

Protect Your Workplace from Employee Theft

By Cynthia Kincaid, contributing writer

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— Lisa McCormack,
The Melita Group

Every year, millions of employees steal from their employers, amounting to a \$10 billion a year loss, according to the American Management Association. The U.S. Department of Commerce pegs employee theft at \$50 billion annually and says theft contributes to one out of five business failures. These numbers and the struggling economy suggest that employers are increasingly vulnerable to theft in the workplace.

"We have several clients who have been victimized," said Frank Sanderson, regional manager for TOC Management Services, a Redding, Calif.-based firm specializing in labor and employment law.

Theft can run the gamut from the seemingly harmless pilfering of office supplies from cabinets and food from company refrigerators to the far more serious stealing of trade secrets, proprietary information, sensitive electronic financial information, and, of course, money.

According to Sanderson, some employees even run their own businesses out of their employer's company. "We've had several cases in the past two years where the IT person was running a business out of the company's business," he said. "The company had so little knowledge about their own IT system that their IT employee was taking advantage of them. In one case, an employee was running a Web site design business at work." Stealing company time can be just as detrimental to an organization as stealing supplies.

Some employee theft may be the result of employees feeling short-changed and angry in today's workplace as salaries and benefits shrink and co-workers are laid off. "Their salaries and benefits are being reduced, and employees may feel like, '[employers] owe me this,'" said Lisa McCormack, vice president of client services for The Melita Group, a Santa Clara-based organization providing human resources and benefits consulting services. "[The employees may feel like], 'I'm going to take this box of pens because it's not going to hurt them, and they're hurting me.'"

Create and Update Theft Policies

One of the best ways for employers to protect themselves from theft is to create or update existing workplace theft policies that will cover valuable assets, computers and equipment, financial information and other company resources. "This way, you're not saying directly, 'We don't trust you. You're just telling everyone that you want to create a more

secure environment for company information and confidentiality," McCormack said. "Put it under a bigger umbrella of protecting the company's assets."

Policies need to be concrete, according to Jessica Hawthorne, employment law counsel for the California Chamber of Commerce. "Policies need to be in place to address downloading software, the use of company property, the use of supplies and how the company will track these things," she said. "Make it very clear what the policies are and limit the people who have access to company supplies, equipment and confidential information."

Having more than one person oversee financial and other critical information is also important, she said. "You never want to be in a situation where only one person knows how to do something, regardless of what the job is," Hawthorne said. "Especially when that person has access to customer and financial information without oversight or checks and balances; that can hurt you with one swift blow."

Additionally, Hawthorne recommended having a policy covering work hours. "Establish the policy that says, 'This is when our office is open, and this is when we expect you to be here and working,'" she said. "If one or two people feel they are above this, all of your employees can be negatively impacted."

"Employers need to have a clear policy and zero tolerance," Sanderson said. "If you have clear policies that are fair, firm, consistent and vehemently enforced, and you make sure that everyone knows that if you violate these policies there will be severe consequences to be paid, that sends a pretty clear message as to what's acceptable and what's unacceptable."

Train Supervisors and Managers

In most cases, supervisors and managers have little training when it comes to identifying and addressing workplace theft. Part of the problem, Hawthorne said, is the reluctance supervisors may have in confronting employees who might be stealing.

"If they don't want to have that conversation, then they need to talk to human resources. If they don't have an HR department, then they need to talk to the CEO," she said. "There should be somebody there to give [the supervisor] support in carrying out the policies. If you don't have support and backup for the policies, it's not worth having the policies."

Though having a straightforward conversation can be stressful, this approach usually brings swift resolu-



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tion. "You sit down and have a conversation with the employee and say, 'We've noticed that money is leaving and all roads lead back to you. What's going on?'" Hawthorne said. "Then you make a determination on how to handle this person. Do you fire them, discipline them or move them to a different position?"

Involve Law Enforcement

Sanderson said that getting law enforcement involved right from the start is the best approach to deal with employees who may be stealing. "The first thing you should do is get law enforcement involved so that you don't somehow compromise the available evidence," he said. "They are the experts ... and we want to give them the liability."

Involving law enforcement can also send a clear message that theft will not be tolerated at a company. "When you're talking about big ticket items, especially if someone is walking off with computers, you have to send a message," McCormack said.

Though minor infractions can usually be worked out through a conversation with senior managers, Hawthorne agreed that the theft of large sums of money or equipment must be dealt with quickly. "If it's something minor that you can resolve and get an employee off your payroll, that's sometimes a good thing," she said. "But if you're talking embezzlement, you almost have to [involve law enforcement] because you're talking about protecting the integrity of your organization."

To correctly set and communicate theft policies, Hawthorne recommends getting legal advice from those that specialize in this area. Senior executives, she said, need to ask about the benefits and drawbacks of having double oversight, filing legal action and committing company resources to theft management.

"There are laws in place, but laws are only as good as they are enforced," Hawthorne said. "The idea behind running an organization smoothly is being proactive rather than reactive, so checks and balances are imperative."

Consider Other Avenues

The solutions for tracking and reining in workplace theft are varied and start with inventorying physical assets, such as equipment and office supplies. Equipment should be counted and tracked through model numbers or other tracking measures, and, if appropriate, assigned responsibility to the people using the equipment.

Files, office supplies and financial and company information in hard copy should be kept under lock

and key with limited access. Consider appointing two or three people responsible for tracking and disseminating office supplies, which should cut down considerably on theft and hoarding.

Electronic information also needs to be secured by the IT department and, again, made available with limited access. Updating electronic and software security measures should be an annual expenditure. And depending on the size of the company, having a yearly security analysis might also be a good idea.

Most importantly, Hawthorne said, paychecks and expense checks need to be signed by two people, preferably one inside and one outside the financial department. "If you have enough people looking at where money is coming in and going out, then a gap will be caught relatively quickly," she said.

Communicate With the Right Approach

McCormack cautioned that an employer's tone and approach is important in conveying theft policies to employees. "If you start putting policies in place that make people feel like you don't trust them, that can set up negative attitudes," she said, "especially now because everybody is walking on eggshells and waiting for the next shoe to drop. It can be a hard time to start delivering those messages, if you haven't delivered them before."

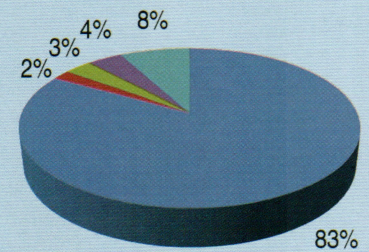
She also warned employers not to jump to the conclusion that thefts are the result of employees, since customers, vendors and suppliers tend to be in and out of company environments all day long. "You have to be careful in creating a culture where you're not trusting," she said. "We try to give employees the benefit of the doubt."

In fact, an employer's attitude toward employees is important, not only for employee theft, but also overall workplace courtesy. Though most employers generally feel they are doing their best to keep the company afloat and treating employees well, articulating that has never been more important.

"For the most part, employees feel they are loyal and put in their time, and if they don't get that back from their employers, they get angry," Hawthorne said. "You want to appreciate your employees, but you also have to help them understand that sometimes you are in a tough spot and tough decisions have to be made, so make people feel as though they are part of the solution."

With fear and emotion running high in today's uncertain economic climate, acknowledging employees, and giving them a chance to contribute fully to the organization may well be the best defense in keeping your company secure. □

What has Your Company Done to Increase Internal Theft-Prevention Measures Since the Downward Spiral in the Economy Began?



- Nothing, we've seen no increase in employee theft
- Increased prevention measures only slightly
- Significantly increased prevention measures
- Nothing now, but a plan is in the works
- Nothing, but we have noticed an increase in employee theft

