

Preventing Internal Theft in Businesses

Employee theft is very common. Some retail industry studies have found that more than one-third of all thefts from businesses were by employees. One way of controlling theft is to develop a good relationship with your employees. Make them feel respected and reward them for doing their jobs well. Provide good career opportunities. Companies with the lowest turnover rates have been found to have the lowest internal theft rates. Other ways to prevent internal theft are outlined on this page.

Despite your best efforts, dishonest employees can usually find ways to steal. If you suspect theft, call your security or loss prevention personnel and then the Neenah Police Department. Don't play detective and try to solve the crime. And don't jump to unwarranted conclusions. A false accusation could result in serious civil liability.

Access Control Cards

- Replace keys with access cards where practical. Cards are preferred because a record can be kept of their use, they cannot be duplicated and given to unauthorized persons, they can be deactivated when reported missing or when the employees authorization ends, their use can be limited to specific doors by time of day and day of week, and they can also be used to open parking lot or structure gates.
- Deactivate missing, lost, or stolen cards immediately on notice.
- At least annually, check that employees have their cards.
- Do not allow contractors and cleaners to keep cards. Have them sign out for and return them on a daily basis where practical.

Bank Deposits

Use an armored car service if possible. Otherwise assign two employees to make deposits. And vary the assignments over time.

Cash Handling

- Provide a receipt for every transaction. Encourage customers to expect a receipt by posting signs at each register.
- Put one employee in charge of setting up cash drawers. Have another double-check the cash count.
- Make each employee responsible for his/her cash drawer. Issue one cash drawer to each on-duty employee. No other employee should be allowed to open or use another's cash drawer at any time. At the end of each shift each cash drawer should be balanced by the employee and double-checked by another.

- Require that the cash register drawer be closed after each transaction. Never leave a register unlocked when not attended. And never leave the key with a register.
- Identify each over-ring and under-ring. Managers should sign off all voids and over-rings.
- Check signatures against those on file.
- Limit the amount of cash accumulated in any register. Use a drop-safe for excess cash.
- Check cash-to-sale ratios. These, along with unusually frequent refund transactions, can indicate employee theft.
- Keep tendered bills on the register until the transaction is concluded. Short-change artists frequently pay with large bills.
- Conduct only one transaction at a time. Do not be intimidated into rushing.
- Check for counterfeit currency. The look of the paper and its "feel" are usually the most obvious signs. A common counterfeiting practice is to "cut corners" off large bills and affix them to small-denomination bills. Inexpensive devices are available to aid detection of counterfeit bills.

Document Protection

- Shred all potentially sensitive materials including customer lists, price lists, medical prescription receipts, invoices, computer outputs, and documents with signatures.
- Require that all desks be cleared of important or confidential documents at night and when their offices are unattended.
- Require that all file cabinets be locked when not in use.

Employees Property

- Discourage employees from bringing items that are irreplaceable or have personal value to their offices.
- Warn employees to keep unattended purses, wallets, cell phones, etc. in locked drawers or cabinets.

Inventory Control

- Conduct inventories often and at irregular intervals. Also make routine spot checks.
- Inspect records of purchases and sales at the beginning and end of each shift.
- Define individual employee responsibilities for inventory control. This establishes a climate of accountability.

Key Control

- Appoint a key control officer to manage the key and lock system.

- Keep keys in a locked cabinet or a secured area when they are not in use.
- Minimize the number of master keys issued. Individual offices and restricted work areas should have separate keys.
- Issue as few keys as possible. Issue them only for areas the employee is authorized to be in. Keep up-to-date records of keys issued.
- Caution employees not to leave keys with parking lot attendants, in a topcoat hanging in a restaurant, or in their offices or work areas. This helps prevent keys from being taken and duplicated.
- Stamp a number on each key and have employees sign for keys when they are issued. At least annually check that employees have their keys.
- Also stamp keys DO NOT DUPLICATE.
- Code each key so that it does not need an identifying tag.
- Require departing employees to turn in all issued keys.
- Investigate all key losses.
- Re-key locks whenever a key is lost or when an employee leaves the business.
- Consider installing locks that are inexpensive to re-key. Or better to have a key-card system in which codes can be changed easily when a card is lost, entries and exits are recorded, etc.
- Seek advice from professional access control system designers.
- Do not allow contractors and cleaners to keep keys. Have them sign out for and return them on a daily basis where practical.

Personnel Policies

- Conduct a thorough background check and interview all job applicants. Consider using an outside screening service to collect information on applicants. Test applicants for honesty as well as job skills.
- Adopt a strict code of conduct for employees. Make sure all employees are aware of it. The code should include rules regarding employee purchases of store merchandise.
- Inform employees about internal security measures, e.g., surveillance and inventory checks, and the likelihood and consequences of being caught stealing. Many employees steal because they think they can easily get away with it.
- Keep a record of all employee purchases, exchanges, and refunds. Employees should not be permitted to ring up their own transactions.
- Provide lockers for employees. Require that employee's personal property and any store purchases be kept in their lockers during working hours.
- Prohibit employees from wearing or using store merchandise without purchasing it.
- Limit employee access to the building to the hours that they are scheduled to work.

Purchasing Procedures

- Centralize purchasing but keep it separate it from receiving and accounting.
- Control purchase orders by pre-numbering them in sequence.
- Require supporting documentation for each purchase or expense invoice.
- Use pre-numbered checks in sequence.

Shipping and Receiving Procedures

- Establish receiving procedures that specify where vendors are allowed to park and enter the business.
- Do not permit trucks on the dock until they are ready to load or unload.
- Check all shipments against bills-of-lading. Number shipping orders in sequence to prevent padding or destruction.
- Recheck all incoming goods to prevent collusive thefts between the driver and the employees who handle the receiving.
- Do not permit drivers to load their own trucks or take goods from stock.
- Consider installing video cameras on the loading platforms. Locate the monitors where they can easily be seen by supervisors.
- Keep doors locked when no goods are being loaded or unloaded.
- Install 180-degree peepholes in doors to the dock.

Technology Solutions

Employee theft involving gift cards is growing because the cards are like cash and it is a lot easier to leave a store with a card than an item of merchandise. Cashiers can fake refunds and then use their registers to fill in a gift card, which they take. Or when shoppers buy a card, they give them a blank card and divert the money into a card for themselves. However, the most common type of employee theft is “sweethearting,” where cashiers fail to ring up or scan goods their friends or relatives bring to their register.

Technology solutions to these problems involve data mining programs and surveillance cameras. Data mining is used to determine whether one cashier is refunding far more items than other cashiers. And cameras can show whether a cashier repeatedly gave refunds to the same friend or relative, or whether a cashier failed to run merchandise over the scanner.

Trash Control

- Keep trash dumpsters inside during business hours.
- Check bins at random times for pilfered goods that might have been placed in them for pick-up after the trash is taken out.
- Use clear plastic trash bags. Inspect bag contents for pilfered goods.
- Keep lids of outside trash dumpsters locked during non-business hours. If practical, keep the lids locked whenever the dumpsters are not being filled or emptied.

- Have employees work in pairs in emptying trash. Or have different employees empty the trash from day to day.