

Profile of an Embezzler ***- And How You Can Stop Her***

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A question often posed to me is, "What is the typical profile of an embezzler?" Based upon Marquet International statistics compiled over the past three years of major embezzlements involving employee thefts of more than \$100,000 in the United States, certain characteristics do stand out.

For example, she would be female, in her mid-40's, working in a bookkeeping capacity at a small business, non-profit organization, government entity or in the healthcare or financial services industries. Let's call her "Evelyn" the embezzler (no offense to all you Evelyns).

Evelyn would probably be a relatively long term employee (more than 5 years) and would generally be viewed as helpful, trustworthy and hard working. Many business owner victims exclaim after the fact how betrayed they feel and that they "trusted her completely and treated her like family."

This fictitious prototypical embezzler Evelyn would engage in more than one type of misappropriation scheme, most likely forging checks, converting company receipts for her own benefit or making unauthorized electronics funds transfers to herself or accounts she controls. Evelyn would most likely have schemed on her own without involving any co-conspirators. Her thefts would most likely span about 4 1/2 years. Evelyn would attempt to cover up her misdeeds by creating false bookkeeping entries and submitting false financial reports to her superiors.

In cases of employee thefts of more than \$100,000, our Evelyn will embezzle on average more than \$800,000. She would most likely be located in California, New York or Florida.

Rather than being motivated to steal as a result of severe personal financial difficulties, Evelyn would most likely be driven by greed or a desire to live a more lavish lifestyle than she would otherwise be able to achieve on her regular salary. The stolen monies would often go toward paying personal expenses such as credit card bills, mortgage and car payments, utilities and tuition bills. She would spend it on luxury items, such as jewelry, fine clothing, furniture, automobiles and high-end electronics. As for big ticket items, she would also likely spend the stolen funds on luxury vacations,

gambling junkets, real estate or home renovations.

Of course, there are many exceptions to this profile - such as the fact that Evelyn's male counterpart (Ernie the Embezzler) would likely embezzle a significantly greater amount.

Nevertheless, the good news is that eventually Evelyn would most likely get caught - probably by accident, but sometimes as a result of an alert co-worker or new staff. Unfortunately, annual audits typically will not surface such frauds. Evelyn would eventually get prosecuted - the wheels of justice move slowly but methodically - and she would make a plea arrangement and be sentenced to spend about 4 1/2 years in jail - roughly about as long as her scheme lasted.

Evelyn would also be ordered to pay restitution to the victim organization. The bad news is that full recovery is rarely made. Much of the money is spent and non-recoverable and those assets that can be attached will frequently have depreciated in value. Plus there is the added cost of investigating, auditing and correcting problems created by the embezzlement - sometimes large tax bills.

The other bad news is that the actions of the Evelyns of the world often have a devastating effect on many organizations, particularly small businesses and non-profits. The road to recovery can be difficult, time consuming and costly and many companies have had to cut benefits, lay off employees and even file for bankruptcy as a result of such an embezzler.

Below is a list of some of the proactive steps organizations can take to minimize the risk of being victimized by our imaginary Evelyn as described above:

- Do not allow a single individual access to all aspects of company finances. Make sure there is a division of duties in the finance department.
- Regularly rotate responsibilities for bookkeeping personnel.
- Require bookkeeping personnel to take time off and vacations. Embezzlers often take little or no vacations to perpetrate their schemes.
- Do not allow bookkeepers to take work home.
- Require two signatories on outgoing checks above a certain nominal amount. The signatories should be different individuals from the check preparer.
- Examine cancelled checks regularly. One common method of embezzlement involves the forgery of checks. Another is to have them payable to the embezzler or their personal vendors.

- Maintain unused checks in a lockbox. Be sure all checks, purchase orders and invoices are numbered consecutively and reconcile any of those missing.
- Conduct regular as well as random audits. Owners should take a hands-on management approach by physically spending time with the bookkeeping department.
- Audit petty cash regularly.
- Audit credit card charges regularly.
- Audit expense reports regularly.
- Be sure each payment, electronic or otherwise, is backed up with appropriate documentation.
- Backup financial records daily.
- Make and reconcile daily deposits. Use a “for deposit only” stamp for check deposits. The person recording cash receipts should be different from the one making the actual deposits.
- Bank reconciliations should be made by a different person than those that handle cash receipts and cash disbursements.
- Know who your vendors are. Embezzlers often create phony vendors and submit fraudulent invoices for payment.
- Examine payroll records regularly. Some embezzlers issue themselves extra paychecks and bonuses through the payroll system.
- Investigate customer and vendor complaints promptly. If vendors are not being paid as expected, it may be a sign that the payment checks are being diverted.
- Conduct pre-employment background checks for all personnel with fiduciary duties.
- Prosecute perpetrators, creating a permanent record future employers can find.

Evelyn may be a business owner’s worst nightmare, but with some prudent attention to your business, much of the risk can be mitigated.

For more information, read our latest [Annual Report On Embezzlement](#).

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