

Fraud: No Organization is Immune

By Mike Regan, Assurance Partner,
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Tips to Protect Your Business' Assets

Businesses purchase insurance to protect their companies from natural disasters and develop procedures to secure trade secrets from outside competitors, but not all businesses have developed the proper processes to protect themselves from internal corruption and fraud. Because instances of fraud can cost a company millions, it is important to know that there are ways to prevent fraud and to detect these instances early.

The three types of fraud that occur in a business setting are misappropriation of assets, corruption, and fraudulent financial statements. According to the Association of Fraud Examiners, misappropriation, whether through misuse or theft of assets, is the most common occurrence of fraud but with the least average loss at \$135,000. Corruption activities on average cost a company \$250,000 and occur when individuals wrongfully use their influence to create a benefit for themselves or others. Fraudulent financial statements are the least common type of fraud but have the largest potential for company loss with an average loss of \$4,100,000.

Agricultural cooperatives, elevators and producers can be vulnerable to fraud due to common high risk scenarios found in the industry. Examples include:

- Management dominates the organization. This increases the likelihood of an override of basic controls.
- Basic controls are in place, but the organization lacks segregation of duties.
- Internal auditing functions are rarely present.
- Board members lack extensive financial knowledge.
- Financial transactions have become increasingly complex while internal accounting and financial experts lack appropriate experience.

Average fraud schemes last 18 months before being detected, and most times, the perpetrator is a first-time offender. Some common warning signs of fraud perpetrators are employees that show a change in their lifestyle,

employees that are living beyond their apparent means, accounting records that are not kept current by certain employees, employees that won't take vacations and employees with personal financial difficulties.

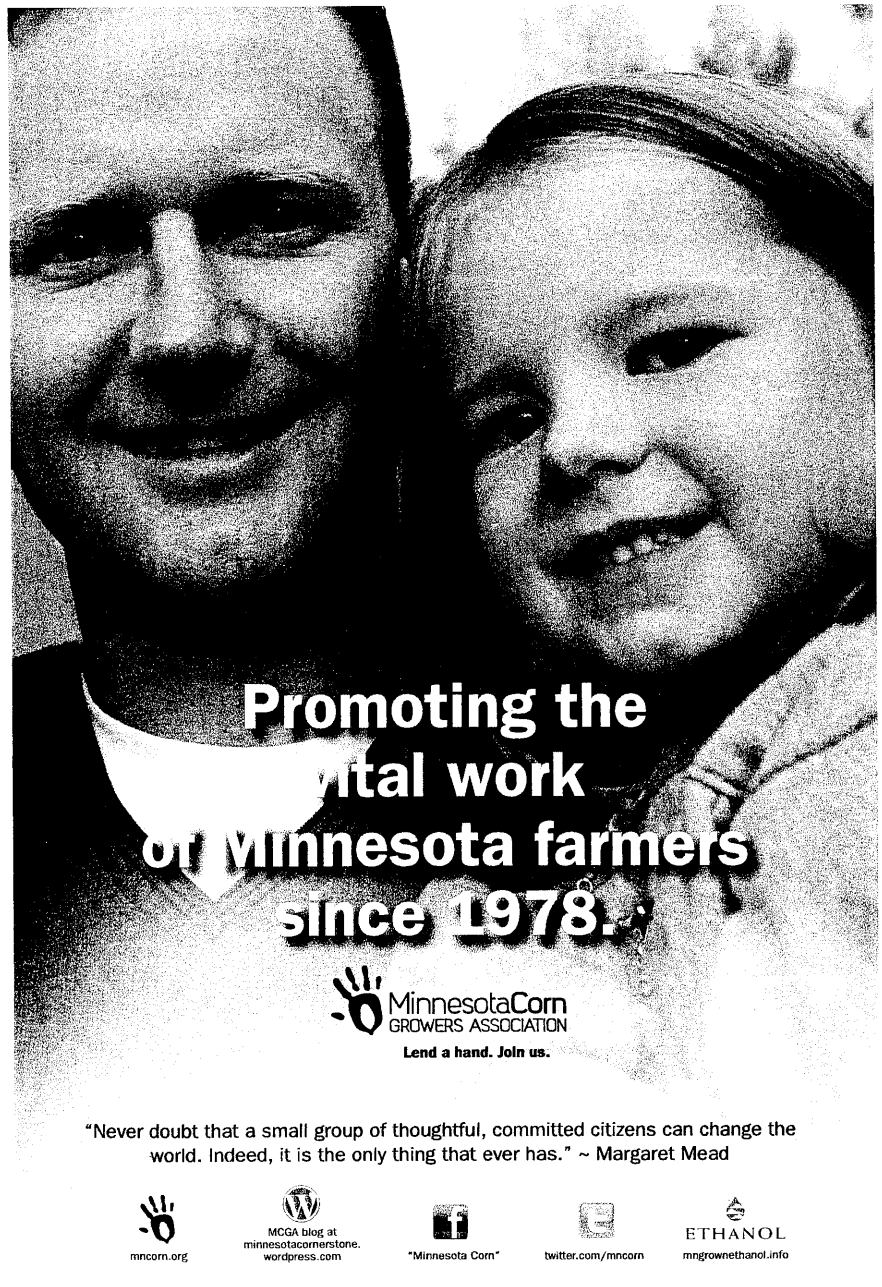
Most companies that fall victim to fraud do not have sufficient controls in place to prevent the fraud from occurring.

Here are the top five practices that you can implement to protect your business:

1. **Fraud hotline** – Allowing others in the organization to submit anonymous tips of fraudulent activity accounts for over 40% of initial detections and is, by far, the most effective action an organization can take.
2. **Internal procedures established by management** – Developing budgets

and establishing measurable financial objectives set clear expectations of acceptable employee behavior.






3. **Fraud awareness/ethics training** – Ensure that all employees are aware of what to look for and understand company policies and procedures on reporting potential fraudulent activities.
4. **Internal audits** – Internal auditors provide ongoing monitoring and assessments of activities.
5. **Surprise audits** – An unannounced audit or a different auditing process can bring to light fraud that perpetrators did not have time to cover up. Surprise audits can also be useful at deterring fraud, not just detecting it.

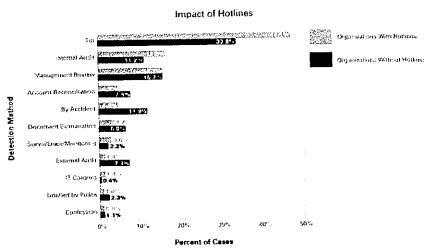


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Source: 2010 Report to the Nations on Occupational Fraud and Abuse, published by the Association of Certified Fraud Examiners.

Lastly, if your board or governing body doesn't require it, consider an external audit. External auditors approach your organization's unique situation utilizing a high level of professional skepticism. A quality auditor will consider whether responses to inquiries throughout the audit have been vague, implausible or produce evidence that is inconsistent with other findings.

The agricultural industry is known for its high morals and ethics. However, to ensure

that your organization is less likely to fall victim to fraud keep a watchful eye and implement the above tips.

Bergan Paulsen is comprised of talented CPAs and business consultants providing timely, quality services as a regional accounting firm specializing in the agribusiness industry.

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Scientists-Technology-Farmers: A High Production Partnership

By Minnesota Soybean

There is a unique partnership among scientists, technology educators and farmers that is creating the ever-increasing crop yields necessary to meet the world's growing demand for food and fuel. As farmers turn discoveries from science into higher yields in the field, they are providing the world with an abundant supply of safe and affordable food and advancing the nation's energy security through renewable biofuels. At the same time, they are protecting the environment by sustaining natural resources and helping to build Minnesota's economy through higher productivity and profitability.

The Minnesota Soybean Research and Promotion Council (MSR&PC) is partnering with the University of Minnesota to conduct research in a range of areas that are helping farmers increase their yields. To share this research with as many farmers as possible, MSR&PC has created a video series called **Soybean Science: The R.E.A.L. Story**. The video series is part of the Responsible, Ethical Agriculture for Life (R.E.A.L. Story) communications campaign.

Each video covers a different research topic. Videos available so far address weed management and iron deficiency chlorosis. Coming soon are management of soybean aphids and soybean cyst nematode. The videos are available on the MSR&PC YouTube channel at www.youtube.com/minnesotasoybean.

"Sharing such information about

technology helps more farmers with up-to-date research on how to produce higher yields and handle production issues that may arise," says Greg LeBlanc, a Crookston farmer who chairs the MSR&PC Research Committee.

MSR&PC-sponsored yield research at the University of Minnesota includes areas such as seed variety selection, tile drainage, fertility, cultural practices and disease and pest control.

Minnesota Soybean Research and Promotion Council

The Minnesota Soybean Research and Promotion Council is an elected board of 15 soybean producers from across the state. The mission of the council is to invest soybean checkoff dollars in well-defined research, marketing,

education and commercialization programs designed to increase demand and thereby improve the profitability of Minnesota's soybean farmers. For more information, visit www.mnsoybean.org.

The American Feed Industry Association Makes Four Promises to its Members:



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