

FIDELITY & CRIME CLAIMS EXAMPLES & POPULAR MYTHS

Fuel Stocks

A local authority had their own fuel pumps for supplying their motor vehicles. The employee in charge stole fuel over a long period as the stock checks were inadequate.

Total Loss 37,000

Bogus Employees

The manager of an industrial cleaning company invented bogus employees and cashed their pay checks, which were uncrossed.

Total Loss 14,000

Bank Deposits - teeming and lading

A clerk in charge of a sub post office stole cash receipts due to be paid into the Bank. This was covered up by delaying submission of deposits and altering the paying-in slips relating to subsequent deposits. This is known as teeming and lading. In 10 months a total of **9,000** was stolen

Check writing machine

A 27 year old ledger clerk responsible for regular payment of rents for advertising sites had charge of a check writing machine. Numerous small checks were made out by him for the correct amounts but in his own name. It was several months before complaints from creditors were investigated.

Total Loss 35,000

Stock Control System

A well known national company was defrauded by two gangs of employees working at the same location. The losses involved collusion between warehouseman and drivers who used the spare capacity on vehicles to remove goods from the depot. False information was entered into the computerized stock control system and their activities were only discovered when the police reported finding large amounts of the particular product in the hands of receivers.

Total Loss 1.5 million

Fictitious Sub-Contractors

A major contractor with well established control systems to vet payments were the victims of fraud by section supervisor in collusion with computer operator. Checks were made out to fictitious sub-contractors and dispatched to accommodation addresses.

Total Loss exceeded 750,000

Bills of Exchange

A company exporting comparatively low value agricultural products throughout the world accepted payment by Bills of Exchange. They were the victims of an international fraud passing counterfeit bills and one of their own employees was implicated.

Total Loss exceeded 7.5 million

These claims illustrate that:

- At best, the consequence of fraud may just disrupt normal business activity; at worst, they may undermine it completely
- Fraud can be very costly
- Your stock is always at risk
- You cannot be sure of the integrity of long-serving or senior employees
- No system is foolproof

Popular Myths

We are careful in the selection of our employees

Naturally you are, but the majority of employees who steal are 'first time offenders'.

Our employees have proved themselves honest and completely trustworthy

Every employee who steals once enjoyed the trust of his employer and colleagues and seldom commences stealing before gaining that confidence.

Our accounting procedures are foolproof

Famous last words. Many of the largest frauds occur in companies who say precisely this. However effective the internal control and accounting system, it is rarely unbeatable.

We have highly professional accountants and a statutory audit

While auditors may act in a preventative role, their main function is to verify annual accounts. Few losses are discovered by auditors, but rather by chance, such as by an inquisitive staff member, or following complaints by a client.

We would not want to offend staff who have been with us for many years

Thoughtful and considerate, but employees rarely object. If all employees are insured, no one employee or department need feel picked upon.

We have automated payment systems and our employees handle little money

What about forged or fraudulently altered transaction instructions? Paying fictitious bills for non-existent merchandise to non-existent suppliers?

We have never suffered a theft by an employee

That may be true, but the fact that you may never have had a fire or a vehicle involved in an accident, does not prevent you taking out property insurance.

The cost is likely to be excessive

You will probably be pleasantly surprised.