avant SUPERMARKET GROUP℠
Division of Specialty Program Group, LLC

CONTROLLING INTERNAL THEFT

Why People Steal – Company Policies – Bookkeeping & Accounting – Front End –Receiving/DSD

Loss Control for the Retail Grocer

Section 1

Policy on Employee Theft

Employee dishonesty accounts for nearly 50% of the overall shrink experienced in the supermarket industry.

Elements of Employee Dishonesty

Need Or Desire For More Money Or Property – May include living beyond means, gambling, consorting with questionable companions, addiction to alcohol or drugs, perceived low risk of being caught, lack of clear company anti-theft policy, failure of management to get employees to identify with the company; lack of commitment.

Mental Justification – "I'll just borrow the money, and then I'll return it." "The Store Manager is overpaid. My hard work only makes him more money." "I work harder than anyone else in the store. I deserve higher pay." "I might as well take this stuff. It will be thrown away anyway." "They don't care about cash shortages. They have never said anything to me before when I've been over or short in my register."

Opportunity – Opportunities for internal theft are endless, and, since a business-owner has little control over an employee's desire for money, or their mental justification, he/she must be vigilant in reducing the number of opportunities employees have to steal. The specific tips in this guide will help you eliminate or monitor many of the most common methods of internal theft.

Establish a Written Policy on Honesty

Most organizations have written policies covering many phases of their business. Few, however, have a written policy that defines the conduct expected of all employees.

A written policy on employee theft should clearly state that the company expects all employees to be honest in the handling of company cash and merchandise. The policy should state that all employees are expected to be honest in their dealings with other employees, customers, and vendors. It should also state that the company will establish rules and procedures to protect its employees, customers and assets and that all employees and other parties are expected to follow such rules and procedures. Such a written policy may look like this:

Company Policy on Honesty

Management at ____ believes that associates want to work in an environment where they and their employer are protected from dishonest acts of fellow associates, customers and vendors. We trust the judgement of honest people, and we strive to employ only persons who believe in and practice honesty in their work, and in their relationships with others.

Any dishonest act by an associate while at work at __________________________ will be considered an infringement on the reputation of our honest associates and the company.

Therefore, any associate discovered converting company cash, merchandise, supplies or equipment to his or her own use, regardless of the monetary value, or removing company tools, equipment, supplies or merchandise from the store without proper authorization will be subject to disciplinary action, including discharge and, perhaps, arrest and prosecution.

Any person who aids others with theft of company cash or other assets of any type, regardless of value, or who accepts bribes, kickbacks or unauthorized gifts for any reason relating to company business is subject to disciplinary action, including discharge, and perhaps, arrest and prosecution.

No associate may directly or indirectly accept or solicit from any person, company, customer or group, anything of economic value as a gift, gratuity or favor which might be, or appear to be, of such nature that it could affect his/her judgement and/or impartiality.

An associate will not, either while working for ______________________________, or thereafter, discloses proprietary information or business plans obtained in the course of employment with ________________________________, except in such circumstances, if any, as may be approved by the president or his designated representative.

____

President

Section 2

Bookkeeping & Accounting

Some of the most costly and least expected internal thefts have been committed by trusted, long-time employees, with easy access to cash and securities.

1. At least quarterly, a CPA or a public accountant should perform an audit.

2. The audit report should be given <u>only</u> to the owner and/or partners.

3. All bank accounts should be reconciled (balanced) by someone who is unauthorized to deposit or withdraw.

4. A countersignature should be required on all checks.

5. All securities should be subject to joint control of two or more responsible employees.

6. All officers and employees should be required to take annual vacations of at least five consecutive business days.

Section 3

Front End

Nearly half of the internal theft in a retail grocery operation occurs at the check stand.

1. Monitor register areas for unusual accounting processes (pennies on top of the register, change (other than fifty-cent coins) in the $.50 slot of the register drawer, bills that have been turned around or turned over, a matchbook near the register or in the cashier's pocket). These are all obscure methods of using materials common to the register area to keep track of many small thefts so they can be accounted for in the register.

2. Watch for constant overages. Often, a dishonest cashier does not trust his or her accounting process and they are careful to leave the register with a slight overage as it is less likely to draw attention than a shortage. It is hard to imagine that a theft has taken place when there is extra money in the register, but constant overages are clear signs that something is amiss.

3. Make sure the customer monitor is in full view. A dishonest cashier does not want customers to see the items appear on the monitor as they are scanned or keyed in. To block the monitor, they may place a display or other item in front of the screen.

4. Look for cashiers who do not close the register after each sale.

5. Look for cashiers who frequently write at the register. Store procedures may require cashiers to initial or sign certain documents, or take information on the face of a check. Other than these types of activities, frequent writing at the register may be a dishonest cashier's method of accounting to cover up theft.

6. Periodically check wastebaskets for no sale rings, sales slips and written calculations.

7. Pay close attention to cashiers (particularly newer employees with prior experience) who experiment with your theft control practices. The dishonest employee will likely attempt to test the system.

8. Audit the cashier journal tapes to look for excessive drawer openings and closings.

9. Be alert to missing, jammed or torn journal tapes. In almost all types of register theft, an effort is usually made to compromise or destroy the journal tape.

10. Investigate all customer complaints regarding incorrect change, not getting a receipt, or not having their sale rung up on the register.

11. Monitor cashiers who frequently check out friends or relatives.
12. Monitor customers with unusually large amounts of big-ticket items or two like big-ticket items.
13. Watch for customers that stand in longer lines waiting for a particular checkout lane to open up.
14. Monitor cashiers with lower scanning percentages. This means they are hand-ringing more items. Merchandise that is hand rung is more susceptible to under-ringing.
15. Look for specific patterns of under-ringing on the journal tape. Dishonest employees develop patterns of theft at certain times during their shift, or with certain products.

Shipping & Receiving / DSD Clerks

Vendor dishonesty accounts for roughly 30% of the internal theft in the grocery industry.

Techniques of Dishonest Vendors

1. Inflated Prices – Vendor deliberately makes an error to his/her advantage in price extensions, or in addition or subtraction.

2. Incorrect Counts – Vendor either "fast counts," e.g., counts 30 pieces for 25 pieces, or adds to the number of items delivered, e.g., changes "14" to "44."

3. "Increasing" Sales – Takes more stock out of the store than claimed, thus "increasing" sales.

4. Short Deliveries – Vendor removes a number of items from cases or cartons before delivery and the store pays for a full case or carton.

5. Trade Offs – vendor removes merchandise from the store he or she has traded with a store employee, e.g., bread for cigarettes. The store, of course, pays for the bread and the cigarettes.

6. False credits – The vendor doesn't give credit for all returns.

7. Pre-Priced Items – Prices on invoices are not consistent with the prices on pre-priced merchandise.

8. Stale Stock – Brings stale or outdated merchandise back into the store after issuing a credit for the same items. The store pays for stale merchandise and eventually loses due to markdowns and spoilage.

9. Shoplifts – Vendor simply steals other store items and conceals them on his/her person.

10. Vendor Marks down (below cost) merchandise so that he/she or an accomplice can purchase the merchandise for themselves.

11. Watch for vendors who make before or after hour deliveries. This may be a ploy to destroy credit merchandise or stash merchandise to steal later.

DSD Receiving Methods and Controls

1. Assign a specific individual (usually a member of management) for all receiving area activity on each shift.

2. Keep the receiving area neat and clean at all times.

3. Control all traffic in and out of the back door. This pertains to employees, customers, service personnel, and delivery drivers.

4. Rework spoiled and damaged product to avoid sanitation problems and theft. Keep accurate records of spoiled and damaged products.

5. If you suspect theft, occasionally check dumpsters and compactors for stolen merchandise.

6. Require all visiting delivery drivers to observe store safety procedures, e.g., wheel chocks, conveyor stands, lighting, etc.

7. Record the number and name of damaged products, and verify them with the driver. Follow company or store procedures for handling damaged warehouse merchandise.

8. Record "overs" and "shorts" on the delivery bill, and have the driver sign the bill.

9. If the load is a "drop load", report "overs" and "shorts" to the company distribution center or wholesaler within the requested time frame. Verify the case count with the employee(s) who counted the merchandise.

10. Count each item received. Compare the merchandise received against the vendor's invoice to assure the item, size, pack and quantity are correct.

11. Check the legibility of all handwritten vendor bills. Require re-writing if necessary.

Reference: The Food Marketing Institute, *Supermarket Security Manual*

NOTE: This resource contains suggestions that relate to the most common causes of internal theft reported to Avant Supermarket Group. These suggestions and guidelines are not all-inclusive. Implementation of all or any of these guidelines does not constitute a complete internal theft prevention program, nor are they guaranteed to comply with any law or act, now or in the future. Consult you labor attorney if you are in doubt as to the implementation, use or legality of any aspect of your internal theft prevention program.