

# Doron F. Eghbali Business Law

## How Could You Avoid Farud in Your Small Business?

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One of the most troubling concerns bedeviling small business owners is fraud by the people they have entrusted to run their businesses. It behooves us to take reasonable precautions to keep at bay such fraudsters wreaking havoc on our business and lives. Let us review some of the tips we could easily put into practice to protect ourselves.

### **1. HAVE DIFFERENT EMPLOYEES OVERSEEING ACCOUNT RECEIVABLE AND ACCOUNT PAYABLE**

It is imperative to have different employees dealing with the money you receive in your business and the money you have to pay as a business to others. If the same person is in charge of both receiving and paying money, then the chances of fraud are much higher. Such person could cook the books and make it look like everything is fine, but you do not see any profits.

Accordingly, spending money on hiring different [qualified people](#) could save you trouble and money in the long run and ensure your business grows unhindered.

### **2. HAVE DIFFERENT OUTSIDE ACCOUNTANTS YEARLY REVIEW YOUR BUSINESS BOOKS**

It is highly advisable to have different accountants every year with fresh eyes review your business books for consistency with your standards of operating procedures and compliance with applicable rules and regulations.

### **3. HAVE WATCHFUL EYES FOR EMPLOYEES WITH CHANGE IN LIFESTYLE**

It is important to understand why your employee's lifestyle suddenly and dramatically changes. Some of the most important signs to look for are expensive cars and sometimes expensive vacations. It is also important to remember sometimes such changes have nothing to do with embezzlement but to other innocuous and innocent reasons. Hence, before accusing anyone, do your own due diligence first, you might be sued for various reasons, if you are wrong.

### **4. HAVE WATCHFUL EYES FOR CLOSE RELATIONSHIPS BETWEEN YOUR EMPLOYEES AND VENDORS**

It is incumbent upon you to closely watch any cozy relationship between your employees, vendors and customers. This might be a breeding ground for kickbacks that ensnare you in lawsuits by various entities and regulatory agencies.

## **5. HAVE WATCHFUL EYES, NOBODY IS BETTER TO PROTECT YOUR BUSINESS BUT YOU**

It is incumbent upon you to look at your bank statements carefully, examine canceled checks carefully and realize where the money went and for what reason. If fraudsters know that you know what is happening in your business and have watchful eyes, they think hard before committing embezzlement.

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