

# LEARNING THE HARD WAY

One of the keys to being successful is to prepare for unexpected surprises. As a business owner I have to keep an eye on a lot of things. Whether it's in America or overseas, tasks can slip through my fingers before I realize what happened. I pride myself as the consummate "multi-tasker". I try to keep things under control and catch myself falling into the micromanaging trap every once in a while. But, there are always circumstances that pop up in business and a small crisis that can topple even the most cautious and trusting executive. I learned that the hard way.

Big and expensive surprises. Approximately US \$330,000 was embezzled by our bookkeeper. She served under a trusted and beloved accountant that worked with me for years. We ran things smoothly and he was not only a retired successful business owner himself, he spent most of his time teaching not only me about what he had learned over the years but, he taught our bookkeeper the ins-and-outs of proper accounting procedures. His death caused a lot of stress to our company and during our grieving time, she convinced me that she had learned everything that he had done and could easily handle all the accounting procedures. At the time, there was no reason to doubt her capabilities.

I never imagined a day when my business would not be growing. Our international business was doing well for the next couple of years and we were experiencing growth but our receivables were mounting and the P&L's were showing dwindling profits. Naturally we focused on marketing to get us out of the slump. We had come up with several reasons for this slump, the price of oil, gas, the housing market, discretionary spending, consumer utility costs. I could go on and on...

Because we were focusing too much time and energy on pointing the finger, we set up the perfect conditions for her to evolve from bookkeeper to embezzler. We thought we were saving money by the steps we took. As we learned more about the situation we were in we began to closely monitor procedures and finally realized this financial debacle resulted from our lack of attention and a very devious and evil woman. We thought we were saving money but we trusted the wrong person.

The embezzlement opened our eyes. After a lot of lawyers, legal battles, audits and court appearances, she is now serving six years in federal prison and we are recovering. Our people are thriving and focusing time and energy on growing our business to its full potential.

The embezzlement opened our eyes to building a trusting relationship

with our employees by having performance-measuring meetings, closely monitoring accounting procedures, checking each and every employee before hiring (99% of employers never check background and criminal background), and monitoring our investments in our business and our people.

## 7 STEPS TO PROTECT YOURSELF FROM EMBEZZLEMENT:

1. Only sign checks yourself.
2. Carefully review each monthly bank statement and review each check.
3. Carry embezzlement insurance—it's cheap.
4. Do criminal and background checks on every employee that touches money.
5. If an employee has a problem with gambling, alcohol or past drug use, be 10 times more aware of their access to money.
6. Never trust anyone with money. Inspect and re-inspect—even with family members.
7. Hire an outside firm to perform a complete annual audit.

We made it but not unscathed. Although we did lose a huge amount of money that we will never be able to recover, we now pay close attention to new hires and business associates. Now we conduct face-to-face goal-setting meetings and gather regularly to problem solve. Doing this can prevent future embezzlement. Our performance has increased and we continue to build our relationships with our international customers and channel partners.

There is no doubt that a large part of the success or failure of businesses in the long term comes down to being aware of and managing human behavior. You only have to look at some of the major corporate and banking disasters to see this. They say that hiring mistakes costs 15x a person's base salary; this is one very costly mistake that we will not repeat.

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