



Employee Theft:

Why It Occurs And What To Do About It

By Murry Taylor

One of the most common things I hear from managers after an employee has been dismissed for theft or fraud is "I can't believe they did that. I would never have picked them to be like that."

Therein lies the problem: staff members who steal from you or your company don't wear a shirt saying 'thief', they don't turn up in a balaclava and they don't come up to you and say "by the way just thought you should know that I've ripped you off for \$50k."

Almost any business can be subject to employee theft, the only ingredients you need to be a target are employees, financial transactions and/or products. Now I'm not suggesting for one minute that every employee you have is a thief, but I am suggesting that every employee has the potential to be a thief.

In order for theft or fraud to occur four things need to exist: motivation, rationalisation, opportunity, and capability.



Motivation could also be described as pressure. This may come in various forms such

as a gambling problem, excessive debt, drug addiction, loss of income within the household and so on.

Rationalisation is about the employee justifying to him or herself, why it is ok to steal from their employer. Some common rationalisations include: "it's a big company, they aren't going to miss one or two items", "they never pay me for the extra hours I do so this is like payment", "they shouldn't have taken me for granted", and "it's just a loan I will pay it back."

Capability goes hand-in-hand with opportunity; what I mean by this is an opportunity can exist but if the employee doesn't understand how to take advantage of it, theft is unlikely to occur.

Opportunity is exactly that, in order for the theft to occur an opportunity needs to exist. Out of the four components opportunity is the one that you have most control over and this is what this article will be focusing on.

The best way to minimise opportunity is by having sound policies and procedures in place and regularly monitoring staff compliance with them. To be able to do this, you will have to ensure your staff are firstly aware of these procedures and, secondly have signed off acknowledging their understanding of them.

Common Areas Of Employee Theft

1. Theft Of Products

This can range from the consumption of food through to theft of key assets and many things in between. This type of theft is usually one of the most opportunistic, by this I mean, if your business deals in a variety of products with multiple units per product, it is quite likely you could have staff helping themselves to the various lines from time-to-time, and the more desirable your products, the more likely it is that staff will try to steal them.

Implement policies and procedures for:

- Taking receipt of stock (in particular, highly desirable items)
- Checking staff bags when they leave the business premises
- Consumption of confectionary
- The serving of family and friends
- Disposing of damaged stock.

In addition to these points, if you are able to have closed circuit television (CCTV) located over your receiving area, registers and entry/exit areas, this will also act as a strong deterrent (the use and placement of CCTV must be in accordance with relevant legislation).

2. Theft Of Money

This is an area where if you have sound procedures in place, you can dramatically reduce the opportunity. If, however, you do not have sound procedures in place, you could be losing money on a daily basis and not even be aware. Your business is vulnerable every time employees have the opportunity to handle cash. Implementing policies and procedures for:

- Set amounts for the register floats
- Cash-up procedures during trade and the end of day
- Cash counting for the banking
- Carrying out the banking.

3. Theft Of Time

This is something that can affect both large and small businesses but usually in different ways.

With larger businesses, one particular practice has been identified on numerous occasions. You may have five employees who decide to start their own roster where four will come in and cover for the one staying at home and they will each take it in turns to have a day off. So in effect, you are paying for five staff members when you should only be paying for four. Other times, staff may turn up, sign on, and then not be seen until it's time to sign off.

With smaller businesses it is usually more about opening the business late, closing the business early or taking excessive lunch breaks.

CCTV can assist in identifying this type of theft provided cameras are located in key areas.

Implement policies and procedures for:

- The exact time the business must be open and ready to trade
- The exact time the business can close the doors to customers at the end of day
- Length of time for meal breaks
- The use of a sign on/off book or punch card system and the implications for failing to do so
- Regular auditing of these procedures.

4. Theft Through Collusion

This can be a more difficult form of theft to detect due to the fact the theft is happening in partnerships and it doesn't just have to be staff working together, it could also be vendors and staff, friends and staff or even family and staff.

Implement policies and procedures for:

- Rotation of staff (minimise the frequency that the same staff work together)
- Taking receipt of stock from suppliers (as above)
- Serving family (as above)
- Holiday rosters (often staff stealing will try to put off taking holidays)
- Conditions for dealing with vendors and contractors.

5. Theft Through Refund Fraud

This type of theft may not occur as often as product theft but the dollar value can be quite high. This type of theft can often be difficult

to identify as the staff members carrying out refunds usually know the business systems quite well.

Some of the different ways staff may steal through refund fraud is by having a friend take a product off show and bring it straight to the counter; getting a key code off a product from the shop floor and creating a false docket for that product and then refunding it; producing a duplicate copy of a customer's refund and conducting a second refund to themselves; checking for expired deposits on lay-bys that customers haven't come back to pick up and then refunding the amounts to themselves.

Implement policies and procedures for:

- Manager to sign off on refunds \$50 and over
- Strong refund policy to be developed (ACCC & ARA have guidelines for refunds)
- Restrict access to customer lay-by information
- Regular audits on refund procedures by the manager
- Staff not to use other staff members' register sign on codes. ■

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