



Fraud prevention advice for small business owners

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By Kim Inglis

According to the Canadian Federation of Independent Business (CFIB), fraud is a major threat to the Canadian small business community, hitting victimized small businesses an average of \$6,200 in financial costs in the past year. One third of small businesses have experienced one or more fraud attempts in the last 12 months, and one in five have fallen victim. Only eight per cent of defrauded businesses recovered their full financial costs. Fortunately, there are a few common denominators that small business owners can watch out for.

Some fraudsters come through your front door and their contact is your employee - who will determine whether you get to keep or lose your money. Are you certain your staff has sufficient training to recognize common scams like credit card fraud, counterfeit money, or bad cheques and money orders?

People using fraudulent credit cards have very specific buying patterns (only expensive items, no concern about price or warranty, et cetera) that should raise red flags, and there are simple things your employees can do such as checking signatures or examining credit card security features. However, if your staff is unaware of the techniques, it's likely that someone will successfully steal your merchandise.

If fraudsters have determined they're going to target your business for a bad cheque or money order scam, they arrive well prepared. They will have scouted your business and printed false ID and authentic looking cheques with fake 'verification' numbers. Again, there are specific

signs and preventive procedures – but they don't do any good if your staff doesn't know about them.

Some scammers don't come through your door because their chosen weapon is the telephone, either by talking to one of your employees or through 'fax back' scams. According to CFIB, the most common attempted frauds are email scams and phishing, followed by directory fraud, malicious software and phone scams.

These and other frauds continue unabated and successful mostly because businesses don't have proper controls in place and they haven't trained their staff. Some prevention can be as simple as hard-and-fast rules about never divulging or clarifying any information about your business, or never agreeing to a telephone business proposal.

If you're in a business that handles a lot of cash, like a restaurant, you can expect additional scams aimed at you and your servers. Passing counterfeit money is the favourite. By the way, if you have one of those signs "We don't accept bills \$50 or higher" you can expect more than average. Your sign suggests to counterfeiters that you're less vigilant with lower denominations.

The Bank of Canada has a series of excellent training booklets and videos covering a range of common frauds. They are available in various languages and are free for the asking. In addition they have materials that you can post, telling fraudsters that your company is vigilant. In several cities the Bank of Canada offers staff training seminars customized to suit specific

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businesses. They are free and, in some cases, may be conducted in concert with local law enforcement.

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