

# Michigan CFO Associates

The CFOs for *Small Business*

## Newsletter

2

### President's Message

#### Embezzlement, Part II



Todd Rammler

In our last newsletter, Brian Bach wrote an article "[Embezzlement & Fraud: Is it Happening in Your Business?](#)" which generated a good amount

of feedback & comments from both business owners and consultants/professionals who've also seen it happen and are attempting to sound the warning alarm with clients. If you missed that article you can also find a copy in our [Winter 2016 Newsletter](#).

Since that article I have personally met 3 business owners who have experienced embezzlement first hand (2 have become clients) and are still feeling the after affects of it to this day, whether it's financial, emotional, or both.

And recently in the local news, it was reported that the popular Berkley restaurant/bar Vinsetta's Garage had been through an embezzlement. The employee pleaded guilty to embezzling more than \$100,000. Click here to see a short video interview that appeared on [Channel 7 with the owner Curt Catallo](#).

If you ask a business owner what the worst part of being embezzled from, they all seem to have the same answer: "**The betrayal**".

Embezzlement seems to be one of those topics that we all think "won't happen to us". Like experiencing a break in, going through a divorce or contracting some

serious health problem, we all acknowledge that it occurs. . . . it just happens to "other people". And as I type this, I realize that I fall into the same thinking at Michigan CFO. It's not even on my radar and I implicitly trust our bookkeeper. And that's how it happens.

So with that, I decided to interview one of the business owners mentioned above about their experience having gone through an embezzlement and come out the other side. I hope you'll find their insights both useful and actionable in order to take some preventative steps in your business or with your clients businesses.

At the end of the interview I've also included some additional prevention steps beyond those noted in Brian's original article that you can take to minimize the chances of embezzlement in your organization.

In other news. . . Check out the pictures on page 2 of various work & play activities here at Michigan CFO. Most notable is the "Fowling" picture, which we did as a company event last quarter. If you've never heard of Fowling, it's a combination of Football & Bowling (you throw a football at the pins), and it is a LOT of fun. You may want to pack your CCW permit to get to their location. . . But once their you're sure to have fun! :)

Best Regards,

Todd Rammler, CMA, MSA, President

U.S. NATIONAL DEBT AS OF:

April, 2016

**\$19,246,125,352,784**

April, 2015

**\$18,152,367,511,357**

#### Inside This Issue:

**President's Message**  
Embezzlement, Part II

#### Brian's Corner

Show Some "Love" to the Accounting Staff

#### What's Happening?

Fowling, Cash Flow Workshop and More!

#### Our CFO's:

**Todd Rammler**  
**Brian Bach**  
**David Leo**  
**Martin Hilker**  
**Dan Beardslee**

View past newsletters online!

<http://michigancfo.com/newsletter-archive>



## What's Happening?



Todd & Steve McCarty of UHY and former Piston John Long before the San Antonio game



Brian with Aaron Neville at the Habitat for Humanity fundraiser in December  
[www.MacombHabitat.org](http://www.MacombHabitat.org)



Todd and Brian lead *Creating The Cash Flow Factory* Workshop at Automation Alley

The Michigan CFO Associates Team at The Fowling Warehouse in Hamtramck

[fowlingwarehouse.com](http://fowlingwarehouse.com)



### Welcome, New Clients!

- January**      **Lender to Lender, [www.lendertolender.com](http://www.lendertolender.com)**  
Automotive Financing through Dealerships
- February**    **Connell Building Company, [www.connellbuildingcompany.com](http://www.connellbuildingcompany.com)**  
Residential and Commercial Construction and Remodeling
- Sachse Construction, [www.sachseconstruction.com](http://www.sachseconstruction.com)**  
Nationwide Commercial Construction Services
- March**        **UltraLevel, [www.ultralevel.com](http://www.ultralevel.com)**  
Technology design and Cloud Services, Powered by CloudSAFE



### April Anniversaries

- 1 Years**      **UTEC, [www.universaltecinc.com](http://www.universaltecinc.com)**  
Universal Tool Equipment and Controls
- 4 Years**      **Unitex Direct, [www.myunitexdirect.com](http://www.myunitexdirect.com)**  
Security Uniforms, Public Safety & Career Apparel

### May Anniversaries

- 1 Year**        **Troy Gastroenterology, [www.troygastro.com](http://www.troygastro.com)**  
Multi-Office Gastroenterology Practice
- 6 Years**      **Giffels-Webster, [www.giffelswebster.com](http://www.giffelswebster.com)**  
Civil Engineers, Landscape Architects, Planners & Surveyors
- 10 Years**    **Michigan Custom Machine, [www.mcm1.com](http://www.mcm1.com)**  
Design & Build Industrial Test Machines

### June Anniversaries

- 1 Year**        **Right Brain Networks, [www.rightbrainnetworks.com](http://www.rightbrainnetworks.com)**  
Cloud Strategy / Software Development
- 4 Years**      **Hibbard Inshore, [www.hibbardinshore.com](http://www.hibbardinshore.com)**  
Engineering Service Company Specializing in ROVs and Marine Survey Equipment
- 10 Years**    **Colony Marine, [www.colonymarine.com](http://www.colonymarine.com)**  
Boat Dealership and Service Center

## Q&A With A Business Owner (just like you) Who Discovered Embezzlement In His Company

**After talking with three victims of embezzlement** in a short period of time, I decided to see if any of them would be willing to share their experience with our audience to show that these things happen to real people, just like you, and to show how it occurred and the steps they wish they'd taken sooner—that you can take now.

*-Todd Rammler*



**TR: How did you first become aware of the embezzlement or realize that something wasn't quite right?**

I first found the issue as the result of letting the person go due to cash flow issues, and discovered a check missing that I knew I had not written. I immediately went on line after retrieving the access codes from bank, which I had not used prior, and found that while it said Billings in Quick-Books the check was actually written to the embezzler and forged by the embezzler.

**TR: Once you became suspicious, what were the first actions you took? In hindsight, were they the right steps?**

I immediately did a rapid audit and found over \$3,500 missing, confronted the person over the phone. On day 2 I visited her residence and confronted her with someone else present. I tried to get the money back in lieu of calling the police. I knew right away this would never happen and contacted the police the following day.

I think short of committing my own crime I handled it quite well.

**TR: How long did it take to sort out what actually happened, the magnitude of how long it was going on, and how much was lost? What was that process of discovery like?**

I did an audit over 4 hours with my mother in law that Saturday, it was going on for 29 months, I found over \$225,000 missing. I imagine there was probably more plus credit card usage that could have happened but I chose to stop looking at that point as it really didn't matter much.

It was gut wrenching, and devastating. . . I lost sleep & was physically distraught by the entire ordeal

**TR: What was the damage to the company financially? Was it large enough to shut down the business?**

I have weathered the storm, however by all accounts I should have gone bankrupt.

**TR: What did it do to you personally? Financial impact? Emotional Impact? Physical Impact?**

Financially it crippled my entire savings, was emotionally devastated and physically made me sick to my stomach.

*(Continued on back)*

*(Continued from front)*

**TR: How long had the person responsible been in your employ and in a trusted financial position?**

7 years prior to dime one going missing.

**TR: If you confronted them, what reason/justification did they give for the theft?**

Lies, lies and more lies.

**TR: Did you pursue legal action, and if so what was the outcome and what did you learn about that process?**

The process is long and trying, but the system worked and she was incarcerated for 2 years. I had to endure a 2 year process though so be prepared.

**TR: What changes did you put in place as a result, to prevent it from happening again?**

#1 Insurance (Ed. Note: Crime coverage/Employee dishonesty)

#2 Systems for physical checks and now all banking is online, massive protections via our bank's treasury management products (Ed. Note: e.g., "Positive Pay", etc)

#3 A spread sheet system of cash flows that gives 100% accountability of every dime that flows through the company

**TR: Looking back at it, realistically what could you have done differently to prevent it?**

Many things, including all of the above, which are now in place

**TR: What advice would you have for other business owners who haven't been through it and generally assume it will never happen to them?**

The bottom line is there are certain things that you should not trust other people with. While I have people in place that I trust with many items, I always check & balance the items & opportunities for theft. I have employee dishonesty insurance, monitor accounts on a regular basis. Pay close attention when people go on vacation to see what happens behind the scenes.

**Additional steps for preventing embezzlement:**

- Force employees to take vacations and have someone else (possibly you) do the job of the person in a position most vulnerable to embezzlement
- Separate bank reconciliations from other banking and cash activities (cutting checks, making deposits)
- Ask to review the bank recs including supporting documentation each month
- Don't allow the person cutting the checks to be a signor or have access to a signature stamp
- If you are signing checks, ask for all the supporting detail (po's, shipping docs, receiving docs, invoices, etc.) and even if you don't have time to review them all in detail, pick out a few and ask a bunch of questions scrutinizing them - even if you already know the answers. This lets the bookkeeper know that you are paying attention
- Set up Positive Pay and new vendor notifications with your bank so that you are alerted to any new Payees added to the system. Positive pay requires a list of checks to be uploaded to the bank and any checks presented must be matched to that list - or they're denied
- Talk to your insurance agent about Crime or Employee Dishonesty coverage to ensure you're protected

## Memo to the CEO... Show Some "Love" to the Accounting Staff!



Brian Bach

Here is a memo I put together to the CEO, President or Business Owners that I'm pretty sure lots of people in accounting would like to send to their boss (but probably wouldn't):

*Dear Ms/Mr (the boss),*

*I've been working diligently in the accounting department for (5, 10, 15... ) years and while most days I enjoy my work it would be nice to be recognized, given a pat on the back or maybe taken out to lunch now and then. I take pride in my work, strive to be accurate and try to remain cheerful even when last minute deadlines are dumped on me as a result of other people's lack of planning. I realize we aren't in the limelight like Sales or Production and our daily contribution to the company's success is not easy to measure, however I know the accuracy, conscientiousness and efficiency in our work enhances our employee, vendor and customer experience. Maybe give us a shout-out in the next newsletter, buy a pizza or replace my chair (from 1994). Any token of recognition would be greatly appreciated.*

*-The Accounting Staff*

So why did I decide to write about this topic? Because it's easy to take the Accounting staff for granted! Accounting is not the sexy side of business and it's easy to overlook the contributions of those diligent souls who show up day-in and day-out and don't make noise or trouble.

If you see yourself as (*the boss*) in this article don't be ashamed. It's natural to ignore the things that "work" in business and focus on the things that are broke. So here are a few suggestions on how to recognize and/or show appreciation (*love*) to those trusted Accounting folks:

The Lunch and Learn – take the crew out to lunch and you'll be surprised what you learn both personally and professionally about the staff.

Flexing Hours – take notice of those extra hours and efforts given and offer the ability to come in a little later the next morning when they've worked late.

A Little Goes a Long Way – receiving a \$25 gift card after closing the year-end, or completing a big project or deadline, is a nice way of saying thank-you and shows the boss is paying attention.

Improve the Ambiance – spiff up their work area by painting walls, replacing the carpet or buying new computers or larger monitors for those big excel spreadsheets, desks and/or chairs.

Sharpen the Saw – offer to pay for training or job related seminars. Better yet, make a suggestion to show the interest in their professional growth and value.

We are all guilty of complacency when something is working. Funny how we become unnerved when the car doesn't start, door is stuck or a vendor denies your order because they haven't been paid.

Pay attention to those steady, quiet contributors in the back office and show them some "love". It will go a long way towards improving morale, reducing turnover and keeping employees, customers and vendors happy.

## Michigan CFO Associates

The CFOs for *Small Business*

43230 Garfield Road, Suite 130  
Clinton Township, MI 48038  
586.580.3285



Beautiful view while  
snowmobiling in  
Northern Michigan!

Have a smart phone? Scan the QR code  
below to check us out on the web!



# Newsletter ②

## Michigan CFO Associates

The CFOs for *Small Business*

43230 Garfield Road, Suite 130, Clinton Township, MI 48038  
586.580.3285 x 201

[www.michiganCFO.com](http://www.michiganCFO.com) / [info@michiganCFO.com](mailto:info@michiganCFO.com)

### OUTSOURCED CFO & CONTROLLER SERVICES INCLUDING:

- *TRENDSPOTTER™ Financial Statement Analysis*
- *Bank Financing Packages & Negotiations*
- *Cost & Profit Margin Analysis*
- *Financial Projections*
- *Cash Planning & Management*