

## How to get robbed

*Editor's note: The following story is true. The writer has no problem with listing his name and the name of his agency group, but I changed the names to demonstrate how easily it could happen to any insurance agency owner who ignores the basic rule "Inspect what you expect!"*

I began this journey like most others. I was in law school, and not doing as well as the people that did not have to hold down jobs. As a financial analyst for an insurance company, my agency experience was only with my father. My job was working for Mid-Continent Casualty. Not only was I an analyst, but I also became an actuary. I got to tell ya, this is not that helpful for sales.

I drove by a little non-standard agency every time i drove from law school to see my parents. The idea had formed 10 years before, but the manifestation was now apparent. This is 1992.

I watched this "little" agency expand to 13 locations across the state. The man in charge was one of my favorite people. Think Dean Auten but in my state.

After watching him make good on the new mandatory laws, I dropped out of law school to start Werethebest Insurance Alliance.

I opened an office in the VERY back of a shopping center for \$700 a month. Almost immediately, it was apparent I was failing. I had to get a second job, banquet serving at the Hilton after hours. I lived in the back of the office for 6 months. Then one day, someone gave me a copy of FYI Express.

It was like someone had taken the shades down. I KNEW what I had to do. I began to expand. This is 1994.

I secured financing, opened offices. Made many mistakes (another story). In 2001 I was ready. I had 13 locations and was financially ready to expand. I hired a new bookkeeper and promoted my best regional manager to president. He was my best friend for some 20 years; we went to high school together.

My new idea was, "hey, I am now CEO, I don't need to mess with reconciling bank accounts, i have hired people to do that." I put the new president in charge of paying bills... ala Dean Auten, I put the bookkeeper in charge of providing me summarized financial statements. I reviewed these furiously. But I never looked at the bank statements ... for 6 years.

In 2006, September, my president and best friend came to me and said we did not have money to cover payroll. I was floored. The prior months' statements were all good ... 30k surplus after all bills. But it was gone. I went and got a loan to cover my personal payroll for three months. I fired 10 people. I closed two offices. But, of course, I kept the president and the bookkeeper.

Are you seeing what I am getting at yet? You can NEVER afford to stop paying attention. EVER.

So, I began to examine the books at the end of 2006. I was not getting paid, with 17 locations. Something had to be wrong.

It took me 4 months and another bookkeeper to find the theft. It had started in 2001. The month my new bookkeeper started. Her first forged check was for \$500. By 2006, she was forging \$8,000 a month for herself. Why did I not see this? Because I was not paying attention. If I had reviewed ONE bank statement, instead of the summary, in those 5 years, I would have caught it. But I did not.

I relied on my PRESIDENT, my best friend from high school, to review these statements. I also relied on him to tell me if there were any problems. In 10/2006 my company paid \$45,000 in insufficient funds fees. From two of 13 offices. This was hidden from me. But all I had to do was look. Instead, I looked away.

Wait guys. Feel me here. \$45k in bounced check fees in one month? Hidden from me? A blind bat would have seen it...yet I did not...

I trusted these two people. My bookkeeper and my best friend now president.

In March of 2007 I received my first notice of levy from the IRS. My wife opened the mail of course. Over the course of 2007, I received 4 separate notices to levy. Seems my bookkeeper had also not paid the 941 withholding taxes. To the tune of \$360,000.

On March 23rd, 2007, after hiring help to review the books, I was presented with undeniable evidence that the bookkeeper was stealing. I went straight to the police that very minute. I dealt with a very helpful detective, who used to be a non-standard auto agent believe it or not! He was extremely helpful, and immediately said "Oh yeah, Smart Guy, she is stealing for sure, and I will bet your partner is also." They came and arrested her on March 26th at our corporate office in front of everyone. She soiled herself right then and there when they cuffed her. She has been charged with a felony and is currently working on a 12-year plea deal. She is 32 and is a single mom. In our state, with 12 years, she will have to spend at least two years in prison.

My best friend and pres of the company...I demoted him immediately to regional manager. It was apparent that was not going to work, so I offered to let him run an office. I was still in denial.

In April, less than 3 weeks after we discovered the theft, he demanded to receive a bonus promised to him years ago, but that we could never afford. He contacted a lawyer and threatened to sue me. All not even a month after I discovered we were being robbed. I fired him at the end of April. He is now working in car sales. We do not speak. His wife has told mutual acquaintances that I am the devil. His family hates me. 20 years...

Later, after really thorough review of the books, I discovered that the president had a company checkbook that I was unaware of. He and the bookkeeper had indeed been hiding transactions from me. He was writing unauthorized checks to cover her tracks. He denies he had anything to do with the theft to this day.

To review, my bookkeeper had stolen \$220,000; in addition, she had not paid \$360,000 in withholding taxes. In 5-6 years. You all know what this means? I WAS STUPID.

Stupid means - 1) Knowing to do something and not doing it, or 2) Knowing not to do something and doing it anyway. I am guilty of both.

I found the theft in 3/2007. By the time you read this it will be over a year. I am struggling, but i have recovered. Indeed, I have expanded.

I am going to tell you a confidence here. When I read my own account, it brings me to tears. So many lives wasted. So much time. So much effort.

My goal for this article is similar Dean Auten's goal in the March 2008 edition of FYI Express ... "Don't get too big for your britches". You can ALWAYS afford to pay attention.

You and I both know, we can console each other, but that is ALL my fault. My bad.

Ino Betternow

C.E.O.

Werethebest Insurance Alliance.

*Editor's note: No ... it is not your fault.*

*You blame yourself for trusting your best friend?*

*I have an article entitled "Agency Held Hostage". Do you remember reading it? I'll publish it along with your article in the April edition.*

*It is not wrong to make a mistake, it is wrong not to learn from our mistakes.*

*Unfortunately, your situation is not a rarity. Earlier this morning I was reading of a similar situation.*

*Police charged a woman with using a check scheme to steal more than \$145,000 from her employer.*

*She confessed to stealing the money when questioned by police and said she used it to pay her credit card bill, her daughter's college tuition, household expenses and to buy jewelry, according to the affidavit for her arrest warrant.*

*She also told police that she is an alcoholic who drinks up to 48 ounces of vodka a day and attributed the thefts to her alcoholism.*

*She was charged with first-degree larceny and third-degree forgery when she turned herself into police early Monday morning. A judge set her bond at \$150,000 and scheduled her next court date for April 8. She faces between 18 months and 20 1/2 years in prison.*

*According to the affidavit, the owner of the company told police in January that the accused, his bookkeeper and office administrator for the past four years, had been forging his signature on his business checks and cashing them.*

*He had gone to police after receiving a call from his bank, where he had a business checking account, that alerted him to a strange check.*

*The electronically generated check had his name but his business account number and address. The \$2,500 check was made out to Wells Fargo Financial Bank. He had no accounts there, but he knew his bookkeeper had one, including a credit card.*

*He also told police that last March several of his business checks had been returned because of insufficient funds, and the bookkeeper had blamed the bank.*

*He requested copies of all his business checks for 2007 and found many had his signature forged and were made payable to the bookkeeper, Wells Fargo, cash or AAA. He told police he never authorized the checks. He then froze his account and asked for his 2006 checks.*

He found a total of 165 business checks and 11 electronically generated checks that he said contained his forged signature or were not authorized by him. They totaled \$145,376 and many of them contained the notation "loan repayment."

According to the affidavit, the bookkeeper told police she had accessed a line of credit available to the company and deposited that money in the business checking account to cover up the thefts.

"She stated that it had been her intention to repay/replace what she had taken but that the situation 'snowballed out of control,'" according to the affidavit.

On Jan. 14, detectives met the bookkeeper at the company and asked her about the checking account. The affidavit states that she began to cry while seated at her desk. She then reached inside her pocketbook, removed a bottle of Absolut vodka and told police "this is the reason."

She told police that she had begun writing unauthorized checks to herself and to cash and forging the owner's name to them in June of 2006. She estimated they totaled about \$100,000.

According to the affidavit, the first check was written in April of 2006 and 124 of them were payable to the bookkeeper. The last one, for \$800, was dated on Christmas Eve, 2007. The business checks total \$127,042 while the 11 electronic checks made payable to Wells Fargo Financial Bank totaled \$18,334.

By the way ... I forwarded an advance copy of your story to Dean Auten. Here's his response:

I read with interest your comments about "How do get Robbed". There is one big difference in my situation and yours and that is you have a much larger operation. The most agencies I ever had at one time was five.

I now have three with only two operating. I hope to re-open one June 1. The one I am re-opening June 1 is the one where "I got too big for my britches". It will be a "slower" process and I have promised my wife I would not let it get out of control. You and I had a similar situation with Management.

My question still is, "How do you manage a large agency operation without giving up some management?". Esquire is lucky to have people like Eddie Emmett. I do feel better now having taken steps, like you, to be more involved. However, I still want to "pull back" if I can soon.

I am glad you learned something from my article. I certainly learned something from yours. As I have said many times, agents need to share their successes and failures with each other. Keep us informed. I plan on doing a follow up article on my situation later this year.

Look forward to seeing you in Atlanta for Eddie's Insurance Expo 2008.

Dean Auten

*This started an exchange of thoughts between Dean and Ino Betternow. He responded:*

Dean,

Your question...always there is the rub. I put it a different way... "If you cannot replicate yourself, you are limited to what you can do alone." I also have noticed the trickle-down effect of this. For instance,...

I replace my old president with another regional manager. He just does not have an insurance background. He is an awesome employee and great at his job. But I cannot by osmosis or telepathy pass on my years of experience in insurance to him. Therefore, he cannot pass that experience on himself.

Every step you take away from yourself you lose a little. Look at large corporate management, same situation. People show up to work and surf the web or text instead of doing their jobs. Big insurance companies are a great example.

My only idea so far on how to avoid this, create ownership. For the agency managers I mean.

My goal is always to learn, Dean! Especially from people like you and Eddie. People who have already walked my path and can point out the pitfalls.

I learned a lot from this embezzlement and subsequent tax issue. I will now be audited every year for the rest of my life....I have been now for 4 years in a row. Learned quite a bit about how to deal with the IRS. That is another article probably, but take my word for it Dean, 8/21/2007 - I met with the Senior IRS Investigator for Western Arkansas. When I went into that meeting, I knew my livelihood was in the hands of a stranger. Bad feeling. But here I am, thank the Lord.

Surely at some point y'all have considered this, so here goes...

What about these cash back credit cards? Say instead of sweeping my bank, I had the insurance companies hit that credit card. For my operation, if I got 1% consistently that would be as much as 1% commission. Pitfall?

*Final Editor's note: Many years ago, Dean Auten gave a speech entitled "Sharing". It examined the value of sharing thoughts and experiences with each other. I encourage y'all to do the same.*