

# Michigan CFO Associates

The CFOs for *Small Business*

## Newsletter 1

### President's Message

#### If You Had A Million Dollars. . .



Todd Rammler

While vacationing in Europe over the holidays, I found myself with a considerable amount of thinking time in the air or on high speed rail. The rail is particularly interesting, as watching cows go by at 200 mph is not something you see every day. As

entertaining as that is, eventually your mind drifts and you start to ponder things, like "Gee, I hope no cows wander on to the train track".

When I returned to more productive thoughts, I was mentally reviewing our internal business growth goals for 2016 and attempting to answer a question posed by my partner Brian in a planning meeting a couple weeks earlier, which was: "How much of a marketing budget do you need?"

Hmmm. I didn't really expect the question in that form.

"I don't know. . . I'm not sure what I would spend it on, to be perfectly honest" I answered. But it got the wheels turning, because I knew I ought to have a good answer to that question.

Actually his first question was "Why didn't we spend the entire marketing budget for '15?" I think my answer was "Because we're penny pinching accountants". . . or something sarcastic like that. But it was also a good question.

So while watching cows blur by the French countryside, and secretly hoping there would be no more meals with cheese as a "main course", I remembered a strategy session I attended five-ish years ago where a similar, but broader question was posed: **"If you had \$1M available to grow your business, what would you do with it?"**



Arc de Triomphe Paris, France

So with that question in mind, I began jotting down every conceivable way I could think of to grow Michigan CFO, including advertising, marketing, people, infrastructure and geographic expansion. It was a fairly long list and I think it will likely grow even longer once my head is fully unclouded by cheese and wine.

After that, I attached a guesstimated dollar value to what each of those items might cost for a year. Some I had a good idea on; others I had to make a guess. Then like any good accountant, I added them up to see how close I was to \$1M.

\$450K. Not even close.

It also dawned on me that I'm an accountant doing marketing, and that any REAL marketing person would've come up with a plan to spend 10x the target, not HALF the target.

Oh well. I did get a great list and will prioritize that to come up with what our actual initiatives and budget will be for 2016.

The question for you is: **If YOU had \$1M to grow your business, what would YOU do with it?** Feel

free to replace \$1M with whatever amount you'd like, or simply "all the capital you would need". Invest in technology? People? New locations? Better comp & benefit plans? Market research? R&D? It's a really great question.

Equally important is creating a plan to achieve what your budget will allow, and then EXECUTING it (i.e., spending it). And at risk of having my accounting degree revoked. . . it really should be viewed as an investment, not an expense.

Armed with my \$450K marketing budget, I'm off to the conference room with an answer for Brian. I think this might qualify as one of those "Be careful what you ask for" situations.

Happy 2016~

Best Regards,

Todd Rammler, CMA, MSA, Presi-

#### U.S. NATIONAL DEBT AS OF:

January, 2016

**\$18,922,179,009,420**

January, 2015

**\$18,097,814,959,110**

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#### Our CFO's:

**Todd Rammler**  
**Brian Bach**  
**David Leo**  
**Rick Knappe**  
**Martin Hilker**

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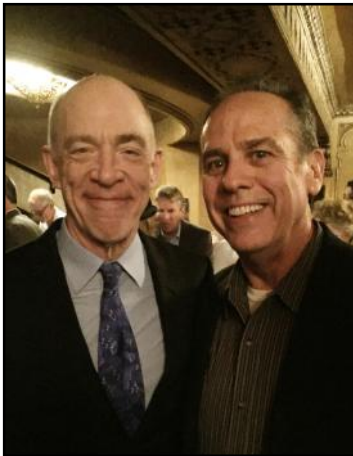
### Welcome, New Clients!



- October**      **Global Telecom Solutions, [www.gtsdirect.com](http://www.gtsdirect.com)**  
Telecommunications Consultants
- December**    **AA Jansson, [www.aajansson.com](http://www.aajansson.com)**  
Supplier & distribution of precision measuring tools and equipment
  
- 1 Year**        **PCI, Inc., [www.pci-detroit.com](http://www.pci-detroit.com)**  
System Integration & Industrial Automation
  
- HRPro/BenePro, [www.hrbenepro.com](http://www.hrbenepro.com)**  
Employee Benefit Advisors
  
- 4 Years**       **DF Benefits, [www.dfbenefits.com](http://www.dfbenefits.com)**  
Full service employee benefits brokerage



## What's Happening?



Brian with JK Simmons at the Mitch Albom & Friends Word and Music Charity Book Launch at the Fox Theatre.



Happy Holidays from your Friends at Michigan CFO Associates!



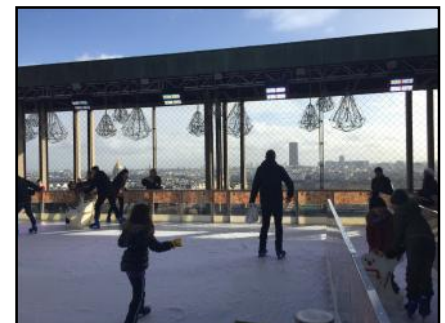
Todd photographed the National Debt Clock in NYC in October (It's grown since then!)



Mont Blanc in Chamonix, France



Michigan CFO Holiday Dinner at Texas de Brazil in Downtown Detroit



Ice Rink on the 1st Level of the Eifel Tower



Brian Bach

## Embezzlement & Fraud: Is it Happening In Your Business?

Working with a lot of small businesses we have a good understanding how they handle the accounting and finance functions within their business. They have limited resources which makes most of the invoicing, bill paying, bank reconciliations, cash handling, and payroll processing handled by one, or maybe two people at most.

Unfortunately, lack of resources to decentralize accounting functions is the reason small businesses have a disproportionate amount of embezzlement and fraud compared to larger businesses.

I was recently doing some research on this topic and was startled by some of the statistics compiled by the Association of Certified Fraud Examiners (ACFE) in their 2014 Report to the Nation:

- Small businesses are both disproportionately victimized by fraud and notably under-protected by anti-fraud controls, a combination that makes them significantly vulnerable to this threat.
- The vast majority of occupational fraudsters (95%) are first-time offenders and 82% of fraudsters had never previously been punished or terminated by an employer for fraud-related conduct.
- The amount of time from when the fraud commenced until it was detected — for all schemes in their study was 18 months.
- The median loss per fraud scheme at small businesses is \$154,000.
- It takes time and effort to recover the money stolen by perpetrators. At the time of the survey, 58% of the victim organizations had not recovered any of their losses due to fraud, and only 14% had made a full recovery.
- Small businesses (defined as those with fewer than 100 employees) were victimized at 28.8%, which is the greatest percentage of all cases reported.
- Organizations with fewer than 100 employees face different fraud risks than larger organizations. For example, check tampering schemes occurred in 22% of small business cases, but only 7% of cases in larger organizations.

So while these are somewhat frightening statistics here are some cost effective suggestions small businesses can put in place to minimize their exposure:

**Be aware and look around.** Most fraudsters exhibit behavioral traits or warning signs of their crimes, such as living beyond their means or having unusually close associations with vendors or customers. In 92% of the cases at least one common behavioral red flag was identified before the fraud was detected.

**Review and update your Code of Conduct policy in your handbook.** If you don't have a hand book, create a separate Code of Conduct policy and review with all employees. This sets the expectation and consequences.

**Educate your staff.** Hold regular training sessions on basic security threats (online and off) and prevention measures for both new hires and seasoned staff. Promote and enforce the training by instituting policies that guide employees on the proper use and handling of company confidential information, including financial data, personnel and customer information.

**Keep an open door.** Tips, at 42.2%, are consistently the most common detection method for cases of occupational fraud. Of this total, your own employees accounted for nearly half of all tips received. So it's best to keep your door open and encourage open communication.

**Insuring for Crime or Fraud:** You can acquire commercial crime insurance which covers money, securities and other property against a variety of criminal acts, such as employee theft, robbery, forgery, extortion and computer fraud. Check with your agent on the cost and coverage offered by these policies.

**Conduct Background Checks on New Hires:** Hiring the right people can minimize the chance of fraud. While not full proof, with proper written consent this can give you some assurance there are no past criminal convictions.

**Have a Manager Approve Expenditures and/or Sign Checks:** While this may not be practical on all purchase or checks, set up a policy that say check over \$1,000 must be approved and/or signed by the owner.

**Review Bank Register on a Periodic Basis:** Again, this may not be practical depending on the number of transactions but have your accounting person print out, or send in a PDF file, your bank register every few weeks or every month. Take a moment to skim through and question anything that's not familiar. This process sends a message to your accounting department that you're watching and can be a powerful deterrent.

While you can't protect your business 100% from embezzlement or fraud, you can take steps that send a message through your organization on what is appropriate conduct. This sets both expectations and consequences. People are less likely to commit fraud if they know someone is watching them.

To read more, here is the link to the most recent ACFE 2014 Report to the Nation.

<http://www.acfe.com/rtn/docs/2014-report-to-nations.pdf>

## Michigan CFO Associates

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Campus Martius Ice Rink

Have a smart phone? Scan the QR code below to check us out on the web!



# Newsletter ①

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