EMPLOYEE THEFT

Introduction
U.S. businesses lose billions of dollars each year to employee theft. The U.S. Chamber of Commerce reports that 30 percent of small business failures are caused by employee theft and estimates that 75 percent of all employees steal once, and one-half of those steal a second time.

The most common asset that is stolen by an employee is money through theft of “petty cash”. Another common method used, is overcharging a customer and then pocketing the extra cash. Cash of course is not the only asset that may be taken; supplies, merchandise and sometimes information can be included.

The Employee Thief
Unfortunately, there is no “typical” employee thief. They come in all sizes, shapes, ages and economic status. In short, there is no specific formula to profile the would-be thief. But, there are a few clues to look for.

Causes of Theft
“Motive, method and opportunity” have long been a key phrase associated with crime investigation.

The following are some of the basic reasons that an employee will steal:
1. Poor or low employee moral. This is perhaps the main reason that a business or company may experience theft. This is true especially during poor economic times.
2. An employee may feel that their employer has “wronged” them. It may be reasoned by a poor performance appraisal, or moving a big project to another employee and possibly cutting work hours.
3. An employee may feel that they are underpaid for their work. This may come into play when top executive are making high salaries and other employees do not receive a pay raise or bonus.
4. The employee may feel that their employer has “plenty” and won’t miss it.
5. The business or company does not have policies and procedures in place for handling inventory control, “petty cash”, accounts payable and receivable or supplies.
6. The business or company does not have policies and procedures concerning employee theft. If there is not a policy, an employee will think that they won’t be punished.

Prevention
It is important that the employer establish policies and procedures regarding employee theft. Training needs to be provided to their employees so they have an understanding of the policies and procedures. This needs to be done during the orientation period and periodically throughout the employee’s career. Inform the employee that as the employer legal action will be taken against any employee that is caught stealing.

The employer also needs to implement security measures to reduce the potential of employee theft.
The following is a listing of actions that a business or company may take to reduce their exposure:

1. A basic step in preventing employee theft is pre-employment screening. When possible verify employment with past employers. Ask, if the prospective employee is eligible for rehire. Other checks may include: Criminal conviction records; Reference checks; Educational and Certification Verification. Be cognizant of the numerous regulations on the gathering and use of this information.

2. Supervise employees on a regular basis. Some businesses or companies install video recording equipment to monitor their employee's activities. Care needs to be taken with this action, in that it may have a negative impact on employee moral and should be routinely evaluated.

3. Implement a “Best Practices” accounting system. Separate the accounting task that involves Accounts Payable and Accounts Receivable. Conduct audits to evaluate payroll, purchasing, sales, “petty cash” and expense reports. Have a policy that requires employees to take vacation or have time away from work. Implement job rotation, this is similar to requiring vacations. When employees know that they will be rotating to a different job task, they are less likely to commit a crime when there is a greater likelihood of the discovery.

4. Management needs to be observant and watch for changes in lifestyles which would seem excessive for extended periods of time.

5. Provide support programs for employees. Family problems, financial hardships, gambling, alcohol or drug problems are all factors that can lead an employee to steal. The business or company needs to offer an open door policy that will enable the employee to be up front with their situation and provide support programs to assist the employee through their difficult time.

6. Reward Hotline. Some businesses and companies have established a program that allows employees to report information about a theft. If the information leads to a recovery of the money, supplies or merchandise, or upon the criminal conviction of the employee(s) involved with the theft, some businesses or companies will pay out a reward. Care needs to be taken with establishing such a program. Some studies have recommended that rewards do not exceed a $1,000.

Finally, set a good example of ethical behavior. In tough economic times, businesses and companies have a great deal to lose when they ignore or do not take proper action on employee theft.

References:
“Employee Theft” By Justin A. Walsh – August 2000 – © Copyright 1996-2008 - International Foundation for Protection Officers – All Rights Reserved


“Employee Theft” Retail Loss Prevention” by Chris E McGoey, CPP, CSP, CAM

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