

## **Employee Pilferage Prevention**

Not all crooks roam the streets of the nation's cities. Many spend their time in the manufacturing plants of companies. There, disguised as honest citizens, they shoplift and pilfer whatever comes to hand, often tampering with records to cover up their thefts.

To prevent pilferage, an owner-manager must recognize that some employees cannot be trusted and make all employees aware that he or she is taking steps to thwart dishonest personnel. Such steps include setting up a system of loss prevention (devices and procedures), administering the system rigidly, and auditing it often to discourage dishonest employees who try to bypass the system.

To steal or not to steal? That is the question facing employees in plants. Many employees answer that question almost unconsciously. They see items lying around and pick them up for their own use. They slip small hand tools into their pockets. Or they dip into the bin for a fistful of nuts and bolts or snip off a few feet of wire for a home repair job.

But not all employees who pilfer are nickel-and-dime thieves. Some are professionals who carry off thousands of dollars worth of equipment and materials.

### **Misplaced Trust**

One reason for pilferage is misplaced trust. Many owner-managers of small companies feel close to their employees. Some regard their employees as partners. These owner-managers trust their people with keys, a safe combination, cash, and records.

Thus, these employees have at hand the tools which a thief or embezzler needs for a successful crime.

Unfortunately, some of the "trusted" employees in many small businesses are larger partners than their bosses anticipate. Unless you're taking active steps to prevent loss from in-plant pilferage, some are probably trying to steal your business, little by little, right from under your nose. Few indeed are the businesses in which dishonest employees are not busily at work. Usually, these employees are protected by management's indifference or ineptitude as they steal a little, steal a lot, but nevertheless, steal first the profit, and then the business itself.

One of the first steps in preventing shoplifting and pilferage is for the owner-manager to examine the trust he or she puts in employees. Is it blind trust that grew from close friendships? Or is it trust that is built on an accountability that reduces opportunities for thefts?

### **A Climate for Dishonesty**

In addition to misplacing trust, it is easy for an owner-manager to create an environment in which dishonesty takes root and thrives. Just relax your accounting and inventory control procedures. Nothing deters would-be thieves like the knowledge that inventory is so closely controlled that stolen goods will be missed quickly.

And what about the plant where its common practice for a close relative or two of the boss to help themselves from the stockroom without signing for the items they take? Soon such a plant becomes a place where inventory shrinkage soars as employees get the message that record keeping is loose and controls are lax.

In a manufacturing plant, no materials and no finished goods should be taken without a requisition or a removal record being made. Exceptions? Absolutely none.

Similarly, the owner-manager who does not exercise tight control over invoices, purchase orders, removals (for example, for tools, materials, and finished goods), and credits is asking for embezzlement, fraud, and unbridled theft. Crooked office workers and production and maintenance personnel dream about sloppily kept records and un-watched inventory. Why make their dreams come true?

One shipping platform employee's dream came true to the tune of \$30,000 - the amount of goods he stole from his company. When caught, he said, "It was so easy, I really didn't think anyone cared."

Let people know you care. Make them aware of the stress you place on loss-prevention.

This point must be driven home again and again. And with every restatement of It - whether by a security check, a change of locks, the testing of alarms, a systems audit, a notice on the bulletin board - you can be assured that you are influencing that moment of decision when an employee is faced with the choice-to steal or not to steal.

### **Haphazard Physical Security**

Also high on the list of invitations to theft is haphazard physical security. Owner-managers who are casual about issuing keys, locking doors, and changing locks are, in effect, inviting the dishonest employee into the plant or office after work. But intelligent key control and installation of timelocks and alarms are ways of serving notice to crooked workers to play it straight.

Sometimes profits go out the window - literally. For example, one distributor caught "trusted" employees lowering TV sets and tape recorders from a third-story warehouse window to confederates below. Unfortunately they were not caught until they had milked their boss of thousands of dollars worth of merchandise.

But more often, the industrial thief uses a door rather than a window. And the more doors a plant has, the more avenues of theft it offers.

The plant that's designed for maximum security will have a minimum number of active doors and a supervisor or guard, if warranted, stationed near each door. Moreover, a supervisor should be present when materials or finished goods are being received or shipped and when trash is being removed. As long as a door stays open, a responsible employee, a supervisor, or a guard should be there.

Central station alarm systems should be used to protect a plant after hours. Their purpose is to record door openings and closings and to investigate unexpected openings. Timelocks are also designed to record all openings.

### **"Breaking-out"**

A record of door openings can be important because the dishonest employee is often a specialist at "breaking out" (hiding and leaving the plant after closing hours). If your plant is not protected against break-out, you can be hurt badly because this method of operation allows a thief to work pretty much at his or her own speed.

After-hours thieves put out of commission the alarm system that works beautifully against break-in. They can often leave by doors equipped with snap-type locks-doors that do not require keys from the

insides. Quickly and easily, they can pass goods outside and then snap doors closed behind them. Thus, they leave no evidence.

A motion detector, electric eye, or central station alarm will deter such thieves. You can also discourage break-outs with locks that need keys on both sides, provided that fire regulations do not prohibit such locks. When goods, materials, or money are missing and evidence of forced entry is lacking, begin to look immediately for the inside thief, the dishonest employee.

### **Audit Control Methods**

Loss prevention controls and procedures by themselves are not enough to protect your assets. Controls and procedures must be audited from time to time or they will break down. No loss-prevention control is stronger than its audit.

One effective auditing method is to commit deliberate errors. What will your people do if, for example, you see that more finished goods than the shipping order calls for reach the platform? Will the shipping clerk return the excess to stock? Will he or she try to divert it for personal use (perhaps in collusion with a truck driver)? Or will the clerk simply ship the order without ever knowing that the excess existed?

If the bookkeeper and the accounts receivable clerk are not dependable, alert, and honest, disaster can result. Check them by withholding an invoice from each of them and watching to see what they do. Will they miss the invoice? Will they realize that a missing invoice means lost revenue and call it to your attention?

Unannounced inspections are another excellent method of checking your preventive procedures. Such inspections are most effective during overtime periods or when the second or third shift is working. For example, one owner-manager popped up on the shipping platform after the second shift left. He noticed a loaded truck parked at the platform and ordered it unloaded. The cartons in the rear were legitimate deliveries, but he found the front half of the truck crammed with stolen goods. The checker, who was hired to see that such stealing did not happen, had gone to sleep and let the accommodating driver load his own truck.

### **Influence Employees**

You should never underestimate your ability to influence your employees in the direction of honesty. Your use of good controls, stiff loss-prevention procedures, and cleverly located physical security devices are powerful reminders to employees that the boss does indeed care.

But controls and devices can be wasted if the owner-manager fails to set a personal example of honesty and conscientiousness. A personal example of high integrity by the boss is the most important step in demonstrating to employees that dishonesty is intolerable.

Such an example includes following the same loss prevention rules that apply to employees. For instance, the owner-manager should sign for items he or she takes from the stockroom just like any other person.

### **Keep Crooks Off Balance**

The crooked employees who are the most successful at their "second trade" are the ones who test the system and are convinced that they can beat it. They can steal you blind. With every "score," their

confidence increases and along with it their danger to the company. The best way to stop such crooks is to keep them off balance - keep them from developing the feeling that they can beat your system.

Here's an example of how one owner-manager keeps crooks off balance. When inventory shrinkage became a major problem, he made a loss-prevention survey. To help keep employees honest, he tightened certain existing controls and put in some new ones. He reduced the number of exits employees could use by half. He scheduled "unscheduled" locker inspections for the unlikeliest possible moments. Employees were no longer allowed to take lunch boxes or bags of any kind to their work stations. Package inspection procedures were tightened.

To date, this owner-manager has caught no thieves. But by simply tightening controls and adding a number of surprise elements to his loss-prevention maintenance system, he reduced his inventory loss drastically.

### **Don't Play Detective**

Dishonest employees, working alone or in collusion with others, can find ways to beat the system no matter how theft-proof you try to make it. "Smart cookies" can devise ways to get away with substantial amounts of money, materials, or goods.

Owner-managers who suspect theft should not attempt to turn detective and try to solve the crimes themselves.

Even the best business owner may botch a criminal investigation because it's an area in which the average owner is an amateur.

When you suspect a theft, bring the police or a reliable firm of professional security consultants into the picture without delay. Where dishonest employees are bonded by insurance companies, ironclad evidence of theft must be uncovered before you can file a claim with the insurance company to recover your losses. Professional undercover investigation is among the most effective ways to secure such evidence.

### **Rules Can Help Reduce Pilferage**

Employees who are caught stealing will be prosecuted. (Settling for restitution and an apology is inviting theft to continue.)

Rotate security guards. (Rotation discourages fraternizing with other employees who may turn out to be dishonest. Rotation also prevents monotony from reducing the alertness of guards.)

Never assign two or more members of the same family to work in the same area. (You can expect blood to be thicker than company loyalty.)

Key employees will be kept informed about the activities and findings of the person who is in charge of security. (Thus weak points in security can be strengthened without delay.)

Make a dependable second check of incoming materials to rule out the possibility of collusive theft between drivers and employees who handle the receiving:

No truck shall approach the loading platform until it is ready to load or unload.

Drivers will not be allowed behind the receiving fence. (Discourage drivers from taking goods or materials from the platform by the following devices: heavy-gauge wire fencing between bays, with the

mesh too fine to provide a toehold; closed-circuit television cameras, mounted overhead so as to sweep the entire platform; and locating the receiving supervisor's desk or office to afford him or her an unobstructed view of the entire platform.)

At the loading platform, drivers will not be permitted to load their own trucks, especially by taking goods from stock.

Every lunch box, tool box, bag, or package must be inspected by a supervisor or guard as employees leave the plant.

All padlocks must be snapped shut on hasps when not in use to prevent the switching of locks.

Keys to padlocks must be controlled. Never leave the key hanging on a nail near the lock where a crooked worker can "borrow" it and have a duplicate made while he or she is away from work.

Trash must not be allowed to accumulate in, or be picked up from, an area near storage sites of valuable materials or finished goods.

Inspect disposal locations and rubbish trucks at irregular intervals for the presence of salable items when you have the slightest reason to suspect collusion between employees and trash collectors.

Trash pickups must be supervised. (Companies have been systematically drained over long periods by alliance between crooked employees and trash collectors.)

Control receiving reports and shipping orders (preferably by numbers in sequence) to prevent duplication of fraudulent payment of invoices and the padding or destruction of shipping orders.

Receiving reports must be prepared immediately upon receiving a shipment. (Delay in making out such reports can be an invitation to theft or, at best, result in record keeping errors.)

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