

FRAUD PREVENTION MONTH

People are the most important asset of our businesses and organizations which is why it is second nature to place our trust in our staff, our manager, and our colleagues. Sometimes however our trust reaches a point where we allow certain safeguards to come down, which could become favourable conditions for irregular activities such as fraud or theft.

"Everyone is honest and loyal here..." can quickly become "I never thought this could happen to me... I trusted this person wholeheartedly...". We all want to trust our employees and believe that "it can't happen to me". However; there seems to be an endless supply of accounting fraud cases in large businesses that have occurred in recent years. The truth is that fraud, in its many shapes and forms has been around forever. Unfortunately, for small businesses and organizations, fraud is also quite common. The typical owner/manager or Executive Director, faces many obstacles in forging a successful business which can be severely harmed by someone they trust and whom they believe is looking after their best interests.

In the typical owner/manager or small organization environment, there is a sole bookkeeper/accountant who is in charge of the entire accounting function. Such an environment can represent an ideal stage for fraud. Here are some symptoms of fraud to be aware of:

- The employee starts to work very long hours;
- The employee never takes a vacation;
- He/she is not following the internal controls you have in place;
- Bank reconciliations are months behind;
- Bank deposits seem too small;
- Invoices appear to go missing, without any rational explanation;
- A large number of accounting transactions are recorded by the bookkeeper at the end of the period;
- Erratic and extreme reaction to queries; intimidation of others; and
- Accounting transactions posted as journal entries.

Generally, sudden changes in behaviour or work habits should not go unnoticed. Internal types of fraud are often detected by a tip from a customer, vendor or another employee. By then however, it's too late and some damage has been done. Certain fraud may be detected by the owner/manager by simply reviewing and understanding the information that's available in the entity, spending the time to talk to the employees, and understanding what they are doing.

Many owner/managers or Executive Directors neither review the monthly bank statement nor look at the bank reconciliation. Both of these documents are quite revealing in cases of fraud. Particular attention should always be paid to transactions such as debit memos, transfers or wire transfers, pre-authorized payments, etc. If your entity accepts credit card payments, you should follow up on "credits" given to customers. Finally, ensure you understand what level of internet banking is being done and ensure this is consistent with the bank statement. Trust your instincts. If something does not look or feel right, it may not be.

Most importantly, look for a change in behaviour in your employees. You don't have to spend all of your time monitoring your business, but take an active role in reviewing your employees' work and gain an understanding of how you expect your business to perform.

Ultimately, don't be afraid to enlist outside help to assist you in understanding financial information.

Continue to trust your employees—that is not the issue. Just be vigilant and know that fraud can happen to anyone.

Logan Katz Consulting Inc. often provides recruiting assistance for our clients, through our Client Recruiting Assistance Team. We are currently recruiting for the following two positions: **Manager - Finance and Operations** and **Financial Services Representative/Bookkeeper**. Please refer to our website under "Careers" for more detailed information, or contact Denis Chainé at extension 115 or Kathy Grezaud at extension 131. We would be pleased to hear from you, or from anyone you may know, who may be suited for either of these positions.

This 'n That at Logan Katz ...

Gary Katz, C.A., a partner with Logan Katz LLP, in association with Ms. Angela Ohlman of Royal LePage Performance Realty, presented an informative and very well-received seminar on March 7, 2007, to twenty individuals interested in learning how income taxes affect their real estate investment.

Denis Chainé, C.A., as he has done every year for the past five years, donated his Sunday afternoon on March 4, 2007, to present a free tax preparation seminar on disability and income tax to forty kidney patients on behalf of the Kidney Foundation. It too, as always, was very much appreciated by those in attendance.

On March 15th, Logan Katz was proud to offer complimentary personal tax preparation to low-income earners, seniors, and individuals with disabilities at the Ottawa South Community Centre at our annual tax clinic. More than 20 individuals responded to our offer, and expressed warm appreciation for our involvement in this program. Every year, the Institute of Chartered Accountants of Ontario oversees this program through which thousands of low-income earners and seniors in Ontario benefit from complimentary personal tax preparation services. Logan Katz has been an annual participant in these tax clinics since 1994. In the end, everyone wins!

Upcoming Breakfast Seminars

April 12, 2007

Jamie Larabie, LARA-TECH Limited
"Your Wireless Office"

May 17, 2007

Keith Taylor
KT Management Services
"New Ways to Grow Your Business"

LOGAN KATZ LLP BREAKFAST SEMINAR SERIES—SNEAK PREVIEW!

"Your Wireless Office" presented by Jamie Larabie, LARA-TECH Limited

In this ever-evolving technological age, we seem to take it for granted, but everyone's doing it. Accountants, lawyers, real estate professionals - almost every type of business we encounter - is using some kind of technology that requires a wireless connection.

The cellular telephone was the first device widely accepted and relied upon to do business quickly and efficiently. Since then, we have quickly advanced to the laptop computer, blackberry and there are many more to come; therefore, the need for wireless networks are in high demand.

Jamie Larabie of LARA-TECH Limited will first bring you up to speed on what's available now and how to secure it, and then he will take you through the wireless world, as he sees it evolving, to the point where everyone will be connected almost everywhere, all the time.

To find out more about this topic, be sure to sign up for our upcoming breakfast seminar on April 12, 2007.

Watch for your invitation coming soon and reserve your seat quickly - our breakfast seminars are consistently filled up!