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Friday, February 18, 2011

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Dirty handed

FEATURES - COVER FEATURE

Like it or not, employee theft impacts your bottom line

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SARAH MARTINEZ (/AUTHOR.ASPX?AUTHORID=2262)
January 17, 2011

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Employee theft—it's the proverbial elephant in the room. As a small-business owner, it's easy to pretend the looming specter isn't there. "That couldn't happen to me!" is a common refrain. Unfortunately, the headlines tell a different story.

MENLO PARK, Calif.—The former bookkeeper at Roger Reynolds Nursery, accused of stealing roughly \$140,000 from the business, pleads no contest to felony embezzlement of \$100,000 in December 2010. According to The Mercury News, the nursery's auditors discovered the bookkeeper had written dozens of checks to herself and to an accounting business she created. The accused also made several unauthorized transfers from the nursery's cash fund and diverted money meant to pay employees' health insurance premiums to cover up the theft.

DAVIDSONVILLE, Md.—A former employee of Homestead Gardens was convicted in 2009 of perpetrating a scheme involving gift cards. The employee embezzled \$64,000 from the company before an internal audit noticed funds had been siphoned during the store's transition from paper gift certificates to gift cards.

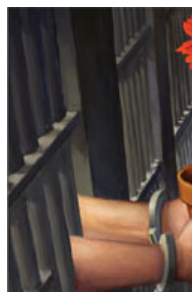


Illustration: Matt Collins

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Ah, yes. But these are big-business problems at large garden centers. Right? The harsh reality is—whether you're big or small—theft is eroding your bottom line at this very moment.

"Employee theft is universally the largest source of inventory shrinkage," said Chris E. McGoe, a consultant and author specializing in security and safety (www.crimedoct.com) (<http://www.crimedoct.com>). "On average, employee theft represents about half of the total annual [shrinkage] loss."

But we're like family. One of a garden center's biggest strengths—its family atmosphere—can turn into a liability when the business suspects theft.

"Most small employers like to think their staff members are like their family," said Curtis Baillie, owner of [Security Consulting Strategies LLC](http://www.securityconsultingstrategies.com) (<http://www.securityconsultingstrategies.com>). "It's hard for owners to face the fact that one of their 'family members' is stealing from them. I often hear retail managers say, 'I don't think any of my employees would steal from me.'"

It's a sentiment that McGoe is also familiar with.

"It's easier to blame excessive shrinkage on shoplifters or paperwork errors," he said.

Garden centers don't have to sacrifice a family atmosphere for the sake of security.

Instead, experts recommend being proactive about theft.

Deal with the issue head on.

"Store owners and managers must address employee theft at the point of hire, before promotion and with daily enforcement of policies and procedures," McGoe said.

"Dishonest employees are often detected first when they violate store policies designed to prevent losses."

McGoe also advised business owners to have frank discussions about dishonesty during new-hire orientation and throughout the employee's tenure to reinforce policies.

Curtis Baillie, owner of Security Consulting Strategies LLC, said there are dozens of warning signs that could indicate employee theft. Here are a few garden retailers should keep a close eye out for:

- An unexplained decline in profits despite increasing or stable sales.
- Ongoing and/or unexplained shortage of material, products or merchandise.
- Sharp increase in expenditures for office, tool, maintenance and other general supplies.
- Product, merchandise or inventory found concealed in Dumpsters, wastebaskets, etc.
- Partially empty boxes of merchandise when they should be full.
- Empty boxes found behind full ones, indicating an attempt to prolong discovery of loss.
- Worn paths or flattened grass outside the fence line in remote or vulnerable areas.

And these policies must be in writing, according to Baillie.

"Every retailer should have a written and enforced policy/procedure manual with expected behavior spelled out and the consequences of not following such policies," he said.

Not having a formal policy leaves garden centers without a leg to stand on. Baillie shared this story: In a case he's familiar with, an employee was terminated for stealing from your typical Mom & Pop retailer. The ex-employee filed for unemployment compensation, which he was granted. The retailer appealed the ruling, but lost.

"The reason given was the retailer had no policy either written or verbal," Baillie said, "and lacking such a policy, the employee should have been counseled regarding the matter. That's the world we live in

today. You have to document everything and put it out in writing.”

What to do if you suspect theft. Dealing with suspected theft is akin to walking a tightrope. It may (or may not) end up being a criminal matter. But in all cases it becomes a human resources conundrum. Retailers have to carefully build their case while also staying in line with employee law.

Jean L. Seawright, founder of Seawright & Associates Management Consultants (<http://www.seawright.com>), offered these tips for dealing with suspected theft:

Make no accusations. Rule No.1, according to Seawright: Never accuse an employee of theft in the absence of absolute evidence or proof that the employee, himself or herself, has stolen property. At all costs—to minimize the risk associated with defamation claims—do not refer to employees as “thieves.”

Question the source. If you receive a report from a credible, reliable source that an employee has stolen property or money, obtain as much detail as possible from the source including the classic, “who, what, where, when and why,” information along with details about any witnesses, comments made by the employee and direct evidence. Let the source know that you will be conducting an investigation into the matter.

Consider the need to file a police report. If a customer reports an allegation of theft involving one of your employees, the customer has the right to file a police report. Should this occur, establish a relationship with the investigator and obtain copies of all reports and information generated by the policing agency. If a police investigation is initiated, decide if you will wait for and rely on the results of the investigation and/or if you will conduct your own internal investigation. In many cases, both are appropriate. Another option would be to hire a third-party private investigator or consultant to conduct the investigation on your behalf.

Confront the issue. Depending on the nature of the theft, you may need to confront the employee immediately to let them know you’ve received a theft report and that you will be investigating it. You may obtain an initial response/statement from the employee; however, a full interview with this individual should be conducted after interviewing other key witnesses. It may also be prudent to place the employee on an administrative leave while the investigation is being completed. In most cases, Seawright recommends paying the employee during the administrative leave so as not to send a message of assumed guilt.

Inspect personal items. If necessary, prior to the employee leaving the work site, inspect the employee’s purse/bag, vehicle and work areas. Ensure that all searches are conducted professionally and with a witness. Your employee handbook should include a policy addressing workplace searches, and employers should seek the advice of a consultant before conducting a search to ensure all pertinent regulations are adhered to.

Do not initiate a polygraph without a complete understanding of the Employee Polygraph Protection Act. Employers are severely limited in their ability to require and use the results of a polygraph to make an employment decision.

Identify individuals to interview. This will include any named witnesses and other individuals who you reasonably believe have information, access, or opportunity to be involved in the incident.

If you are conducting an internal investigation, prepare specific



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questions prior to employee interviews. Document the conversations and, if possible, include an HR representative in the conversation.

Conduct an interview with the individual suspected of the theft AFTER finishing your interviews with all other parties. This allows you to develop complete and specific questions pertaining to the incident.

Review and analyze all pertinent documentation. This includes interview notes, employee files, police reports, video tapes, etc. Compare statements, conduct follow-up interviews if necessary and make a determination based on facts. Render a decision and take appropriate employment action, if necessary.

Look into surveillance. Some employers may prefer to install workplace monitoring/security devices in an attempt to "catch" the accused individual in the act of theft. Before going this route, employers should check with their HR consultant to ensure there are no employment surveillance regulations that would prohibit or restrict the use of security or monitoring devices in the workplace.

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COMMENTS

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[Lee Jeans \(/Member.aspx?member_id=391166\)](#)

Why its Dr. Rovner again !!! selling his legendary SNAKE OIL, that the polygraph is a valid device. We have crossed paths before and again you show up trying to mislead people that your polygraph services, and book are worth something. As I stated before, the true magic of the polygraph is whether or not you can sell that it works. No fear or anxiety, which it the true secret of the technique, and your machine is worthless. Training non-belief is easy, non-belief means no adrenals released. No adrenals means your bio-sensors are worthless. And once someone knows all 5 phases of the polygraph technique and what to expect, fear vaporizes. Well be both know, that your machine, process and technique become even more worthless than it already is. You may be able to trick the naive, and ignorant, but not to those of us, who are more than capable of dealing with the likes of your interrogation prop, and any polygrapher who would dare to cross our paths. You in particular have been beat, by those so trained. :-) Until we meet again !!! adieu !!

[Louis Rovner \(/Member.aspx?member_id=391158\)](#)

If an employer suffers a theft that may have been committed by one or more employees, it is completely legal to conduct polygraph tests on those employees, if you follow the simple procedures set forth in the Employee Polygraph Protection Act of 1988. Louis Rovner, Ph.D.
www.PolygraphReality.wordpress.com

