PREVENTING EMPLOYEE CRIME IN THE WORKPLACE

The FBI calls employee theft “the fastest growing crime in America!” The US Chamber of Commerce estimates 75% of employees steal from the workplace & most do so repeatedly. One third of US corporate bankruptcies are directly caused by employee theft. The Boston Globe & Denver Post newspapers recently reported US companies lose nearly $400 billion per year in lost productivity, due to “time theft” or loafing.

Deanne’s Story
Recently, I attended a conference where one of the speakers shared how she went from a strong, morally based upbringing, living in Pocatello Idaho, to stealing over $500,000 from her employer. Have you ever known anyone that started down the slippery slope of white collar crime, perhaps unintentional at first, only to find him/herself beyond the point of no return?

Deanne (name changed to protect her identity) was a highly successful business professional graduating in Business Management from BYU. She was hired shortly out of college to a fast, up-and-coming organization, where she quickly worked her way into a position of authority & high responsibility. Overtime, the owners of this organization accepted Deanne under their wing, almost like family, brought her into their home, & gave her more & more trust & responsibility. Because of the high level of company success, they paid Deanne monthly bonuses, sometimes in the neighborhood of $5,000 plus, & a yearend bonus upwards of $12,000, in addition to her six figure income. This job became quite the ride for Deanne, as she now had the opportunity to travel the world, live a life of luxury & class she was unaccustomed to.

Then, one day Deanne took a trip back to Idaho & her travel expenses of about $1,300 were accidently charged on her business account, not her personal credit card. Deanne noticed the problem & returned to work with full intentions of making the correction. She did not have the immediate money in hand to pay it back so she thought, “I’ll just pay it from my next paycheck.” This check rolled in & she thought maybe next payday would be a better time to make the payment. After a few weeks, then months, Deanne decided she didn’t need to pay the money back, because she took a couple of business calls while she was in Idaho. She felt, somehow, the money was due to her anyway. Besides, no one noticed the charges. This was the starting point of what was an unintentional mistake to Deanne intentionally putting more & more personal expenses on her business credit card. Then she created false employees and other misappropriations. Over a period of two or three years, she had embezzled over $500,000 from the very people who took her in & loved her like family. Justifying her actions, she always felt one day she would pay it back & all would be well. The long & short of this story is that Deanne not only lost her dream job, all her assets, & her husband, she spent 18 months in prison & lost her integrity. Although Deanne ultimately turned herself in & took responsibility for her crimes, she still pays for her decisions to this day. She makes monthly payments to the past employer, can no longer obtain credit, she lost several relationships, & more. In Deanne’s words, “My family went to prison with me.” Many, many people were hurt in the process & the employer will never recover the lost funds.

Employee Crime Causes & Prevention

1) Hiring the Wrong People – Do you hire employees who are primarily driven by external motivators or have strong internal values? Employees who avoid stealing because they don’t want to be caught, put in prison, or lose their job, are more likely to commit crimes than individuals who avoid crime because it is against their core
values & integrity. Often, selection systems focus more on hiring for skills, than hiring for values & personality. We can teach skills, we can’t teach personality or values.

2) **Opportunity** – Do you have processes, procedures, & checks & balances in place to eliminate the opportunity for theft to take place? In the above story, Deanne never would have gotten away with the crime if there were checks & balances in place. Don’t give too much control to anyone, without holding them accountable & subject to a system that catches tempting misappropriations. We all have our breaking points & are subject to stress & tempting situations. Eliminate opportunity & crime is greatly hindered.

3) **Blind Trust** – “If employees seem too good to be true, often they are,” said Terry Shulman, author of *Biting the Hand That Feeds: The Employee Theft Epidemic*. It is the least likely person that would steal that ends up taking the company for $500,000. Deanne had an impeccable reputation & no one ever thought she was capable of committing a crime, herself included. Too much trust is a burden to anyone & is a risk to your business.

4) **Incentive/Pressure** – Given the right set of incentives & pressures, almost anyone is capable of crossing the line between right & wrong. As an employer, make sure you don’t give employees a reason to cross the line. Do you offer leaders an incentive plan that might encourage them to “cook the books”? Is there undue pressure to hit certain deadlines, quality requirements, or profit margins? The pressures we create at work, or that people face in their day-to-day life, may very well create incentive for them to do something they never dreamed of, like stealing from you.

5) **Time Wasting** – Probably one of the highest, subtle crimes that takes place in an organization is wasting time - doing personal things on company time or with company resources. How often are employees engaged in the following activities while on your time clock?
   a. Internet surfing
   b. Texting
   c. Personal calls
   d. Social networking (e.g., Facebook)
   e. Investing/banking
   f. Goofing off
   g. Long breaks/lunches
   h. Etc... (this list could go on & on)

Clearly define employee expectations regarding the use of computers & doing personal things on company time. Monitor performance & hold employee accountable for their actions & results.

6) **Rationalization/Retaliation** – Do your employees have some reason to retaliate or even the “fairness” score? Have you asked them to do more with less? Any pay cuts or reductions in benefits? Any inconsistencies in job & pay treatment/fairness? People have a balancing meter where they adjust their effort & output to balance out the rewards, recognition, & other motivators they receive. Make sure fairness and balance are in place.

If you see an employee who is unduly stressed, has unchecked access to funds, shows delaying tactics, acts suspicious, never takes vacation, experiences life style changes, or other behavioral changes, be cautious & make sure you don’t have crime in the works. Investigate & hold employees accountable.

Employee crime will take place, no matter how closely you monitor & safeguard your business. However, you can greatly reduce, & in many instances eliminate, crime by hiring the right people, eliminating opportunities to commit crime, being careful with trusting anyone with too much control, creating thoughtful incentives, controlling pressure & stress in the right areas, monitoring time utilization, avoiding too much crossover with business & personal lives, & not giving employees reasons to rationalize bad behavior or retaliate.

By Ken Spencer, President/HR Coach, HR Service, Inc.

---

**Eliminating Crime Assistance**

Contact HR Service, Inc. for assistance creating a work environment that reduces crime & creates highly engaged, productive employees. Call (801) 685-8400 or email Ken@HRServiceInc.com. Visit us online at www.HRServiceInc.com.