



Fraud Alert— Skimming

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Skimming schemes are difficult to detect

A skimming scheme occurs when cash receipts are stolen from an organization before the cash is recorded in its accounting records. Since there is no official record that the cash was received, this type of fraud is very difficult to detect.

Revenue skimming—Revenue-skimming schemes are the most common and involve an employee accepting payment from a customer, not recording the transaction, and then pocketing the money. Employees with the greatest opportunity to commit these schemes are those who deal directly with customers and handle those cash payments.

Accounts receivable skimming—Skimming accounts receivable is less common but is easily concealed if an organization allows an employee access to both receivables records and cash receipts. In such schemes an employee accepts payments on accounts, records that the customer made a payment on the account, falsely records a charge to an expense account, and pockets the money. Generally, the individual will spread the expense charges over many different accounts to avoid detection.

Our Office has investigated several skimming schemes, including one revenue-skimming scheme in which a county employee embezzled at least \$84,193 over 2-½ years by skimming cash receipts collected at county parks. This employee was able to accomplish the thefts because responsibilities were not segregated. In this case, the employee had the authority to receive, record, and deposit cash receipts. In addition, the employee was also responsible for recording information in the accounting ledger and reconciling that information to receipt and deposit documentation. This lack of segregation of duties created an environment that allowed the scheme to occur.

Controls to prevent and detect skimming schemes

Some of the more common controls that can help prevent and detect skimming schemes include:

- Utilizing an automated cash receipts system or cash register that records individual transactions and issues a receipt for each transaction.
- Issuing prenumbered and numerically controlled cash receipt forms for all cash and checks received if an automated receipts system or cash register are not used.
- Reconciling cash receipts to all cash and checks received and investigating and resolving any discrepancies.
- Investigating no sale or voided transactions to ensure the amount is reasonable and properly documented.
- Separating cash receipts responsibilities to ensure the same person is not responsible for collecting, recording, reconciling, and depositing cash receipts.
- Performing an independent management review of reconciliations performed between original receipts, deposits, and accounting ledgers.
- Monitoring established internal controls to ensure that all policies and procedures are followed.