

# 5

## REASONS EMPLOYEES STEAL

AND HOW YOU CAN  
PROTECT YOUR BUSINESS



Gambling



Greed



Revenge



Addiction



Boy Toy /  
Mistress

ANOTHER  
update from  
*the* **JUNGLE**

**Oh, Yes they did!**  
(all stories are true,  
but the names are changed.)

No, I did not take the money...

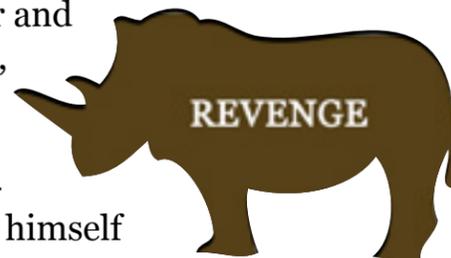
...Well, it couldn't have been THAT much money.



Sandra is the resident manager of an apartment complex. Sometimes the tenants pay their rent in cash even though the landlord's rules prohibit cash payments. She issues a cash receipt to the tenant as proof that the rent was paid. When she has cash flow problems, she pockets the cash and adjusts the rent records to cover up the theft. Adjustments can be as simple as destroying written records of who paid and when. Her bosses didn't catch on to her activities for a year.

For these employees, no benefits package or pay rate or recognition for a job well done will deter them. They know what they do is wrong but if an employer is too stupid to catch on, that's the employer's hard luck.

Pete's been with the company for six years. He's trained others only to watch them get promoted while he can't even get a pay raise. He's angry about being passed over and ignored and plans to leave soon. But first, he's helping himself to a few things. He's already acquired enough office supplies from the supply closet to set up two complete home offices. He'll continue to help himself until he's either caught or he quits.

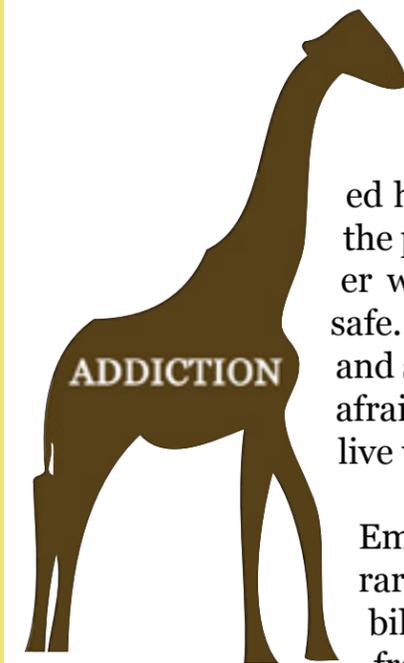


Employees motivated by revenge are dissatisfied with their jobs. Eventually this corrosive attitude reaches the boiling point and they decide to get even by stealing from their unjust and unworthy employer.



Sam is the IT director for his company and has administrator's rights to all company electronic records, including setting the dollar limits on company credit cards. His bosses trust him implicitly because they don't know about his problem. Sam likes to gamble. At first his bets were small and he could cover them. Then he began taking cash advances on his company credit card. When he couldn't pay off the monthly balance, he used his administrative rights to raise the credit limit on his card. Finally, the balance reached \$100,000 and he knew he couldn't repay the debt. He confessed to his bosses which is how they learned of the theft.

Gamblers are optimists who always expect a favorable outcome and they begin stealing as a short term fix for their long-term problems. Of course, employee theft spirals out of control just as their gambling habit did.



Janis is a good worker when she's sober. At first she binged on the weekends. Now she needs a fix every day and the cost has exceeded her disposable income. She stole the money in the petty cash fund and was lucky when a co-worker was blamed for not locking the money in the safe. She's graduated to taking company property and selling it at flea markets and pawn shops. She's afraid of losing her job if she's caught, but she can't live without her habit.

Employees with a drug or an alcohol addiction rarely can afford both their habit and paying their bills. They often regret the necessity of stealing from their employer but feel that they have no choice.



Michael is smart, good looking, and he climbed the management ranks of his company with ease. About a year ago he met a young woman at a networking event and they began having an affair. Unfortunately, he can't afford the lifestyles demanded by a wife and a girlfriend. He's resorted to padding his expense accounts and has created a couple of phantom employees in his department. Now he's been called to a meeting in the CFO's office to explain some "discrepancies".

These employees are narcissistic: it's all about the thrill of the illicit affair, never mind that they can't afford the lifestyle. So they steal company property to support their secret (at least until the divorce papers are served) lifestyle.



Employee dishonesty is devastating emotionally and financially for business owners since it usually involves a trusted employee. Since every dishonest employee can't be weeded out before a loss, business owners need to think about how to reduce the risk of a loss.



Never allow the same employee to write the checks and reconcile the monthly bank statement. This is the most basic of all internal controls. In smaller businesses it is tempting to allow one person to handle all accounting matters. But even small business owners can protect their cash flow by reviewing accounts monthly and hiring a CPA firm to audit their financial records annually.



No employee should prepare and sign checks, unless it's the business owner. Small business owners may allow an employee to prepare checks but the owner should always sign them. Larger businesses often issue checks

with facsimile signatures, meaning an electronic signature automatically prints on the checks. In these situations consider requiring two senior managers to authorize the issuance of the check. Whatever method is used, remember Tip #1.



Always require supervisory approval for expenditures. No business can afford to buy new coffee machines or office supplies each time a dishonest employee needs a little something for a side business. So keep the petty cash amounts truly petty, meaning a couple of dollars, and require senior management approval for any purchases of goods or services.



Set dollar limits on company credit cards and limit the employees authorized to use the cards. Alternatively, use debit cards that are linked to a bank account with a low dollar balance. Whether using credit or debit cards, the monthly statements should be reviewed by the business owner or the accounting firm retained by the business.



Do a pre-employment credit check before making a job offer to weed out potential employee dishonesty headaches. For example, an individual previously convicted of theft is probably not the best choice for your new bookkeeper.



Buy insurance that covers employee dishonesty. This coverage can be purchased either as a separate policy or as part of a "small business" package of liability insurance coverage. Of course, the insurance company will expect your company to implement internal controls such as the tips discussed here.

These tips won't guarantee protection from employee dishonesty but they may help to limit the thief's opportunities to steal from your business. After all, any losses due to employee dishonesty are coming out of your profits as the business owner.

*The above examples are based on actual dishonesty claims I investigated over a period of six years. During my investigations, I discovered that employee dishonesty boils down to the five reasons shared above. I also discovered that no employer is immune from this risk and the best defense is good internal controls.*



Norma Shirk is a twenty year attorney who transitioned into a career as a consultant. She founded Corporate Compliance Risk Advisor, LLC to help small business owners navigate compliance risks related to business practices that can be mitigated through internal controls or insurance coverage and human resources, including employee benefits programs.

Ms. Shirk writes a weekly blog on human resources issues at [www.hrcompliancejungle.com](http://www.hrcompliancejungle.com). She also contributes to a blog [www.hersavvy.com](http://www.hersavvy.com) which she co-founded with a group of friends as a forum for issues faced by business women. She is a frequent speaker on employment issues, including employee dishonesty, human resources best practices and how the Affordable Care Act affects employers' group health plans.

Norma Shirk received a B.A. in History from Middle Tennessee State University and a J.D. from the University of Tennessee-Knoxville School of Law. She is licensed as an attorney in Tennessee, Texas, and Colorado. She worked in both the government regulatory and private industry sectors serving in every role from staff attorney to general counsel.

As an attorney she investigated employee dishonesty claims; resolved payment and performance bond claims on construction projects; investigated and responded to EEOC complaints; assisted in creating human resources policies; drafted contracts; negotiated debt restructures; coordinated the renewal of corporate insurance programs to cover new risks; and handled general corporate legal matters.

Don't go into the jungle alone, contact us today.

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