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# The truth about employee theft in your business

not work. Usually this happens through the falsifying of time records. Technically theft of time can also include employees who are not working while on the job, though legally this is much more difficult to prove.

Not ringing in admissions and sales and then pocketing the extra cash. This can drastically affect a business' reputation, because it affects not only the employer but the customers as well. If the customers find out that an employee is pocketing money it can hurt that business' public relations. This is very common in amusement and entertainment businesses collecting a lot of cash from sales because most businesses do not keep a close eye on their employees' actions.

## Causes of employee theft

Rarely do most employees steal from their employer because of need. Thefts usually occur because an opportunity to do so has presented itself. It stands to reason that an employee will only steal from their employer if the chances of getting caught are low.

## Other reasons why employees steal

Low morale at the workplace. This is also a major reason why businesses suffer from low production.

The employee feels that the business or company has wronged or mistreated them in some way.

The employee feels that they are underpaid (and under-appreciated) for the "hard" work they do.

The employee feels entitled to the company's products and services.

The consequences for theft are minimal. The company has no punitive procedures or policies regarding employee theft. If there are no set consequences to employee theft then employees will continue to steal because they think that they won't be punished.

Lack of control over inventory. It is easy to steal because the employer does not have preventive measures to stop them. Preventive measures are crucial to reducing the risk of employee theft.

If preventive measures are non-existent then the opportunity to steal is very high.

No dual audit control system for admissions and sales processing.

No one reviews surveillance video

## Facts about employee theft

A majority of employee theft goes undetected by owners and management.

Employee theft is responsible for 33 percent of all business bankruptcies.

Other employees often ignore the

theft and don't do anything about it. Employers should not count on other employees to report employee theft, unless they can put a system in place that keeps the "reporter" anonymous and/or a reward program is set up.

Employee theft is prevalent in every type of business.

Business owners must be aware of these facts in order to detect employee theft. It is a common fact that most employers do not suspect their employees of theft (or worse do not want to believe

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employees will steal). Another fact that is important for owners and managers to keep in mind is that the majority of the people who are stealing are those who have a close relationship with their boss.

## Cases

Several recent cases have surfaced in the roller skating industry calling owners' attention to the possibility that it could happen to them. The cases involved trusted employees who figured out how to beat the system. The thefts were in the tens of thousands of dollars over time. They also showed lack of proper oversight and monitoring critical financial information by the owners and management teams.

## Prevention

It is important to establish a "zero-tolerance" program regarding employee theft. Make sure that it is understood during orientation that the company will take legal action against any and all employees caught stealing.

Next, employers should take security measures to reduce the risk of employee theft. To accomplish this employer's should follow some basic guidelines listed below.

### Select employees carefully.

Employers should use background checks that will inform them of the employee's prior criminal record. Reference checks as well as education and experience verification should be mandatory.

**Supervise employees on a regular basis.** It is advisable to install covert or overt video equipment to supervise the

employee's actions. This is a crucial way to prevent or catch employee theft. However, if you do not monitor and make frequent checks of the video, employees will realize no one is really watching.

**Improve the business' accounting system and mandatory checks and balances.** Monitor daily receipts, admissions to skate rental ratios, verify receipts to cash received, cost of goods gross profit margins, and always know what your per capita revenue yields are. By knowing all of the preceding, you will be able to red flag changes when they happen not months later when the damage is already done.

**Use wristbands** for all admissions sales, logging beginning and ending numbers and verify to the POS or cash register close out totals.

**Always monitor payroll hours** scheduled for the week and the actual hours used for the week for disparities. When disparities appear find out why.

**Do not have the same employee responsible** for payroll and distributing paychecks.

**Establish a control system** for checking in all goods that are delivered to the facility and all purchases made by employees for the business. Always review purchases made on company credit cards.

**Establish specific guidelines for dealing with employee theft.** The guidelines should clearly identify the consequences of employee theft. The consequences should include the firing of the employee caught stealing and that employee should be prosecuted. Primarily the key to the success of these measures is that every employee be aware of the policy. The way your business treats theft will set the tone for the way employees will.

**Conduct surprise audits.** These audits will reduce the risk of employee theft, because it will limit theft opportunity.

**Establish security zones** limiting access to only assigned or directed employees allowed into the secure zone.

**Secure and lock all rooms,** cages, and lockers used for storage of resale inventories, maintenance supplies, skate maintenance tools etc.

**Never leave cash out** in visible sight, careless handling of money will certainly be a green light for the employee that will steal from your business.

When you eliminate the opportunities and institute proactive operating policies and procedures that really serve as checks and balances, you will be winning the battle against your silent partners. You will also earn the respect of your employees for providing a great business culture and workplace for them.

**E**mployee dishonesty and theft costs U.S. business over \$50 billion dollars annually. National estimates show that 75 percent of all employees admit to stealing from their employers during their career and at least half of these 75 percent steal multiple times from their employer. According to the U.S. Chamber of Commerce, 40 percent of business failures are related to employee theft. It is plain to see that businesses in the U.S. cannot continue to function if they let employees steal from them.

The intent of this article is to give roller skating business owners, operators, managers and key personnel a better understanding of employee theft and what can be done to reduce internal theft and ultimately improve the profit margins of your business.

## The problem

Who? (Which employees are stealing?)  
20/60/20 Rule applies to all business ventures.

- 20% of your employees are HONEST
- 60% of your employees are adequate and followers
- 20% of your employees are problematic

Your job is to profile (by performance and skills) to determine what percentile you feel employees best fit into. The most important percentile to you, as a business owner, is the sixty percent adequate group. When the company is proactive and is tough on theft, most of them will gravitate toward the honest percentile. If the company ignores theft and is lenient on theft, some will work their way into the problematic group.

## Defining employee theft

Employee theft is defined as any stealing, use or misuse of their employer's assets without permission to do so. This includes giving out free admissions, skate rental tickets, food, retail novelties, skates and accessories, free game plays, and of course money. Money is one of the most common assets stolen from employers.

An area often overlooked is the theft of time. Theft of time occurs when an employee is paid for time which they did