

SafeAlert



A loss control advisory from the ABA-sponsored insurance program underwritten by Progressive

Suspense Account Access Facilitates Teller Embezzlement of over \$1.3MM

One of the most important internal controls in a bank is ensuring that suspense accounts are monitored regularly and reconciled by someone who cannot post transactions to the account.

In a recent claim, a long-tenured head teller used a suspense account to embezzle \$1.3MM over several years – beginning with small amounts she would “borrow” and pay back, until her gambling debts mounted and she was unable to repay.

It is human nature to let trust replace caution, and when this happens, the review becomes perfunctory rather than detailed.

The intricate scheme went like this: The head teller would receive a cash shipment from the main office, debit the cash account and put the offsetting credit ticket in her desk. Within thirty days, she would post the offsetting credit to the suspense account and concurrently post a fake debit equal to the amount that she had taken from the vault. She entered offsetting transactions every thirty days, increasing the debit entry each time to reflect the amount taken. The vault always balanced, as she

credited the cash account each time she took cash; however, the suspense account was perpetually out of balance. When the amount became significant, she created another fake debit ticket and had two separate tickets running. This intricate scheme went on for years.

Progressive continues to see embezzlement via suspense accounts in all parts of the bank - credit card account processors, correspondent bank account administrators, branch managers, to name a few.

To protect your bank from embezzlement:

- Make sure there is continuous and careful review of suspense accounts.
- Account reconciliation must be performed by a person with absolutely no authority to post entries to the account. A review of the balancing by another person is not sufficient, as over time it is human nature to let trust replace caution, and when this happens, the review becomes perfunctory rather than detailed.
- Be suspicious of off-setting debits and credits entered by the same individual, as well as any continuous series of entries by one individual.
- Require that corresponding debits/credits be posted with in 1-2 weeks.
- Make sure that any suspicious entries are questioned and reported, and followed up by management – even when involving the most trusted employee.

For more information, contact Judi Kovach, Loss Control Manager at 800-274-5222.