



Belleville Police Service

FACT SHEET

Internal Theft The Threat From Within

ACCORDING TO A RECENT RETAIL COUNCIL OF CANADA REPORT:

- *Three out of ten business failures are attributed to internal theft.*
- *Employers lose \$3 million per day as a result of internal theft.*
- *The average dollar loss is \$609 per employee theft*

It's bad enough when a stranger breaks into your plant or holds up your store but when an employee steals from the business, business owners are left dealing with the loss and the betrayal of trust. Internal theft—the methodical theft of merchandise and money—is a potential costly problem for any business.

A single dishonest employee can be responsible for sometimes thousands of dollars of loss, until the employee is caught.

WHY DO EMPLOYEES STEAL?

The motivating factors for employee theft are opportunity, rationalization, and greed or need. The removal of any of these factors, particularly opportunity will reduce losses. As the risk of being caught increases, the probability of theft decreases. When the risk of being caught is low, theft may flourish.

A rule of thumb that many security practitioners use when designing internal loss prevention strategies is the 10-10-80 rule. This rule suggests that:

- 10% of your employees wouldn't steal from you regardless of the circumstances,
- 10% will steal at any opportunity, and

- 80% can go either way, waiting to see how serious you are about theft and weighing the risks.

The Best Defence – Pre-Employment Screening

Your best defence against internal theft is comprehensive pre-employment screening. A criminal records check and a credit history are a vital part of this process.

CRIMINAL RECORDS CHECK

The criminal records check will verify whether an employee has been honest in answering questions about a criminal record. Employers may arrange for a criminal records check by requiring a prospective employee to obtain one as a condition of employment. Prospective employee's can obtain their criminal records check by personally Belleville Police Service.

CREDIT HISTORY

A credit history can reveal whether a person is experiencing or has experienced a financial problem. This can help expose an unusual financial need.

DEVELOPING HONEST EMPLOYEES

Employee honesty should not be taken for granted. Employers must demonstrate to employees that loss prevention is important to them by setting an example. Employers can do this by developing a code of conduct for staff and encouraging communication.

Remember to:

- communicate the direct and indirect costs of employee theft to all staff. Be sure to include the costs to the business the workplace and the employee
- stress that your business is built on trust - which is balanced by being trustworthy
- educate staff on recognition and response to employee theft
- encourage reporting of suspicious circumstances or persons to someone prepared to deal with it
- implement proper procedures and policies and ensure compliance.

REDUCING OPPORTUNITIES

Cheques ...

Ensure that the person writing the cheques is not the same person signing the cheques.

Internal Theft FACT SHEET

Cash Control

Close the register after every transaction. Provide receipts. Require verification of voided or under-rings. Conduct surprise cash counts.

Key Control

Never leave the office keys hanging on a nail or in a lock box where they can be “borrowed” and duplicated without supervision. Keep records of key use.

Environmental Design

Limit employee’s uncontrolled access to automobiles, locker rooms and garbage disposal areas. Strategically locate supervisory offices so that they maximize opportunities to casually observe staff.

Risk Management

Place high risk inventory and in strategic locations that offer natural surveillance and access control.

... AND BALANCES

Job Functions

Separate purchasing, receiving and accounting roles to reduce the autonomy in any one job. When two or more persons are involved in a particular function, they would have to collude to defraud you.

Purchasing

Centralize the purchasing function. Control purchase orders by pre-numbering them sequentially and get supporting documentation for each purchase or expense invoice. Use pre-numbered cheques, so that all expenditures can be tracked in sequence.

Receiving

Create and control a set receiving area. Count or weigh all materials and compare the results with the shipping documents. Use pre-numbered receiving control forms to record shipments. Assign two people to verify each shipment received; they will police each other (change at least one of the people frequently).

Shipping

Use one employee to assemble an order and another to check and pack it to minimize theft opportunities and errors. Seal cartons. Check merchandise as it is loaded. Maintain records of stock movements. Conduct frequent inventories.

Exposing Risks

Staff steal for a variety of reasons. This includes a belief that they can get away with it, a financial need or a belief it is owed to them. To spotlight high-risk employees, look for:

- Employees who apparently live beyond their means – their lifestyle may be financed with company profits,
- Rule Breakers – habitual rulebreakers may not be

- trustworthy to handle merchandise or cash,
- Substance Abusers – financial pressures may overcome the psychological barriers to steal,
- Chronic Liars – experience has shown that many liars steal,
- Immature or Troubled Employees — theft may result in an emotional release for antisocial behaviour and,
- Wronged Employees – may use theft as a means of getting back at you for grievances or perceived slights.

NEVER RULE ANYONE OUT!

When investigating an internal theft you can never rule out anyone. Experience has shown that even your “best employee” can be involved in internal theft as long standing employees usually know your security weaknesses and the ways to get around it.

TIPS FOR DEALING WITH DISHONEST EMPLOYEES

Some owners are inclined to overlook the losses suffered through internal theft, or they take it easier on the perpetrator than if he were a stranger. Crimes committed against employers must be considered a breach of trust. By not pursuing the incident, especially when losses are significant, the employer sets a bad precedent that serves to:

- encourage more theft
- create the perception of a poisoned atmosphere, and
- contributes to a general feeling of distrust amongst Employees

WHEN DEALING WITH DISHONEST EMPLOYEES:

- be clear and decisive when dealing with offenders — any lesser response invites repetition
- discuss consequences — without being threatening
- be consistent

OTHER REMEDIES

Obtaining sufficient evidence to pursue a matter criminally is often difficult. Determining responsibility for contravention of established policy should be quicker and less onerous and can include civil remedies.

CRIME STOPPERS

Many employees are hesitant to get involved out of a misplaced sense of loyalty to dishonest co-workers, a fear of reprisals or a lack of incentive. Crime Stoppers allows a caller to remain anonymous and pays a cash reward. For more information about the crimestoppers program call 613-969-8477. Internal theft is an unpleasant and costly situation that is best avoided. Reduce your chances of becoming a victim by implementing basic loss prevention techniques.