

Employee Theft: Is It Happening to You?

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Employee theft is rampant in small to mid-sized businesses. It never ceases to astound people that a trusted employee could steal from you. It angers you and makes you sad, but it is happening every day. Large amounts are being stolen from businesses both small and large.

After the Enron debacle, Congress passed the [Sarbanes-Oxley Act](#) (SOX) to tighten the responsibility of the accountant to detect fraud. Talk to someone in the accounting community about SOX and they will roll their eyes and heave a large sigh. In all levels of the attest function performed by accountants (compilation, review and audit), SOX has had an effect. The result of this increased testing is that more employee theft than ever before is being uncovered.

In fact, the American Institute of Certified Public Accountants (AICPA) released a recent study that has some astounding statistics. According to their survey of members, up to 82 percent of small- to mid-market businesses have or will experience employee theft. Of the incidences of theft uncovered, the average theft amount equals \$125,000. And believe it or not, most of these thieves are not prosecuted.

Are you a victim? Most of us would immediately say, “No, all my employees are completely trustworthy.” But, what about the next employee you hire? What about the employee who has had an unexpected life change (divorce, death or other experience) that has affected his/her financial stability? What about that employee’s spouse who you might not quite trust? Could that person have undue influence to convince your employee to do something?

Employee theft can come in many forms. Look at the following ways employees can steal from you:

Cash

Does the employee who collects the cash also make the deposit and reconcile the bank statements?

Payables

Does the employee who makes the vendor payments reconcile the bank statement? Does this employee have access to online accounts or a signature stamp?

Time

Do your employees steal time by running personnel errands or spending excess time on the phone as you are paying them for doing the company work?

Company credit cards

Do your employees have company credit cards? Are the expenses charged to these cards reviewed by someone other than that employee?

Computer access

You would be amazed at how many employees run a small business on your computer and on your company time.

How can you stop this? First of all, have a policy that strictly forbids the above activities (and other similar activities). Second, look at your business functions and determine where you are vulnerable. Third, make sure there is a separation of duties between employees who handle areas where theft could occur. Fourth, consider monitoring where employees spend their computer time.

There are many ways an employee can steal from their employer; it isn't always financial theft. There are also many ways an employer can prevent this activity. Being aware is the first step.