

*Though you might find it hard to believe, the U.S. Chamber of Commerce estimates that 75 percent of all employees steal at least once, and half of those that steal do so repeatedly.*

### What is Theft?

Employee theft is commonly defined as any stealing or use of an employer's assets without permission. Commonly stolen items include:

- Money
- Office supplies
- Merchandise
- Time
- Information
- Company property

Theft usually occurs when three key elements exist:

**Opportunity**—Even the most honest employees can be tempted to steal when they see gaps in internal controls or a lack of controls.

**Pressure**—Drug or alcohol dependency, gambling problems, divorce, serious illness and other economic pressures can lead to employee theft.

**Attitude**—Some employees may think, because of perceived or actual abuse by an organization or supervisor, that the company owes them something and they have a right to take something to compensate.

### Prevention

Taking action to decrease the occurrence of theft within an organization can yield positive results. Reduce opportunities for dishonesty by following these tips:

**Be More Observant**—Watch for telltale signs of internal theft. Look for employees who appear to be living far above their means or have a sudden unexplained rise in their living standards. Pay close attention to management-level personnel who insist on handling routine clerical tasks themselves. Be aware of employees who never take vacation or are reluctant to have others assist them, as both behaviors may indicate an effort to cover up dishonest activity. Be alert for clients who complain about overcharging or inconsistencies in shipping and billing practices.

**Find People You Can Trust**—Some potential and existing employees have theft in mind from the very start. You can weed out some of these people by performing thorough background checks on all new hiring prospects and existing personnel, particularly



for sensitive positions that involve handling money or valuable goods.

**Separate Duties**—Some delegation of tasks is unavoidable, but try to have a management-level supervisor oversee inventory, accounts receivable and accounts payable operations. If this is not possible, consider mandatory vacations for sensitive positions—a dishonest employee will have trouble concealing theft if he or she is required to be out of the office for at least a week at a time. You may consider dividing these tasks among several staff members so no single employee has too much authority or autonomy. Routine reviews and audits of inventory and bookkeeping can also help prevent fraud and theft.

**Control Access**—Where feasible, restrict access to sensitive areas. This can be accomplished through physical means (lock and key) or electronic systems (access cards or badges). You should also put together procedures that outline appropriate security measures and processes. Consider segregating areas such as accounting and bookkeeping, warehouse, executive offices, IT servers, etc.

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**Determine Clear Policies**—To reinforce security measures, a company should distribute clear, written policies on ethical behavior that should be signed by each employee, including executives.

**Create a Security Culture**—Workers will be less likely to steal if you create an environment in which they think there is a good chance of being caught. Training and employee awareness programs can inform workers about stealing problems and keep them on the lookout for signs of theft. Make sure employees know they can report incriminating information on anyone in the firm without fearing job loss or other repercussions and explain the procedure for doing so.

**Provide Alternatives to Stealing**—Some of the most troubling cases of employee theft occur when workers are in desperate financial straits. Employee substance abuse is also intimately linked with financial problems and theft. Let employees know in advance that they can come to management for assistance. If your firm does not already have an employee assistance program, consider establishing one and making it well known to all employees and volunteers.

**Set an Example**—Employees need to know that one uniform ethical standard applies to everyone in the organization. Executives and managers should be positive role models for workers.

### Before You Hire

Almost 10 percent of job applicants have criminal convictions and up to one-third of resumes contain serious falsehoods or omissions. Consider incorporating these tips for more effective screening. It's also

important to check with legal counsel to ensure you are in compliance with all federal, state and local labor and employment laws and regulations.

- As part of the application, each job applicant should sign a consent form for a background check, including a check for criminal records, a credit check and verification of past employment and education. Include permission for future screenings in the consent language in case a future investigation is needed for a criminal search.

- Applications must clearly state that any false or misleading statements or material omissions are grounds to terminate the hiring process or employment, regardless of when it is discovered.
- Employment applications should ask about criminal records in the broadest possible terms allowed by law; avoid limiting the question to felonies, if possible.
- Advise applicants that the organization will perform a criminal background and reference check as a standard business practice. Ask whether the applicant has any concerns to share.
- During the interview, ask applicants what they think a former employer will say about them when references are being checked.
- Verify past employment. This is probably the single most important tool for an employer. While many employers will only verify position and dates, you can gain additional insight by asking if the applicant is eligible for rehire—a negative answer to this question could be a red flag.
- Obtain a listing of all addresses for the past 10 years. This is also needed for a criminal records search.
- Check for criminal records. Know what convictions can and/or cannot be legally used for employment decisions and whether arrests may be considered.
- If employment begins before a background check is completed, state in writing that employment is contingent upon a satisfactory background report.

### For Additional Information

**EMC Insurance Companies:** [www.emcins.com](http://www.emcins.com)

- Tech Sheets—Background Checks, Hiring Practices, New Employee Orientation, Drug-Free Workplace Program

**Business.gov:** [www.business.gov](http://www.business.gov)

- Pre-Employment Background Checks

**Bureau of Consumer Protection:**

<http://business.ftc.gov>

- Using Consumer Reports: What Employers Need to Know