

There's a sucker born every minute

Inside Tucson Business, September, 2006



If you are trusting your employees with your financial future you might say you have the potential to be the sucker P.T. Barnum was talking about.

Over fifteen years I have heard some horror stories – all told by intelligent, capable business owners about how they were robbed of thousands of dollars by employees they trusted. All of them thought their employee incapable of theft until the facts piled up to an inescapable conclusion. Their employee had been robbing them.

I thought I had heard it all until a client told me about the case of the criminal in-law. The patriarch in the family started a successful business. As often happens, his wife worked on the books. He intended to leave the business to his son and said so in numerous meetings where I personally was in attendance. In response to my urging him to set up a formal transition plan, he ignored my advice and insisted he could trust his wife to handle it.

When he passed away he left everything to his wife assuming she would pass it on to their son. The son ran the business and the wife talked about how she would transfer it to him “in a short time”. The wife was 20 years younger than her husband, fairly dependent and immediately began searching for a new spouse.

No one in the family was surprised when she met someone and soon announced she was getting married. In fact, the groom to be was apparently a knowledgeable businessman, ingratiated himself to the son and offered to provide some services such as setting up the company server, assisting with agreements, etc. at no charge to the son or the wife.

As time went on the son finally made an agreement with his mother to purchase the company from her. The business prospered, the debt was paid down and the son began to notice some odd things about the stepfather. At first it was just an uneasy feeling, then irregularities showing up on the computer system – weird companies the son had no knowledge of.

Slowly, small things led the son to hire a private investigator and have his stepfather investigated.

When the report came in, the son was shocked and dismayed. The stepfather had been in prison three times over the ten years before meeting his mother. The charges were always the same: marrying someone with a business and scamming off thousands of dollars both from the business and the marriage partner.

What happened next was right off the Friday night television crime drama. The son confronted the mother and stepfather. The mother stood by her man and refused to believe the reports.

The next morning the son's computer geek went to the files and found all the data gone – yes, gone. The sad truth is the son may never know the extent of what happened or how much he lost. In addition to the financial losses, the son lost the relationship with his mother and she lost her relationship with her son and her grandchildren.

Don't think because you've known Tom, Dick, or Mary for twenty years or because your mother married a guy that it can't happen to you. Here are some of the best practices that will protect your financial future.

1. Run background checks on all potential employees AND relatives who will have access to your business.
2. Set up a check and balance system for signing checks. Sign them yourself and/or bond the persons signing them for you.
3. If you are a small business, keep your check book in your own office. Keep as much control over it as you have time for and you better make time.
4. Have outside audits performed every year.
5. NEVER give anyone access to your computer system (server, financial records) without running a thorough background check.
6. Never stop being vigilant.
7. Trust but carry a big stick. Use it if you have to.

Sharon Youngblood is a Certified Management Consultant, Executive Coach and Speaker. She works with companies and individuals to improve performance and profitability. Contact her at say@youngbloodconsulting.com or (520) 795-7498. Additional articles are available:

www.youngbloodconsulting.com