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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 are opportunity, rationalization, and greed or need. The removal of any of these factors, particularly opportunity, will reduce losses. As the risk of being caught increases, the probability of theft decreases.

General Considerations

- 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 and 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?

Procedural Controls

- Are there controls in place for petty cash disbursements, bank deposits, withdrawals, issuance of cheques, payrolls, reconciliation of bank statements, as well as payment of invoices?
- Are responsibilities and functions separated to ensure no one employee has sole control over all parts of a given financial transaction, and is workflow organized so that the function of one employee acts as a check on that of another employee?
- 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, monitored by a guard?
- Are shipping and receiving operations supervised by closed circuit television (CCTV) surveillance?
- Is all incoming merchandise checked against purchase invoices and all outgoing merchandise against shipping documents?
- Is there a designated area within the facility, if possible, for the collection of trash before its disposal?



Knowing your business matters.

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 avoid this unpleasant situation and reduce the chances of becoming a victim of employee dishonesty.

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Partners In Prevention

At Federated Insurance, we believe Loss Prevention is a critical component of your Risk Management Program. Your Risk Services Coordinator, together with our Loss Prevention Team, is available to assist you in developing security measures appropriate for your business. Working together to reduce your loss exposures protects your bottom line!

For more information, contact your Risk Services Coordinator, our Loss Prevention Department at 1-800-665-1934, or visit our website at www.federated.ca

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