

Risk Insights

Advice for you and your business

Employee Dishonesty



Employee theft is considered the most serious crime affecting businesses, with losses estimated in the hundreds of millions of dollars.

Management must control the impact of employee theft by establishing prevention strategies. Businesses that have established rules and procedures to detect employee theft usually have lower levels of employee dishonesty. These businesses are selective about who they employ and ensure that employees understand the consequences of their actions.

Why do some employees steal? The motivating factors for employee theft include opportunity, rationalization, and greed or need. The removal of any of these factors, particularly opportunity, will help to reduce losses. As the risk of being caught increases, the probability of theft can decrease.

● **Some key things to consider include:**

- Is there a comprehensive pre-employment screening program in place? Are reference checks conducted and, depending on the level of responsibility or sensitivity of the position, are criminal and credit checks performed?
- Are there written security guidelines that outline the company's policy for dealing with an employee caught stealing? Are all employees provided with a copy of the guidelines? If so, are they required to sign a receipt confirming they've read and understood the guidelines?
- Are there human resource programs in place that are designed to build employee loyalty, as well as align employee and company goals?
- Is company merchandise or property considered desirable or easy to steal?

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Employee Dishonesty *(continued)*

© Some key procedural controls to consider include:

- Are there controls in place for petty cash disbursements, bank deposits, withdrawals, issuance of cheques, payrolls, reconciliation of bank statements and payment of invoices?
- Are responsibilities and functions divided to ensure one employee does not have control over all parts of a given financial transaction?
- Is there an inventory control program that provides for regularly scheduled and random inventory checks?
- If feasible, are employees required to enter and exit the facility through a single employee entrance that's monitored by a guard?
- Are shipping and receiving operations supervised by closed circuit television (CCTV) surveillance?
- Is all incoming merchandise checked against purchase invoices? Is all outgoing merchandise checked against shipping documents?
- Is there a designated area within the facility for the collection of garbage before its disposal?

It can be disillusioning to find out that a trusted employee has taken advantage of you and broken the law. By implementing basic loss prevention techniques, you can help to avoid this unpleasant situation and reduce the chances of becoming a victim of employee dishonesty.

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