Top Ways to Reduce Internal Fraud with Collections Employees

Crime often is a matter of opportunity, especially for those involved in fraud. And, while U.S. businesses appear to be plenty aware of scams and schemes out there to defraud them by professional criminals, experts polled by *Business Credit* magazine reported that the fastest-growing type of fraud at present is occupational (internal) fraud.

It also turns out that the ones perpetrating the crimes most often are considered "good" employees, those who have excelled in their positions for a number of years with few reasons for concern. Whether caused by economic struggles, living outside of one's means, anger, depression or the fraudster's personal joy in "outsmarting" company higher-ups; it's happening out there within credit-collection departments with increasing frequency. The key to combating this is to simply taking away the opportunity, which can be accomplished in a number of ways, including the following:

Separation of duties. It seems a common sense measure, but giving one employee too much control is a bad idea. And it's a mistake continually being made by U.S. businesses, especially those with limited staff sizes. Tasks such as separation of/opening mail, preparing deposit forms, taking deposits to the bank and filing proof of deposit can help spread out control and make it more difficult to commit fraud.

Check on your business, often and without a known pattern. Performing spot checks/mini audits, preferably unannounced ones, can help catch someone committing wrongdoing flat-footed. Additionally, these checks can ensure the process in place to track things like cash and inventory are up to date and being followed properly by employees.

Maintain good relationships with customers and employees. Credit managers who foster strong relationships are much more likely to have customers or employees who are suspicious of fraudulent activity willing to contact them with a warning. That could mean someone directly calling about odd charges and customer complaints of missing inventory. It could also mean an employee using an anonymous tip line or mailbox (which you should have) to raise a concern about a potential fraudulent activity on the part of a coworker.

Rotate who works with customers. As just noted, building relationships remains a vital part of credit and collection activities. However, building a relationship does not have to be exclusive to one person on a staff. To wit, rotating who is handling which accounts periodically can prevent a credit/collection employee from getting a bit "too close" to a customer/debtor. Separating duties and rotating accounts means others in the chain will see an account. Whether it appears to be in good standing or should manipulations and abnormalities be present, more sets of eyes on an account over time, is better.

Pay attention to red flags. Though these can lead to unfounded results, some of the most likely scenarios for an employee, especially one that has previously garnered trust, are tied to events outside of the workplace. This can include a need for cash because a spouse lost a job or a family member has been subjected to sudden, high medical bills or addiction issues. Additionally, massive changes in behavior and in an employee's lifestyle (e.g., an employee known for just scraping by suddenly driving a fancy sports car or wearing custom suits and $300 imported shoes) often don't happen in a vacuum. Knowing your employees and taking note of life changes can help tip off a credit manager or business owner as to when to quietly investigate that employees' work activity. If it leads to nothing, great…but if it uncovers abnormalities akin to instances of fraud, they could save a company thousands, if not millions of dollars. Don't turn a blind eye to red flags simply because employee "X" has been a good guy to talk to about sports or because employee "Y" has been a top performer with a sweet disposition at the coffee machine.