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Employee Fraud: Risk, Reaction and Protection







Who We Are

- Full-service law firm founded in 1978
- 800 attorneys (+/-)
- 30 U.S. offices and another in London
- 61 service areas
- Five international practices
- AmLaw 200 ranked
- Top 50 of National Law Journal 500



What is Workplace Fraud?

- There are various definitions, but essentially it is defined as taking of company funds under false pretenses
- Can also include taking of custodial funds held by company, such as premium payments





Typical Places for Workplace Fraud to Occur

Anywhere there are employees!







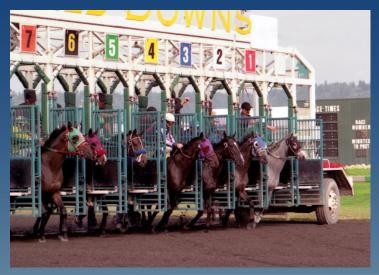


Characteristics of Perpetrators

- Living beyond one's means
- Divorce and/or family issues
- Unusually close relationship with vendor/supervisor
- Refuses vacations or other workplace redundancy









Discovering Workplace Fraud

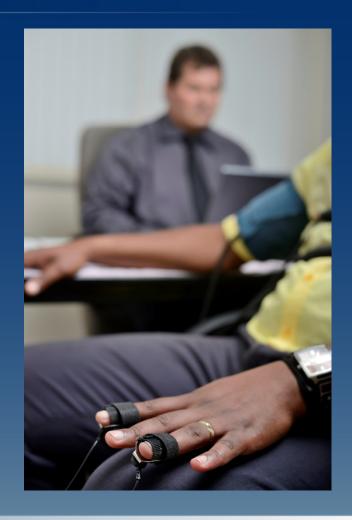
- Tips
- Management review
- By accident or dumb luck
- External auditor
- Confession (1%)





Investigations

- Should be conducted by outside professionals (or completely different departments and levels)
- Should <u>not</u> be conducted by supervisors or co-workers
- No interrogations of company personnel by company personnel





Litigation

- Will get messy
- Bad actor will spread blame and air dirty laundry
- Small chance of recovery from wrongdoer
- Do not rely on criminal prosecution
- Third-party liability

 (accountants, banks,
 complicit vendors, etc.)





How to Protect Yourself



- Internal controls, separation of duties, tip lines, tone at the top
- Insurance
- Employee dishonesty policies
- Fidelity bonds



Insurance Issues

- Definition of what is covered will be key
- Timely notification and investigation
 - Take action at first hint of problem
- Be aware of notice provisions and timing issues





