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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 not 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



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