

Embezzlement, The Silent Business Killer

When Ed and Mary Shontz first launched their surveying business, L.E. Shontz and associates in February of 2000, trust was not an issue. The husband and wife team started out working from their home and handled every aspect of the job from CEO to janitor. The venture took off and by 2003 the firm employed 25 people.

In October of 2002, after the company had grown and welcomed in new members to the business family the trust that once existed was broken. Much to their disappointment, the Shontzs discovered their bookkeeper was embezzling funds. The fraud devastated the business and nearly killed it; “She took over \$25,000 from the company,” she said.

Mary Shontz terminated the employee and took her to court. From October 2002 until the start of 2004 she endured the grueling legal process of recouping the company’s losses. In January of 2004, the courts ruled that the former employee must pay back the stolen money plus restitution.

Small businesses, especially those that deal in sales and cash receipts, often fall victim to fraud and require a lot of footwork, explains Russell Edgar, prosecutor with Florida’s state attorney’s office. Piecing together a solid paper trail tends to present a daunting challenge.

Businesses with less than 100 employees are particularly vulnerable to fraud, according to a national report published every two years by the American Institute of Fraud Examiners. The report offers some surprising statistics on trends, said Michael Adkins, CPA with Pensacola, Fla.-based Saltmarsh, Cleaveland & Gund accounting. Males over sixty years old take the largest amounts, according to the report. Those

possessing a higher education - a bachelor’s degree or above - “tend to steal more frequently and take larger dollar amounts,” said Adkins.

An embezzler can remain hidden from the company radar for a long time. The fraud report says that of the 140 cases reviewed, most often these white-collar criminals siphoned funds for 12 to 23 months before getting caught.

While Shontz pursued prosecution of the bookkeeper, one common refrain she heard from members of law enforcement, accountants and bankers was: “We see this all the time.” The drive to do something about it, she says, came from the anger she felt after realizing that this crime is a common occurrence. In response, Shontz decided to launch a seminar to educate other business owners about preventing fraud and what to do if it occurs.

A silent crime, embezzlement often goes unreported, says Adkins. Many business owners do not take legal action out of fear that going public about the theft will hurt business or cause them to lose the respect of their colleagues. Once discovered, the perpetrator of the crime often walks away from the crippled or closed business into another one and steals again.

One example of a red flag indicating a potential embezzler is an employee living beyond their means or who suddenly starts spending a lot of money. Also, employees who may hold a grudge against the company are more likely to steal from the company till. [Watch for a related story titled: “Prevent Embezzlement, Cover Your Assets.” in the next issue of The SUNBELT Times.](#)

Do You Know?

- Americans spent more than they earned in 2005 — a negative savings rate of 0.5% for the year. That’s the first time that’s happened since the Great Depression.
- According to the New York Times, there are now 1.33 women graduating from college for every 1 man.
- Tokyo is the largest city in the world. Mumbai, India is the 2nd largest city in the world – 23 million residents (larger than all of Australia).
- The world has approximately 356,000 km of coastline, and an estimated population of 6,426,482,137. This means that beachfront property is so expensive because there is only 5.54 centimeters of coastline per person in the world.
- In a discussion of why some technological innovations succeed while others fail, many researchers adhere to Rogers’ (1983) “Ideal Adopter Categories,” which group individuals according to how and when they adopt changes. The first category, innovators, comprises only 2.5% of society, and they are the people who create new ideas and new products. The other categories are early adopters (13.5%), early majority (34%), late majority (34%) and laggards (16%). Laggards never fully adopt a change.
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IRS Notices More "Phishing" During Filing Season

IRS and Treasury Department officials have noticed an increase this year in the frequency and sophistication of "phishing" schemes that use the tax agency's logo to lure victims.

"There does seem to be a proliferation of them this filing season," said Richard Morgante, commissioner of the IRS wage and investment division. According to Morgante, The Treasury Inspector General for Tax Administration found 12 separate Web sites hosting "phishing" schemes in 11 different countries.

In a "phishing" scam, identity thieves send e-mail masquerading as official communication from a government agency, bank or other institution in an attempt to solicit personal data from victims. The data could include financial account numbers, passwords, credit card numbers or other information.

The thieves use the information to steal a person's identity and other crimes, like using the victim's credit cards or opening new ones or applying for loans.

"Phishing" e-mails purporting to come from the IRS often tell taxpayers they're due a refund and direct them to a false IRS Web site. The e-mail address may include "irs.gov," such as tax-refunds@irs.gov or admin@irs.gov. The communication and Web sites might look like the real thing, but they're not, Morgante said. The IRS does not communicate with taxpayers via e-mail, nor does the IRS ask people for passwords, personal identification numbers or other secret information about financial accounts.

Those who receive fraudulent IRS e-mail can contact the Treasury Inspector General at 1-800-366-4484. You can also contact the IRS via the net by logging on to www.irs.gov

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