Business Fraud Prevention

Small businesses assume scammers will only target the big corporates, but fraud losses have proven that scammers will target any size business. Businesses of all sizes need to stay vigilant when it comes to fraud. Really, it is the smaller businesses that need to be more alert as one third of these businesses experience at least one fraud attempt annually. Putting effective fraud prevention measures in place and proper employee education are crucial for any size business to combat fraud. Education and vigilance are where fraud prevention begins. Businesses should understand the various types of scams and associated characteristics and what red flags they should be looking for. Scammer tricks change and evolve daily but there are some common techniques that are used numerous times. A couple of things that are used time and again is receiving an urgent message prompting your business to respond immediately. If you are receiving this type of message from someone you believe is a manager, supervisor or CEO, remember; a sense of authority can be falsely created by using convincing language or fake logos. Take a step back and assess the situation before acting on the request. Ask yourself:

1. Is this a person who normally sends these requests?
2. Is the dollar amount within the normal range for this type of request?
3. Is the request during a time that is normally utilized for such request?
4. Can you use an alternate phone number (not one within the request) to call the person and verify the request?
5. Does the written request have spelling errors?

Ways to prevent payments fraud in your business:

1. Always use invoice numbers. This is beneficial to your accounts payable and your suppliers. Maybe follow a system that differentiates your business from other businesses (i.e. use leading zeros, use upper or lower case letters or add/remove spaces).
2. Automate any manual processes you have in place as this will cut down on human error.
3. Financial institutions rarely match the business name with the account number used. Your accounts payable should ensure they have measures in place to verify account names to numbers.
4. Ensure any accounts payable interface has security measures to mitigate digital threats.
5. New supplier or one time supplier onboarding should require an approval process. It's important accounts payable be involved in the approval process of a new supplier and to have real-time access to supplier data. Doing this tightens up the process and the loading of fictitious suppliers can be prevented.
6. Have effective internal controls in accounts payable to ensure segregation of duties. This ensures that different people are responsible for completing components of tasks. No single individual should have the responsibility of completing an entire task. Segregation of duties allows your business to identify most errors before a payment is made.
7. Segregation of duties is one of the most effective ways to manage your business risk associated with internal fraud.