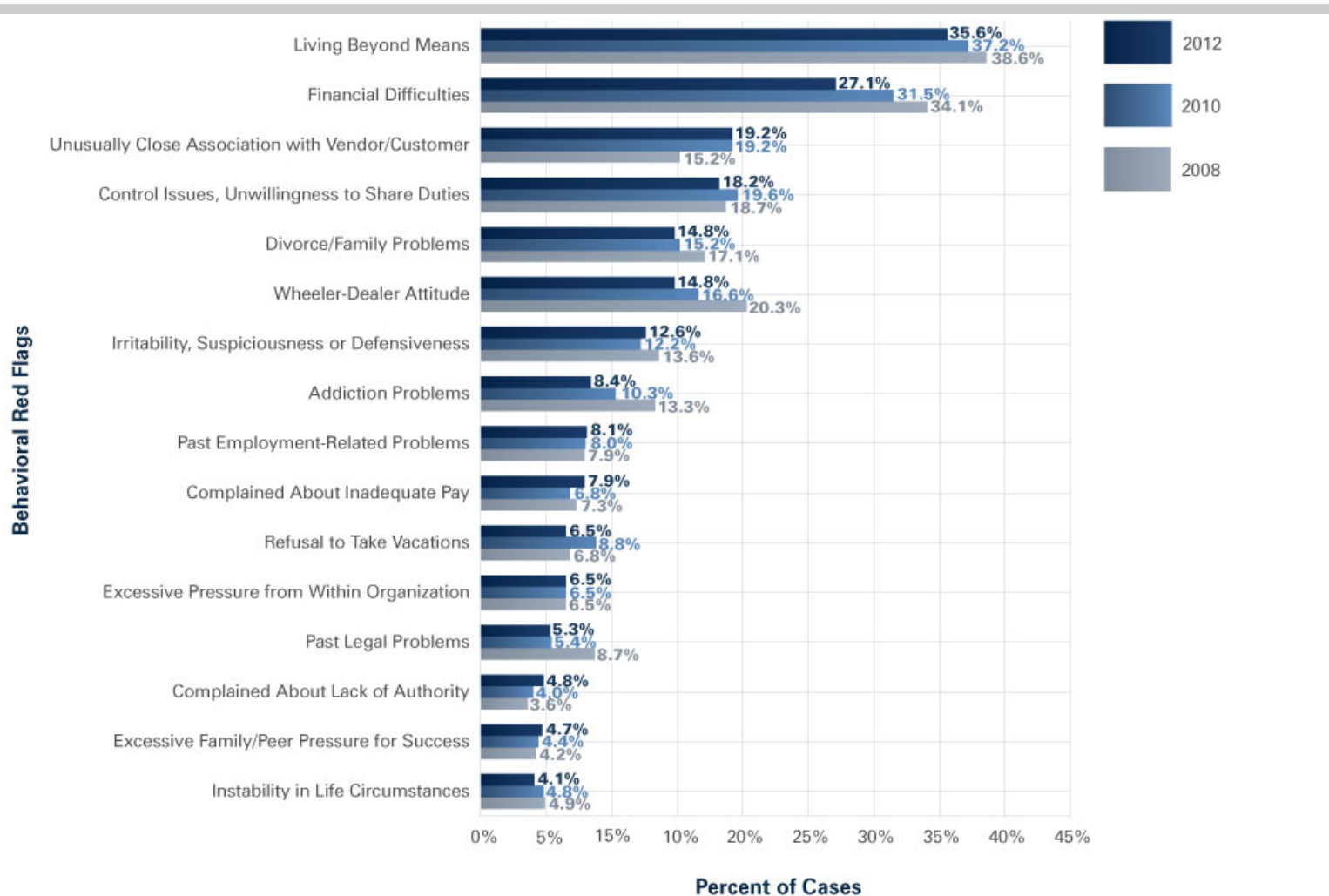
Behavioral Red Flags Displayed by Perpetrators:

- Most occupational fraudsters’ crimes are motivated at least in part by some kind of financial pressure. In addition, while committing a fraud, an individual will frequently display certain behavioral traits associated with stress or a fear of being caught.

“Red Flags” Indicating Fraud Risk

- Most fraudsters’ crimes are motivated at least in part by some kind of financial pressure. In addition, while committing a fraud, an individual will frequently display certain behavioral traits associated with stress or a fear of being caught. These can serve as warning signs of their actions.
- These are called “red flags”.
- Red flags generally will not be identified by traditional internal controls.

“Red Flags” Indicating Fraud Risk



“Red Flags” Indicating Fraud Risk

- A single red flag is not proof that a fraud has taken place. Where clusters of such indicators are found, the manager should be more alert for irregularities.



Fraud in Construction

- As with any other companies, construction companies are open to the possibility of fraud through the normal mechanisms.

Corruption in Construction

Corruption Cases by Industry			
Industry	Total Number of Cases	Number of Corruption Cases	Percent of Cases Involving Corruption
Mining	9	7	77.8%
Utilities	24	14	58.3%
Oil and Gas	44	22	50.0%
Technology	38	18	47.4%
Real Estate	28	12	42.9%
Agriculture, Forestry, Fishing and Hunting	20	8	40.0%
Wholesale Trade	27	10	37.0%
Banking and Financial Services	229	83	36.2%
Transportation and Warehousing	36	13	36.1%
Government and Public Administration	141	50	35.5%
Construction	47	16	34.0%
Manufacturing	139	47	33.8%
Services (Other)	48	16	33.3%
Health Care	92	28	30.4%
Telecommunications	43	13	30.2%
Services (Professional)	55	15	27.3%
Insurance	78	21	26.9%
Arts, Entertainment and Recreation	32	8	25.0%
Education	88	21	23.9%
Retail	83	19	22.9%
Religious, Charitable or Social Services	54	12	22.2%
Communications and Publishing	9	1	11.1%

Ethics in Construction

- National Business Ethics Survey
 - Employees more at risk for facing workplace ethics issues.
 - But more willing to blow the whistle on misconduct than other industries.

Ethics in Construction

- Compared to US National Averages
 - Far more feel pressure to compromise standards (18% vs. 13%).
 - Witness more misconduct (53% vs. 48%).
 - Significantly more likely to experience retaliation after reporting said misconduct (37% vs. 22%).

Ethics in Construction

RANKING OF SOURCES OF PRESSURE BY INTENSITY

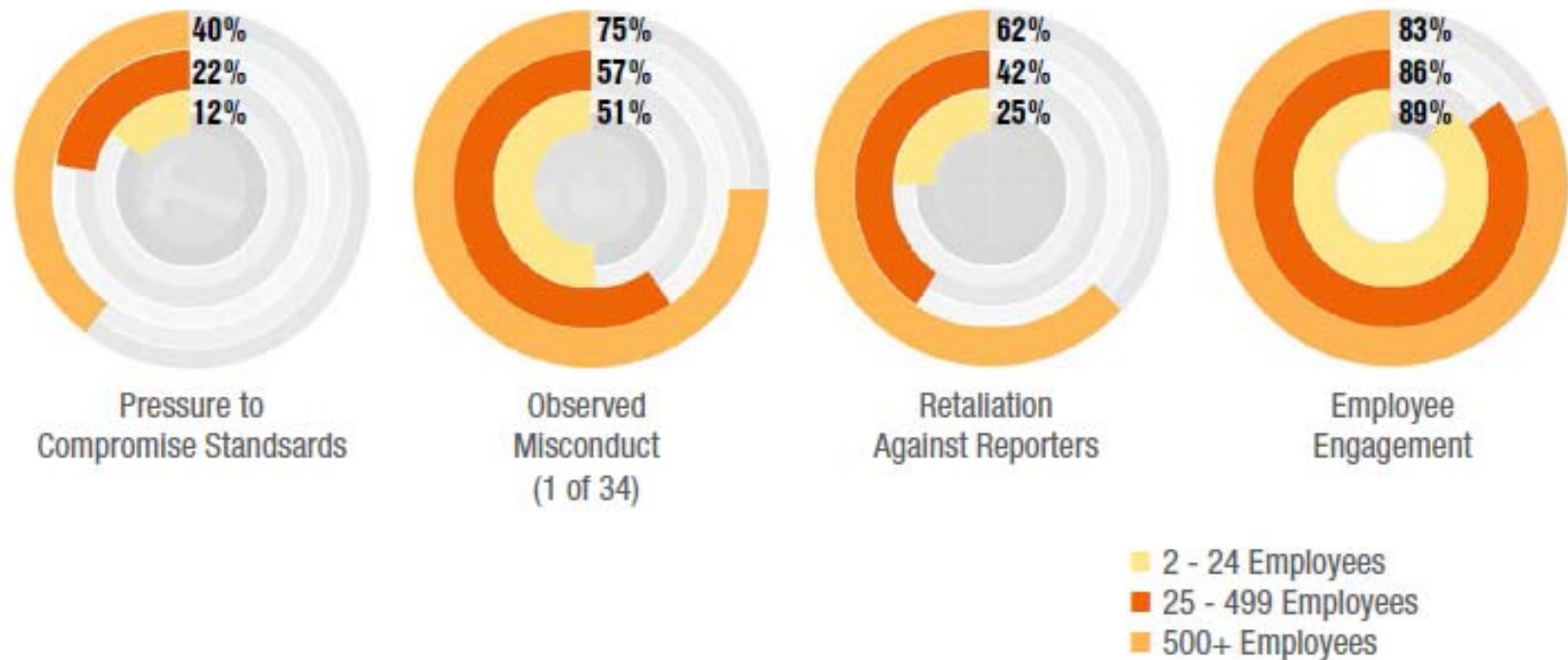
Most to least

- 1 Adhering to a project timeline
- 2 Trying to keep a project on budget
- 3 Meeting your personal financial obligations
- 4 Ensuring the financial stability & success of your company
- 5 Keeping your job*
- 6 Wanting to make your boss look good
- 7 Advancing your career*
- 8 Committing safety violations
- 9 Ignoring wrongdoing you witness
- 10 Violating the law

Ethics in Construction

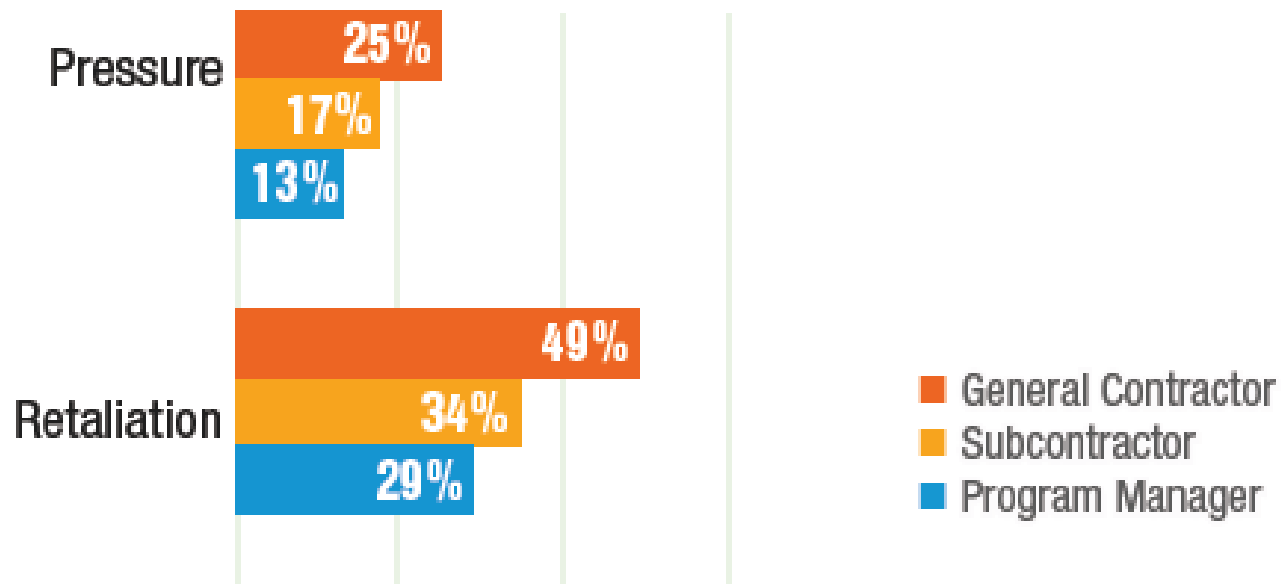
- An impressive 74% said they reported workplace misconduct:
 - Higher than any other group of employees in all 19 years of ERC's National Business Ethics Surveys.
 - 2011 national average was only 65%.

Ethics in Construction



Ethics in Construction

PRESSURE & RETALIATION HIGHER AMONG GENERAL CONTRACTORS



Compliance and Ethics Program

- In 1991, the U.S. Sentencing Commission presented the Federal Sentencing Guidelines for Organizations (FSGO), establishing for the first time a uniform framework for punishing corporations that broke the law. It also offered incentives for companies to establish effective ethics and compliance programs (and encouraged self-policing) at every level of the organization.

Compliance and Ethics Program

- According to the FSGO, in order for a company's compliance and ethics program to be considered effective, they must show an effort to implement seven steps recommended in the Guidelines.

Compliance and Ethics Program

1 Compliance standards and procedures reasonably capable of reducing the prospect of criminal activity

Oversight by high-level personnel

3 Due care in delegating substantial discretionary authority

Effective communication and training to all levels of employees

5 Reasonable steps to achieve compliance, which include systems for monitoring, auditing, and reporting suspected wrongdoing without fear of reprisal

Consistent enforcement of compliance standards including disciplinary mechanisms

7 Reasonable steps to respond to and prevent further similar offenses upon detection of a violation

These criteria are meant to be a guide, and do not provide specific details about implementation of these elements. The U.S. Sentencing Commission explains they hope this will allow more flexibility for organizations, in that they can tailor their programs to fit their particular situations. For more information, please see www.ussc.gov.

Compliance and Ethics Program

- In the construction industry, fewer than half (45%) of employees in the study indicated that their company has a strong, effective ethics and compliance program that is in alignment with the FSGO.

Construction Fraud

- Construction fraud occurs in a variety of forms and may be directed against the individual property owner and construction companies or their clients.

Fraud at a Personal Level

- **Roof Repairs Fraud:** Frauds in this arena typically involve the insertion of a few new tiles or shingles, a lot of hammering, and spraying liquid, even water, on part of the roof to make it look as if it has been repaired.
- **Paving Frauds:** These frauds frequently involve the execution of substandard work where no ground preparation is carried out and a thin layer of tar and sand is laid down, only to disintegrate after a short period of traffic.
- **Sealant Frauds:** In areas of severe weather conditions, it is common to reseal roofing, fencing, building sidewalls, and even driveways as weather protection. Frauds in these areas involve the use of substandard materials that generally have very little sealant effect.

Risk Factors

Indicators for fraud within construction include items specific to the nature of the industry, such as:

- Inadequate segregation of duties
- Inflation of billable hours
- Lack of mandatory vacations
- Rapid turnover of employees
- Use of significant bonuses for project completions
- Absentee owners
- Employment of under-qualified personnel

Risk Factors Cont'd

- Involvement in contracts subject to regulatory restrictions or oversight
- Reputation within the construction industry
- Disregard for regulatory compliance
- Frequent changes in the appointment of external auditors
- Restrictions on information provided to auditors
- Failures of safety programs
- Pressures to meet loan covenants
- Impact on construction market of the economy

Red Flags For Transactional Fraud

- Repeated use of the same vendors,
- Ignoring purchasing policies, or
- Abnormal pricing trends from a specific supplier.

Red Flags at Bidding Stage

- Bidding sign-offs by unauthorized individuals,
- Bypassing bid review procedures,
- Abnormal variations in specifications or contracts,
- Improper contact with the bidder,
- Acceptance of late bids or backdating of bids, and
- General unusual patterns in bid awards.

Prevention

- Control over usage of small tools,
- Securing large items of construction equipment overnight and at weekends,
- Periodic inspection of inventory,
- Ongoing inspection of additions and deletions to asset listings,
- Rotation of major purchasing responsibilities,
- Use of competitive bidding practices, or
- Ongoing verification of contractor performance and inventory delivery.

Prevention Cont'd

Most effective fraud preventive measures in construction have been shown to be:

- Use a strong internal controls effectively implemented and appropriately monitored,
- Background checks on new employees, including temporary workers,
- Use of regular fraud risk assessments to seek indicators of weakening of internal control structures,
- Establishment and enforcement of appropriate fraud policies, including a willingness to prosecute where fraud is uncovered,
- Ethics training for employees,
- Provision of a fraud hotline or other fraud reporting mechanisms, or
- Adequate workplace surveillance.

Collusion Defined

- A secret agreement;
- Especially for fraudulent or treacherous purposes;
- Conspiracy.

Source: Dictionary.com

Controls Defeated

- Collusion among employees is sometimes used to overcome well-designed internal controls.

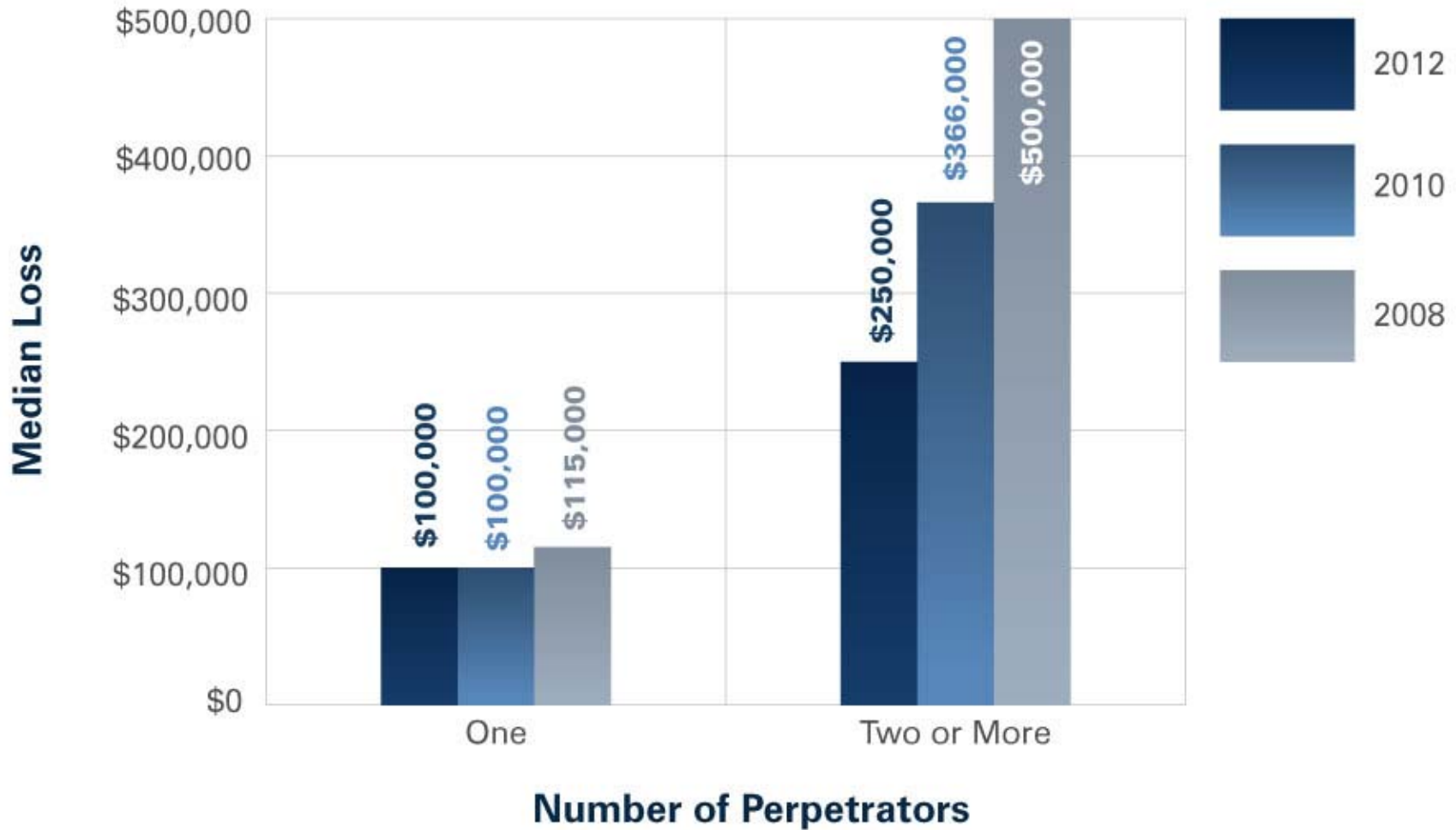
Management's Override

- They know the controls, and
- Standard operating procedures!!

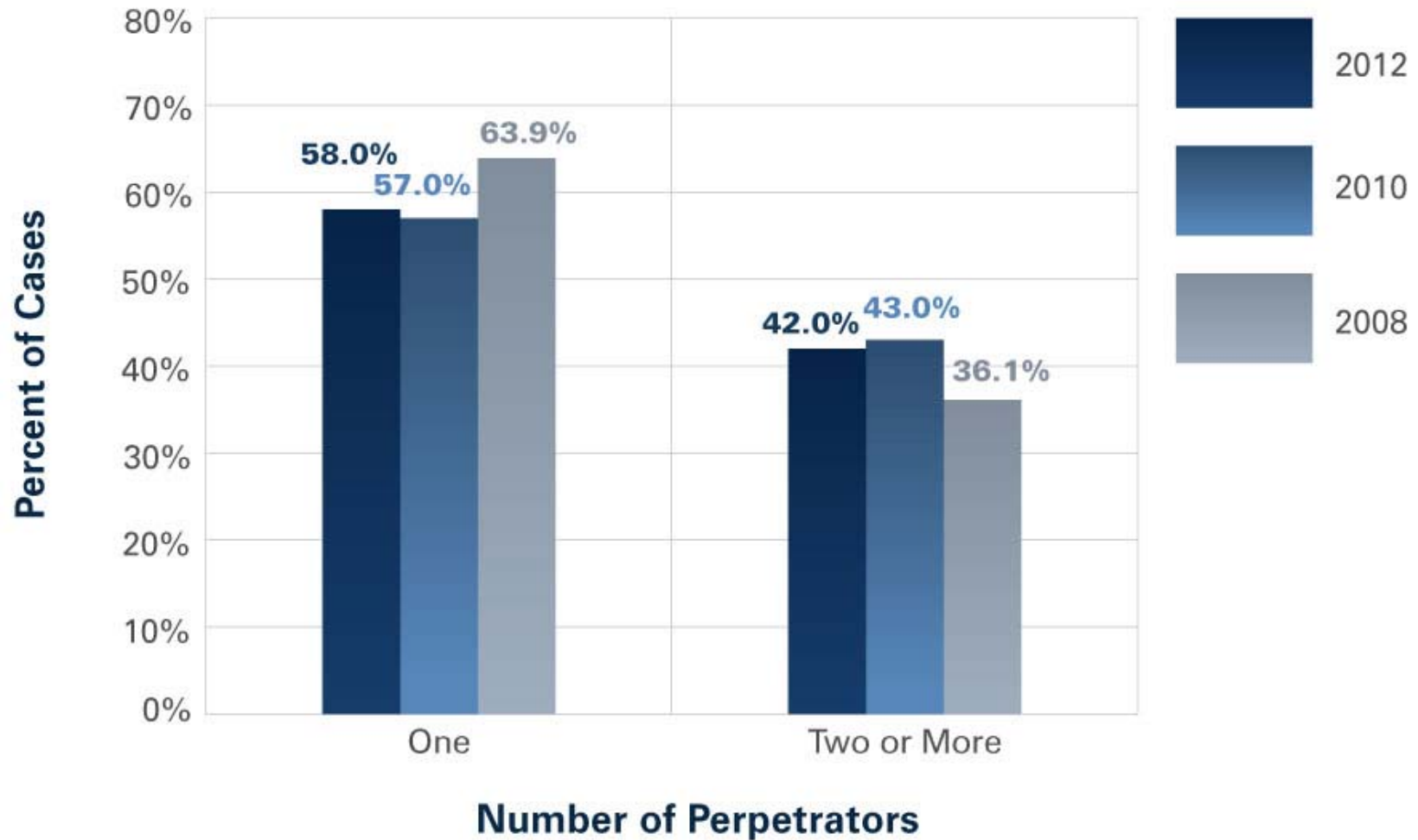
ACFE Studies

- Fraud schemes covered by ACFE's studies were committed by two or more people in more than 1/3 of the cases:
 - 2002 – 32.4%
 - 2004 – 34.9%
 - 2006 – 39.7%
 - 2008 – 36.1%
 - 2010 – 43.0%
 - 2012 – 42.0%

Collusion Losses



Collusion Frequency



Case Study

- Corruption
 - Conflicts of interest
 - Purchasing and sales schemes
 - Bribery and invoice kickbacks
- Fraudulent statements
 - Asset overstatements
- Asset Misappropriation
 - Fraudulent disbursements / personal purchases
 - Misuse of equipment

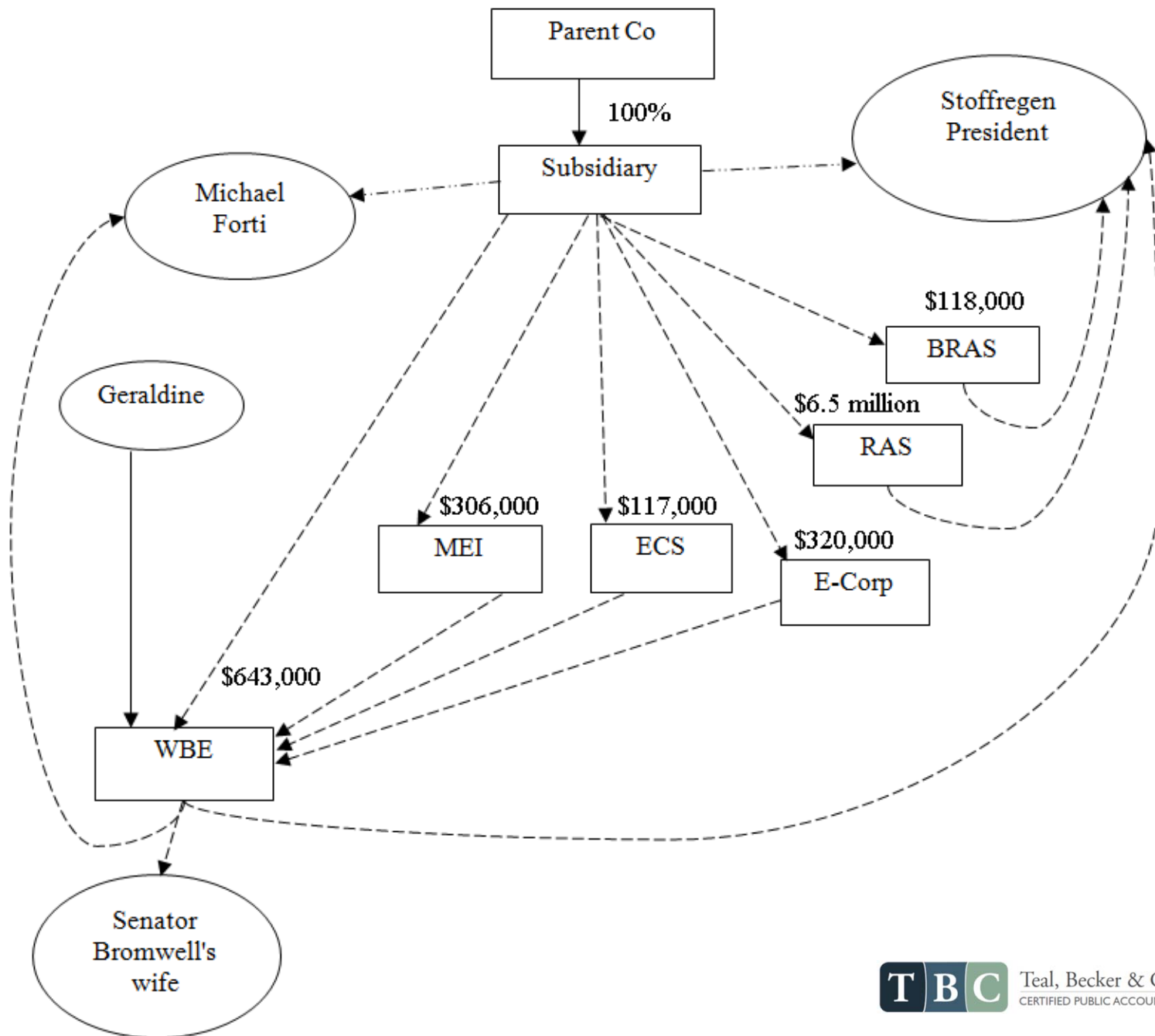
Case Study Background

- Parent purchased subsidiary (mechanical contractor) 4/99
- Senator investigation – assisted in awards of contracts
- President of subsidiary until 3/05
- Executive VP

Case Study Background

- Other companies involved
 - Women owned business – commercial mechanical contractor
 - Welding equipment company
 - Crane service
 - Excavation
 - Sheet metal fabricator
 - Auto repair shop

Collusion Case Study



Case Study -Outcome

- Multi count Federal indictment
- Guilty pleas
- President 11/06 pled guilty to racketeering, conspiracy, mail fraud & making false statement on Fed tax return
 - was sentenced to 78 months in Federal prison, 3 years supervised release, & forfeiture of real property and other assets
- Parent company files fidelity claim



Fraud Investigations

- Data analytics
- Audit trails
- Metadata
- Social media



Accounting Programs

- Fraudsters revise transactions
 - Limit access
 - Passwords - all employees
 - Segregation of duties
 - Check audit trails

Accounting Programs

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ABC Co Audit Trail

Entered/Last Modified January 2011 through April 2013

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Debit	Credit
Transactions entered or modified by Admin									
Check EFT									
EFT	10/03/2011 10:48:18	Admin	Latest	01/14/2011	To ABC Properties To ABC Properties		ABC NBT Rent	2,700.00	2,700.00
EFT	10/03/2011 10:47:29	Admin	Prior	01/14/2011	ABC Co Properties, LLC ABC Co Properties, LLC		ABC NBT Rent	2,700.00	2,700.00
EFT	01/14/2011 16:58:07	Admin	Prior	01/14/2011	ABC Co Properties, LLC ABC Co Properties, LLC		ABC NBT Transfer	2,700.00	2,700.00

Accounting Programs

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07/22/13

ABC Co
Audit Trail

Entered/Last Modified January 2011 through April 2013

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Debit	Credit
Transactions entered or modified by Admin									
Check EFT									
EFT	01/14/2011 16:04:03	Admin	Latest	01/12/2011	Islander Pools & Spas Islander Pools & Spas		ABC NBT Withdrawl	136.89	136.89
EFT	01/13/2011 16:04:09	Admin	Prior	01/12/2011	Islander Pools & Spas Islander Pools & Spas		ABC NBT Office	136.89	136.89

Accounting Programs

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ABC Co

Audit Trail

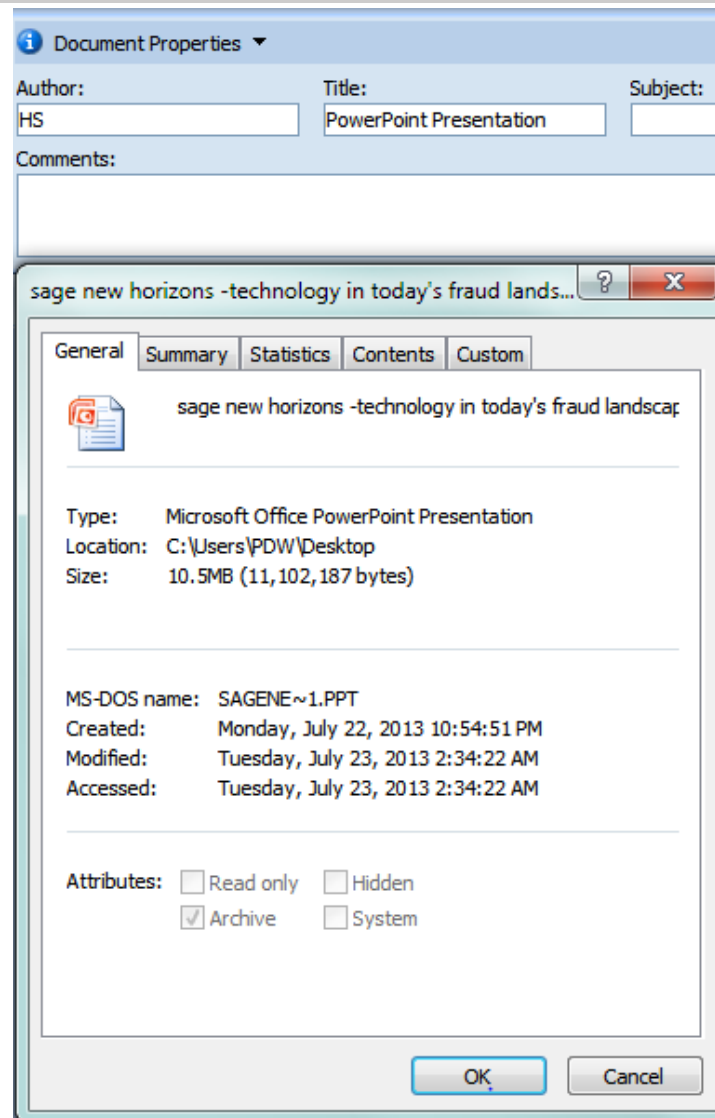
Entered/Last Modified January 2011 through April 2013

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Debit	Credit
Transactions entered or modified by Admin									
Deposit dep									
dep	12/09/2011 10:24:27	Admin	Latest	12/08/2011	Deposit Deposit	Deposit	ABC NBT Sales	9,400.00	9,400.00
dep	12/09/2011 10:24:22	Admin	Prior	12/08/2011	Deposit Deposit	Deposit	ABC NBT Sales	940.00	940.00

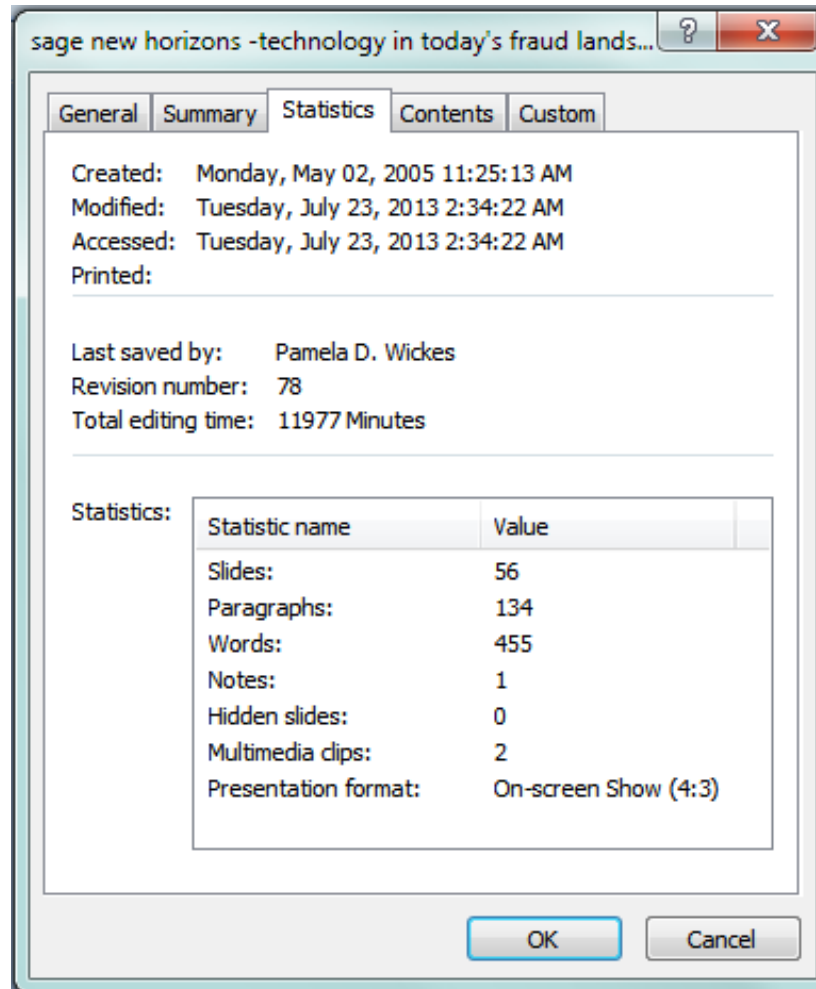
Metadata

- Hidden information embedded in electronic files; pdf, word, excel, pictures, music, etc.
- Can be used for fraud detection and investigations
 - Bid rigging

Metadata



Metadata



Metadata

- Excel – formulas; hidden rows, columns, worksheets, comments.
- Word – track changes, comments, author, dates of last modification/print/save.
- Pictures – date, location, size.

Metadata

Posted 2/3/2006 9:05 PM

Bigger efforts made against embarrassing 'metadata'

By Brian Bergstein, The Associated Press

BOSTON — When the New England Journal of Medicine used a word-processing function to reveal that Merck & Co. had deleted study data about Vioxx and heart attacks, the pharmaceutical giant joined a long line of organizations bitten by information lurking in electronic files.

It's happened to no less than the White House, the Pentagon, the British prime minister's office and the United Nations.

Each time, making minor electronic adjustments to documents aired juicy details not meant for public disclosure — such as the true author of a file or sensitive data hacked from a final draft.

The pitfalls of such hidden "metadata" have been long known in computer-savvy circles, but these high-profile leaks are driving new efforts to keep a lid on metadata.

So sensitive is the topic for the U.S. government that the National Security Agency released guidance in December on how agencies can properly redact reports.

E-Mail Newsletters

Sign up to receive our 1
newsletter and get the
Hot Sites & more in you

E-mail:

Select one:

Evidence Preservation

- Through information systems evidence should be established.
- Establish processes and policies:
 - Document retention,
 - If user access policy is not followed how can one determine who did it?

Evidence Preservation

- Plaintiff - Burden of Proof
 - Insurance
 - Civil litigation - damages

Tone at the Top

- Refers to the ethical atmosphere that is created in the workplace by the organization's leadership.
- The tone management sets will have a trickle-down effect on employees of the company.

Tone at the Top

To set the right tone, those in top positions of management have to follow four very important steps:

- Lead by example,
- Communicate to employees what is expected from them,
- Provide a safe mechanism for reporting violations, and
- And reward integrity.

Code of Ethics / Code of Conduct

- In terms of fighting fraud, one of the most powerful controls is the implementation of a formal corporate code of conduct.
- The code of ethics should be seen as directive controls expressing the requirements of the organization in a situation where ethical decisions must be made.
- They normally include the basic rules of acceptable and unacceptable behavior and define corporate requirements regarding such variables as:
 - Confidentiality
 - Conflicts of interest
 - Standards of corporate practice
 - Acceptance of gifts

Fraud Reporting Mechanism

Providing individuals a means to report suspicious activity is a critical part of an anti-fraud program.

Fraud Reporting Mechanism

- Fraud reporting mechanisms, such as hotlines, should be set up to receive tips from both internal and external sources and should allow anonymity and confidentiality.
- Once established, make it known and available to employees, vendors, customers, etc.
- Management should actively encourage employees to report suspicious activity, as well as enact and emphasize an anti-retaliation policy.

Fraud Reporting Mechanism

Whistleblowers should provide information regarding:

- Violation of any policies, plans, procedures, rules or regulations
- Waste of corporate assets
- Abuses of authority
- Bribery and corruption
- Sexual harassment
- Racism in the workplace
- Dangers to health and safety
- Damage to the environment
- Any other form of mismanagement or misdemeanor

Hiring Policy

- Use pre-employment background checks wisely.
- Check candidate references.
- Proactively communicate conduct guidelines.



Communication / Training Support

Organizations that provide anti-fraud training programs for employees, managers, and executives experience:

- Less costly losses, and
- Shorter occurrences of fraud.

Communication / Training Support

Raise awareness

Targeted fraud awareness training for employees and managers is a critical component of a well-rounded program for preventing and detecting fraud.

Communication / Training Support

At a minimum, staff members should be educated regarding:

- What actions constitute fraud,
- How fraud harms everyone in the organization, and
- How to report questionable activity.

Third Party Fraud Detection



Search



Products & Services > Online Banking

Why Chase?

Log In or Enroll

Fraud Protection Services

Enroll Now

Protect your business from costly fraud.



Fraud Protection Services

Monitor your banking transactions and keep fraudulent activity away from your accounts. When you're a Chase business customer, you have easy-to-use online tools to help you protect your accounts. Protect your business accounts with our fraud protection services:

- Control check payments and returns with [Reverse Positive Pay](#).
- Keep tabs on your activity with [Account Alerts](#).
- Get [Paperless Statements](#) to keep your statements from being intercepted in the mail.

Third Party Fraud Detection

Reverse Positive Pay

Help your company reduce its exposure to fraud with this valuable service. Reverse Positive Pay allows you to monitor and review checks on your own using the tools and support we provide. You tell us whether to pay or reject any checks. Plus, you can adjust check payment amounts, if necessary.

How it works:

- Limit the checks you see by setting a dollar amount threshold.
- Decide which of the above-threshold checks we should pay or return.
- Tell us to pay all below-threshold checks and checks you don't review.

How much it costs: No monthly service fee; \$15 per returned item

Positive Pay

Help prevent check fraud by having Chase actively monitor against suspicious check activity. With Positive Pay, we review the checks submitted to your account. If any appear to be fraudulent, we immediately alert you so you can determine whether they should be paid or returned.

How it works:

- You upload information about checks you've written.
- We compare your records to the checks presented for payment.
- You review the list of suspicious checks we've identified as "exceptions" on Chase.com.
- You tell us to return all checks you don't review.

How much it costs: \$40 per account per month; \$2 per exception item; \$15 per returned item

Third Party Fraud Detection



Account Alerts¹

Chase offers Alerts to help you manage all your business accounts. You'll receive Alerts in your secure inbox when you log in to your account online. You can also receive Alerts:

- At any email address you choose
- At any phone number you choose
- By text messaging

Security Alerts

Get an extra layer of account protection with Security Alerts. Set dollar limits for different transactions, including ATM withdrawals, debit card activity, money transfers and online bill payments. We'll contact you when transactions exceed your specified amounts.

Daily Alerts

Monitor your business account activity and transactions with personalized Daily Alerts. Choose the Alerts you want, set financial thresholds and we'll notify you by email or phone when your accounts limits are met.

Chase Instant Action AlertsSM

Receive a text if you overdraw your business account or your balance dips below your preset limit. You can immediately send back a text to transfer funds. It's fast, easy and helps avoid potential fees.

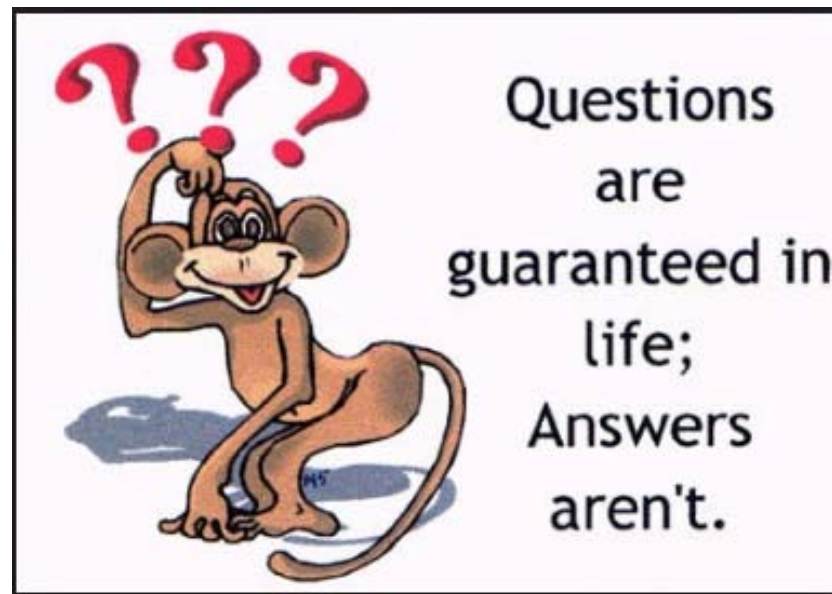
Five Easy Steps for Small Companies to Deter and Detect Fraud

- **Open the organization's bank statements and peruse the cancelled checks.** An owner who receives the bank statement unopened may discover a [fake] vendor they don't recognize, an employee [inappropriately] receiving two paychecks, or other suspicious activity to follow up on.
- **Mandate vacations.** This can aid in the prevention of some frauds because it may be discovered when a co-worker is filling in while the perpetrator is away on vacation.

Five Easy Steps for Small Companies to Deter and Detect Fraud

- Providing individuals a **means to report suspicious activity** is a critical part of an anti-fraud program.
- **Publicize rewards and confidentiality** for whistleblowers. Incentive!
- **Formalize codes of conduct and anti-fraud policies and set proper ethical tones.**

Questions



Firm and Contact Info

Teal, Becker & Chiamonte, CPAs, P.C. (TBC) is an accounting and advisory firm located in Albany, NY. The firm was founded in 1971.

With all of our clients, our mission is to provide higher standards of excellence in the quality of our relationships and in the quality of our work.



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