



# Embezzlement & Employee Theft – Who Can You Trust?

It usually starts small – a few items from inventory go missing, some cash is unaccounted for or there’s a slight discrepancy in the books that can’t be explained. They are small items at first that can result in huge losses and eventual bankruptcy.

Embezzlement and employee theft affects almost all businesses at some level. From financial theft – cash, accounting or non-depositing checks, for example – to taking inventory, supplies, and other physical items, to intellectual property such as

trade secrets, customer lists and information, internal documents and proprietary technology – they all constitute employee theft and embezzlement which are crimes punishable by law.

The alarming thing is that most businesses never catch employee theft, and when employees are caught, charges are often not filed.

There are many reasons why employees resort to stealing. According to the Federal Bureau of Investigation, the prime reasons are, “financial need, revenge, dissatisfaction with a job or coworkers, allegiance to another company, thrill of potentially being caught, ego, desire to win approval, peer pressure, addictions and family problems.”

Research done by the U.S. Chamber of Commerce reveals that workers getting regular salaries and on the payroll, are fifteen times more likely to steal from the company than

*“Stealing is stealing. I don’t care if it’s on the Internet or you’re breaking into a warehouse somewhere – it’s theft.”  
- Patrick Leahy*



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contractors and other non-employees.

The report also states that 80 percent of the employees will steal only if they are convinced that they will not be caught. 10 percent of the employees will never steal and 10 percent will never stop stealing.

Employee theft is so widespread and pervasive in the U.S., that each American worker ends up paying \$400 annually to offset the business losses, according to the U.S. Chamber Report.

## How Companies Can Protect Themselves

After reading the statistics, who can you trust? The truth is that not everyone on your payroll can be trusted. So, proceed with care and put systems and processes in place to safeguard your assets.

*“Caring employees are your first line of defense against theft.”*

*– Brian A. Evans  
Intercom Security Ltd.*

Many years ago, the Wall Street Journal did an interview with a retired bookkeeper who had embezzled millions of dollars throughout his career. His condition for doing the article was anonymity, but he wanted to tell his story and warn business owners of how easily embezzling can happen.

He had a five year plan for each job he held. When he started with a company he would spend the first year learning the systems, the processes, the people and build trust with the owner. He would take on more and more responsibility and gain credibility within the organization.

In year two, he would develop his embezzlement plan for that company. Often, it would involve a way of writing checks to himself that the owner unwittingly signed, making deposits and creating reports for the owner. He never asked for check signing privileges so no suspicions were aroused. He continued to build trust with the owner in year two.

Years three through five were the years where he embezzled the money. He worked his system within each specific company and took the maximum amount of money that he knew his plan would allow for without raising suspicions.

## JEFF BLEACHER



*“Preventing employee theft and embezzlement requires that a company use both preventive and punitive measures for security. Creating a culture where employees feel loyal to the company, where everyone is treated with respect and where employees have a vested interest in the company’s success helps to prevent criminal activity. In addition, technology and audits of numerous types can expose, and often thwart, activity that would be damaging to the company.”*

## KEN FALK (on the right)



*“It can be easy to suspect every employee and create a culture of fear and paranoia if one is not careful. And, that’s not healthy for any environment. You don’t want to create a police state but you do want to prevent opportunistic situations that could make good people go bad.”*





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At the end of year five, he resigned. The owner would be crushed, beg him to stay, say he was like family and that they would never be able to hire someone as good as him.

Then he was gone, out the door, never caught and never suspected.

Throughout his career he went through this process with 12 – 15 companies and was never caught. In his old age, he wanted to redeem himself and so went

to the Wall Street Journal with his story and his warning to business owners about how easy it is to embezzle from trusting employers.

His recommendations, along with the Chamber’s Report, are these:

Ensure that you have a strong, clear, legally sound policy regarding company property. Ensure that every employee knows about it: failure to communicate the policy leaves you open to being disputed by employees who are accused of theft.

Make background checks of every employee mandatory, install security protocols, print operation manuals, train your workforce appropriately, penalize offending workers and you can avoid becoming part of next year’s employee theft figures.

## LARRY REICH

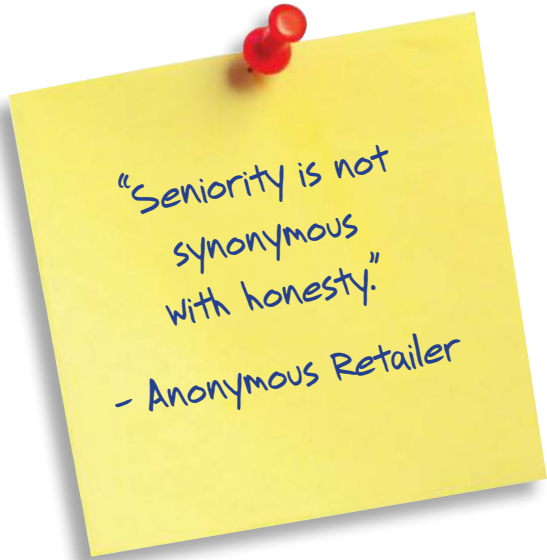


*“It’s always a good idea to evaluate your systems and processes to determine if there are holes that could be taken advantage of and could create damage. Be smart about the type of business you are in and the opportunities that exist for theft and then plug those holes. It’s not that people are bad, but too often they get themselves in trouble and see an easy way out of their trouble through the hole in your system.”*



## PATRICK GENDRUE (on the left)

*“There’s an old saying – Trust in God, but tie your horse. I think the same thing applies to theft and embezzlement. Trust your people but make sure that your systems and books are audited, evaluated and audited again. Human nature hasn’t changed in centuries so you need to know that good people can do bad things and the owner’s job is to not give them the opportunity to “go bad.” Don’t trust blindly and don’t overlook the small digressions because they will only increase if left uncorrected.”*



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