



Small Businesses Lost \$27.6 Million to Fraud Last Year: Here's How to Protect Yourself

Description

No, it's not just you. The number of scams, from text messages to cyberattacks, *has* gone up.

According to data given to the *Globe and Mail*, the number of fraud cases increased from 2,263 cases in 2018 to 2,317 last year. An additional 54 cases may not seem like a lot, but more astonishing is the difference in business losses — from \$17.5 million in 2018 to \$27.6 million last year.

What's even more alarming: these number are likely far lower than the actual fraud happening, as only 5% of Canadian individuals and businesses report fraud cases.

While it's fairly simple to spot certain fraud cases over others (no, the CRA isn't going to call you and ask for your credit card information), others can be a bit trickier. To help you protect your small business from fraud, here are five simple things you can start implementing today.

1. Offer training to employees

Employees are often the bastion of your small business: if a fraudster steals their passwords, they can often weasel their way into your system.

One important step, then, is to train your employees to spot fraud. At the very least, your employees should know the difference between phishing and spear phishing as well as common red flags in fraudster's emails and text messages (hint: look for misspelled words or fishy signatures). They should also know how to create a secure password as well as change that password every 30-60 days.

You don't have to go all out here. An online webinar should do. Of course, you could always hire outside help — someone who will teach a seminar. However you decide to educate your employees, be sure you make the training mandatory as well as annual.

2. Be careful who you hire

Fraud doesn't always happen from a stranger. More often than not, it happens from someone who already works for you.

You can stop fraudsters from entering your company simply by making your hiring process more meticulous. Call their references, and ask questions that centre on a person's trustworthiness. Run a background check on the people that you're hiring, and if your intuition tells you something isn't right, dig into it.

Another solution is to implement a whistleblower policy. Make sure employees know that it's OK (admirable even) to report suspicious activity to their leaders. While, true, you don't want employees reporting petty theft (surely, you can afford to let employees take a few extra pens home), you also don't want employees to overlook more dubious behaviour.

3. Never let one person handle all the money

This is fraud prevention 101: never let one person wear all the accounting hats. While you may trust the person in charge of your business' money, you should still take extra precaution — for your sake and theirs — not to put too much power in one person's hands. Separate accounting duties among multiple people, and you'll help your employees stay accountable — and fraud-free.

4. Bolster your digital infrastructure

With the pandemic forcing many companies to work from home, cyberattacks are on the rise. Malware, viruses, ransomware, and phishing have all caused a major headache for small businesses, with many losing profits from their bottom lines to particularly devastating thefts.

To protect your company from cyberattacks, be sure you have the most updated antivirus software installed on your business's computers. You can also bolster your digital infrastructure by encrypting devices and sensitive information, requiring employees to change their passwords every month or two, and adding multi-factor authentication on all your accounts.

5. Get fraud insurance

Finally, for utmost peace of mind, consider a fraud insurance policy. With a fraud policy can cover financial losses should a fraudster find a way to wire money from your bank accounts. While fraud insurance won't stop cyberattacks or extortion from happening, it can mitigate loss and help you stay afloat.

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