

# Tips for Taxpayers

Lack of internal controls allow otherwise good employees  
“opportunity” to make bad decisions

## Formula for Fraud

**Motivation**  
**+ Opportunity**  
**+ Rationalization**  
**= Theft/Fraud**

Did you know that by some estimates, U.S. businesses lose an estimated seven percent of their annual revenues to fraud? Small businesses have the highest incidence of fraud. Most shocking is that businesses with under 100 employees had the highest median loss (\$200,000), even higher than companies with over 10,000 employees! Higher losses are the result of longer detection times. It takes on average 24 months for a private business to discover fraud. Unfortunately, most fraud is never detected. Larger public companies have better systems in place to limit the amount that any one employee may take and accelerate the time to detect there is a problem.

We recommend business owners review the *Report to the Nation* released by the Association of Certified Fraud Examiners (see link on our web page). Some interesting categories to management: control weakness that contribute to fraud; median losses by business size, industry and department; behavioral red flags of fraud perpetrators; internal control weaknesses by fraud scheme type and percentage reduction in losses by anti-fraud controls present. Also, check out the ACFE’s Fraud Prevention Check-up link on our website as well.

Contact a certified fraud examiner to get advice on creating and implementing fraud prevention and detection policies for your organization. Protect your valuable employees by installing safeguards that limit “opportunity” to make bad decisions

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