

EMPLOYEE THEFT DURING A RECESSION - WHAT EMPLOYERS NEED TO KNOW

During times of economic insecurity, normally honest employees, under increasing personal financial pressure, may resort to theft. Employees may also be motivated to steal if, after others are terminated, they are given extra responsibilities without an increase in compensation.

While they may not ordinarily be inclined to take advantage of their employer, thieving employees may rationalize their behavior because they are panicked about their financial woes. Companies are therefore wise to look out for increased criminal acts by their employees, especially after a series of layoffs.

Theft comes in many forms, depending on your business and employees. Typically, employees may embezzle money or steal products, such as food or electronics. They may use company time to fulfill personal obligations and take care of personal business (known as time theft) or look for a new job if they are in fear of losing their current one. Furthermore, if employees are stressed due to the uncertainty of their employment, they may be more inclined to take breaks to surf the web as a way to reduce some of their stress.

SAFEGUARDING AGAINST THEFT

COMMUNICATION, EDUCATION, INVESTIGATION

- Communicate with your employees about the economy and how it affects your organization. Be open honest, and try to allay anxieties.



- Try to maintain a positive work environment even during tough times. Encourage open communication, listen to employees' ideas and recognize employee achievement.
- Educate your employees about what is considered fraud and its consequences and emphasize that the company has a no-tolerance policy.
- Rotate accounting and inventory responsibilities routinely.
- Conduct internal audits of bookkeeping records and inventory, including random or surprise audits.
- Conduct spot checks by management of bank records, including bank deposits.

- Provide employees with a reporting mechanism for suspicious behavior without fear of reprisal – similar to that for issues of harassment or discrimination (a whistleblower hotline, for example).

Banking institutions have implemented policies requiring employees who handle funds to take five consecutive business days of vacation during which time another employee performs the vacationing employee's routine duties. That absence usually helps uncover inappropriate behavior on the part of the vacationing employee.

We urge you to take a moment, if you have not already done so, to review your policies and procedures regarding the handling of money by your employees to make sure you have taken steps to minimize the likelihood of misconduct. The final step in that review should be consideration of appropriate levels of insurance coverage to protect your firm in the event you do experience employee theft. Willis is ready to assist you in your loss control efforts and to help you determine the proper insurance coverage necessary for your organization. Please contact us if you have any questions or need assistance in that regard.

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