

# Employee Theft Prevention

Employee theft is considered the most serious crime affecting businesses, with losses estimated in the hundreds of billions of dollars. This report explains how a business can assess its operations to determine its vulnerability to employee theft and presents strategies that can be utilized to limit losses from this crime.

## Introduction

The key to reducing employee theft rests in the hands of management. Management should begin by admitting that theft is possible and then create an environment that makes stealing as difficult as possible. By analyzing the opportunities for theft within a company, strategies can be developed to reduce or limit the exposure.

The strategies for controlling employee theft generally come under the following four categories: pre-employment screening, procedures that make theft more difficult, improving employee job satisfaction, and maintaining a policy of apprehension and prosecution.

This report provides information on methods and actions that can help to prevent employee theft. These actions are not directed at honest employees, but will serve to protect them and their jobs from the destructive effect of employee theft. Honest employees will not be outraged by efforts to prevent theft, and dishonest employees will find it more difficult to steal.

## Preliminary Analysis

Before implementing an employee theft prevention program, certain basic questions should be asked about the business and its operation. The answers to the following questions will provide insight as to which strategies should be applied by the business:

- Is company merchandise of the type that makes it desirable to steal?
- Is company merchandise or property easy to steal?
- Are all job applicants thoroughly screened prior to employment?
- Are there controls on petty cash disbursements, bank deposits and withdrawals, issuance of checks, payrolls, reconciliation of bank statements, and the paying of invoices?
- Can shipping and receiving documents be altered?
- Can employees enter or leave the facility without being seen?
- Can employees who are caught stealing be successfully prosecuted?
- Is there a mechanism for recovering losses from employee theft, such as a restitution program or fidelity bonds?

## Pre-employment Screening

The first line of defense against employee theft is to hire honest employees at the outset. This is best accomplished through a program of pre-employment screening. By performing in-depth checks of an applicant's job history and references, management can reduce its exposure to theft while creating an environment of honesty. A thorough screening process will convey to employees that management is concerned with ensuring the highest level of integrity in the workforce.

A comprehensive employment application form should be developed that affords the basis for an in-depth exploratory check of the applicant's background. The form should be consistent with federal and state requirements and should include, as a minimum, information about residence, education, job history, and references. Every applicant should completely fill out and sign the employment application form. Any gaps in information should be accounted for.

The applicant's references and previous employers should be checked, either by mail or phone. If the telephone is used, all questions should be direct. Letter inquiries should be designed as "check-off" type questions, not requiring narration-type answers, and should include a self-addressed, stamped return envelope.

Depending on the importance or sensitivity of the job, criminal checks and credit checks should be performed on the prospective employee. The Consumer Protection Act provides the general guidelines that employers must follow when performing background investigations. Also, employers should be familiar with applicable federal and State laws regarding employee screening.

A list should be developed of questions to be asked, during the job interview. The questions should be designed so that the answers provide insight into the applicant's character.

## Procedural Controls and Devices

Procedures and devices that make theft more difficult or apprehension more likely are opportunity-reducing—they are intended as a means of limiting the opportunity for theft. In any event, the application of these procedures and devices should be performed with the knowledge of employees; otherwise, there may be a damaging effect on employee morale and productivity.

Employers should develop a set of written procedures, regarding security, that also outlines the company's policy for dealing with an employee caught stealing. A copy of the security procedures, as well as other company policies, should be provided to each employee and a signed statement of its receipt should be obtained. A notice should be posted, in a conspicuous location, stating that dishonesty will not be tolerated and that all offenders will be dismissed.

Management should ensure that responsibilities and functions are separated so that no one employee has control over all parts of a given transaction. Workflow should be organized so that the work of one employee acts as a check on that of another.

Employers should account for merchandise through inventory control. A program should be established of regularly scheduled inventories, combined with unannounced or "surprise" inventory checks performed by someone other than stockroom personnel.

A badge identification system should be implemented to identify all employees and to regulate the movement of visitors. All

employees should be required to enter and exit the facility through a single employee entrance, monitored by a guard, where feasible. Employers should establish a policy that allows for searches of employee packages and lockers.

Employers should supervise shipping and receiving operations, and should utilize closed circuit television (CCTV) surveillance in the areas to deter theft. All incoming merchandise should be checked against purchase invoices; all outgoing merchandise against shipping documents. An area should be designated within the facility, if possible, for the collection of trash prior to its disposal.

### Improving Job Satisfaction

Improving job satisfaction is a desirable strategy for controlling employee theft since several of the accepted causes of theft are believed to stem from low job satisfaction. Also, job satisfaction has an impact on other causes of loss, notably waste, carelessness, and theft of time. Theft of time, and losses from waste and carelessness, are often overlooked by management and account for billions of dollars in losses annually. Communication between management and employees should be established—and maintained. By means of an employee relation's policy, employees should know that management is genuinely concerned with their problems.

An employee training program should be developed that seeks to improve job skills and opens the way for advancement. Employers should regularly review salaries, wages, and benefits to ensure that compensation programs are competitive with those of other companies in the area. Management should recognize the efforts of employees by establishing incentive programs, such as profit sharing, bonuses, etc.

Management should establish a suggestion box, and take into consideration what employees have to say. Regular staff meetings should be held and employees given the opportunity to air their concerns or grievances. It is important for management to avoid creating a police-state atmosphere wherein employees feel they are being spied upon. An atmosphere of suspicion and mistrust will only serve to aggravate a theft problem.

### Apprehension and Prosecution

Although its effectiveness is often debated, a policy of apprehension and prosecution is considered a control strategy because of its role as a deterrent. The fear of being caught, coupled with dismissal, possible prosecution and the threat of jail (depending on the severity of the crime), will cause many employees to think twice about stealing.

Some companies, however, feel that they gain very little by an aggressive policy of prosecution. Besides the expense in terms of time, money and effort, there is the fear of bad publicity and the risk of lawsuits for libel, malicious prosecution, and false arrest. It is possibly for these reasons that the rate of prosecution of apprehended employee thieves is so low—less than 1%. Nonetheless, where it is warranted, strong positive action should be taken, since prosecution is a recognized deterrent to employee theft.

Management should uphold company policies regarding employee thieves, judging every employee by the same objective criteria. When an employee is suspected of internal theft, local police should be consulted.

Employers should be familiar with the evidence that is required and the procedures that should be followed.

An alternative to prosecution is restitution. Most states have "civil remedy" or "civil restitution" laws that permit retailers to bypass the legal system and simply ask the employee thief to make restitution, including some administrative costs.

## References

1. National Institute of Law Enforcement and Criminal Justice. *Security and the Small Business Retailer*. Washington, DC: Law Enforcement Assistance Administration.
2. "Theft and Fraud Prevention." *Protection of Assets Manual*. Alexandria, VA: ASIS International, 2004.

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