

# When Employees Steal

*Know the signals that could hint at theft or embezzlement at your business.*

Provided by The William Newby Agency

**Weird things are happening at work.** Power tools are missing. Something seems odd with your inventory. Bank reconciliations seem slightly amiss.

Follow up on your suspicions. You may have a problem with employee theft.

**What are the signs that you might have a thief at work?** If enough items vanish from the office, the problem is clear – but some subtle clues may appear beforehand.

Watch for an employee who consistently stays late – especially one with access to a warehouse or financial records. If he or she never wants to take any vacation time or frequently comes in over the weekend to “finish up a project,” that may also be another hint. In the same vein, watch out for workers who volunteer to collect receivables or make weekly cash deposits for you. On a more sophisticated level, picture two or more of your employees (one who can greenlight expenses among them) creating a phony supplier, with checks being authorized and written to that shell company.

**What could tip you off to an embezzler?** Consider the person’s life away from work. Is this person dealing with thorny financial issues or a divorce? Does he or she like to live large? Is he or she cozy with certain suppliers, customers, or clients?

Who is the typical embezzler? Not some young and shifty new hire, but more likely a mature and trusted manager or financial officer. In a 2016 survey of firms impacted by white-collar crime, specialty insurer HISCOX arrived at a portrait of an embezzler: median age of 49, with a 56.3% chance of being female. Unsurprisingly, 40% of such crimes were committed by those working in finance and accounting departments.<sup>1</sup>

HISCOX also found that 80% of embezzlement happened at firms with 150 or fewer workers. Notably, the embezzlement rate at companies of this size was ten times higher than at firms with 250-500 employees.<sup>1,2</sup>

Why is embezzling from a small company easier than stealing from a large one? For one, many small businesses are started by friends or family; the principals trust each other and can readily access company finances, intellectual property, and sensitive employee information. Then, the business grows, and outsiders are gradually able to enter this circle of trust – but often, the internal checks and balances do not keep pace with the growth.

**By the way, non-profits are especially susceptible to theft.** Why? You can cite a couple of factors. One, leaders of non-profit organizations tend to be good-hearted and altruistic and

may not want to acknowledge that they could have embezzlers or thieves coming to work. Criminally minded individuals can sense this optimism and act on it. Two, internal controls at non-profits are often lacking or minimal; the leaders of these groups devote resources, time, and effort primarily to the mission of the organization.

**Are you insured against any of this?** Your current insurance policy may provide your business with fidelity coverage, also known as fraud insurance. If it does not give you that coverage, find one that does. You have enough things to deal with at your business. When fraud and theft occur, you should not be left financially liable or distressed.

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*Citations*

1 - [entrepreneur.com/article/293726](http://entrepreneur.com/article/293726) [5/5/17]

2 - [hiscox.com/small-business-insurance/newsroom/press/2016/hiscox-embezzlement-study/](http://hiscox.com/small-business-insurance/newsroom/press/2016/hiscox-embezzlement-study/) [7/12/16]