



# Small Business Bulletin

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## Protecting Small Businesses Against Employee Fraud

Employee fraud, which involves deliberate dishonesty, theft or deception by an employee for personal gain, is prevalent in nearly two-thirds of U.S. small businesses, according to the National Federation of Independent Business. Compared to larger organizations, small businesses typically encounter an increased risk of employee fraud due to a lack of basic controls and a higher degree of misplaced or assumed trust.

Employee theft can have devastating financial consequences and even put a company out of business. Luckily, if employers are diligent in recognizing the signs and taking precautionary measures, they can often prevent fraud or catch an employee in the act.

### What Is Employee Fraud?

Employee fraud takes many forms, such as:

- Asset misappropriation
- Embezzlement of money
- Bribery and corruption
- Product theft
- Time theft
- Unauthorized discounts on products
- Financial statement fraud

### Identifying Employee Fraud

Identifying employee fraud can be difficult; however, many employees who steal from their employers have experienced prior HR red flags. Employers should look out for the following:

- Employees living beyond their financial means
- Employees experiencing financial difficulties or family issues

- Employees working in positions to commit fraud
- Employees who frequently work late or longer hours than usual
- Employees with an unusually close relationship with a vendor or supplier

Employers should avoid engaging in discriminatory practices when identifying potential fraud.

### Strategies to Prevent Employee Fraud

Strategies small businesses can implement to prevent employee fraud include:

- Reviewing financial statements regularly
- Depositing cash and checks daily
- Distributing financial responsibilities among employees so one person doesn't have too much control over the organization's finances
- Scheduling random audits and periodically hiring an outside accountant to review the organization's finances
- Performing background checks
- Establishing policies against fraud and theft
- Obtaining an insurance policy that covers employee theft and fraud
- Establishing a way for employees to report workplace fraud anonymously
- Training managers and supervisors to recognize and report potential fraud
- Creating a culture of integrity
- Ensuring employees take time off periodically

### Employer Takeaways

By taking precautions and implementing internal controls, small businesses can effectively limit their risk of employee fraud.

## Building a Workplace Culture of Well-being

Recently, there's been a shift among employers to integrate total wellness—often referred to as well-being—into their culture. Doing so gives organizations the opportunity to affect employees' overall quality of life. An increased focus on well-being may result in improved employee health and wellness, which leads to a happier and healthier workforce. In addition, it's been shown that happy and healthy employees tend to be more productive and satisfied with their job, thus motivating them to work for the organization longer. These employees can then contribute to lower health care costs, increased engagement, and improved recruitment and retention.

Therefore, it's essential for employers to understand employee well-being and its impact on the workplace and implement ways to foster a culture of well-being.

### What Is Well-being?

Well-being is a complex combination of an employee's physical, mental, emotional, financial and social health factors. At its core, well-being refers to feeling good and living both safely and healthily; it pertains to wellness in all aspects of life. In the workplace, well-being is directly connected to the quality of an employee's work as well as their engagement, performance and productivity. Well-being is typically measured with self-reports since it's subjective.

### Well-being's Impact on the Workplace

Employee well-being can impact employers in various ways. According to the recent Gallup poll, employees who strongly agree that their employer cares about their overall well-being, compared to others, are:

- About 69% less likely to actively search for a new job
- Almost three-quarters (71%) less likely to report experiencing a lot of burnout
- Five times more likely to strongly advocate for their company as a place to work
- Three times more likely to be engaged at work
- Over a third (36%) more likely to be thriving in their overall lives

Additionally, Gallup's research found that workplaces where employees feel the organization cares about their well-being generally experience higher customer engagement, bolstered employee productivity, reduced turnover, increased profitability and fewer safety incidents.

### Strategies for Building a Culture of Well-being

Employers may consider the following strategies to build a culture that supports employee well-being:

- **Assess employees' needs.** Before planning anything, employers must first understand their current workplace culture. Conducting surveys, focus groups and other discussions can help employers understand what employees need and want to support their well-being.
- **Evaluate benefits offerings.** Benefits offerings like employee assistance programs and mental and financial health benefits can positively impact employee well-being.
- **Evaluate programs and policies.** Implementing policies regarding paid time off, workplace bullying and flexible scheduling can help support employees' well-being.
- **Train managers and supervisors.** Training those who work directly with employees is key to creating a supportive workplace culture.
- **Provide tools to help employees make healthy choices.** Giving employees the tools to make healthy choices can help create a culture that supports employees' well-being.
- **Recognize and celebrate well-being successes.** Publicly supporting healthy choices and behavioral changes can establish a positive workplace culture.

### Employer Takeaways

Employers can promote workers' wellness and maintain successful operations by understanding how employee well-being impacts key business objectives and consciously keeping workers happy and healthy. To be effective, employee well-being must become a core value that inspires all organizational procedures, policies and leadership behaviors.

Reach out to Franconia Insurance & Financial Services for more workplace resources.