Rental Program Controls

Article contributed by Bill Cafferty, Retail Loss Prevention Consultant

This article does not repeat or recap information contained in the Ace Retailer Library’s AWORs on Rental Process Transactions in Eagle for Windows or Rental Setup in Eagle for Windows, nor does it talk about how including rental in your business will increase your business income.

What this article speaks about are the myriad other controls we recommend be in place to deal with the myriad opportunities for loss due to the actions of either a dishonest associate or customer.

However, please keep in mind that some of the very same types of POS embezzlement schemes that exist in product sales can also occur in the rental business. An example of this is fraudulent deposit refunds. A case worked by Retail Loss Prevention at a Chicago-area store two years ago confirmed that an associate was ringing fraudulent cash refunds for deposits of Rug Doctor rentals. The situation came to light only because of an unrelated POS issue that just happened to surface the abnormally high number of deposit refunds compared to actual rentals. Suffice it to say that you must have sufficient POS controls in place in your rental business to provide both a deterrent to theft and a red flag when a control is violated. If you have concerns about the adequacy of the POS controls in your rental business, please contact Retail Loss Prevention (see contact information at the end of this article).

PHYSICAL SECURITY OF YOUR RENTAL EQUIPMENT

No matter how sophisticated the process is to record the rental of an item, collect the deposit and the ultimate rental fee, you won’t be able to take advantage of this technology if the item is stolen before it can be rented. Whether it is a small floor polisher or a backhoe, there are certain basic physical security standards that must be followed in order to reduce the risk of theft. If a rental item is stolen, it’s possible that you won’t even know it’s been stolen until a customer comes in and wants to rent it.

• If rental items are displayed inside your store and there is an uncontrolled door near that display, this is a risk that must be addressed. Also, if there is a nearby connecting door to a rental repair room which has a perimeter door exiting to an unsecured area, this is a risk that must be addressed. If either of these doors is an emergency exit, it cannot be locked during periods of occupancy; thus it would be appropriate to mount an exit alarm on that door that is key-controlled, along with placing a sign on the door stating EMERGENCY EXIT ONLY - ALARM WILL SOUND. The key to the exit alarm should, of course, not be left in the alarm or close by for convenience.

• If rental items are displayed outside the store, they should either be in a fenced/controlled area or, if in an unsecured area (for example, the front or side of your store), secured to the building, the surface, or themselves (in the case of multiple items displayed together).

  o If the equipment is stored in a fenced area, the gate(s) to that area should remain closed and locked when not in actual use.

  o If the equipment item has an engine or motor and a key to start it, the key should not be left in the ignition.
In any of the previous display scenarios, it’s strongly recommended that you have CCTV coverage of the display area (particularly if the items are displayed outside the store), as well as the perimeter doors, both from the inside and the outside. When it comes to evidence, nothing beats video!

There are simple devices available that can be mounted on cement sidewalks, to which rental (or sale) equipment can be chained or attached. For example, the “Hitching Post,” is a tubular steel device to which up to four lawn tractors can be secured. But whether it be the “Hitching Post” or a heavy-duty steel staple mounted in the wall of the building or in the ground (to which aircraft-grade cable is attached and padlocked to itself through multiple items), there must be some means of physical security to prevent the inevitable theft of unsecured equipment displayed or stored outside your store.

(NOTE: Both the exit alarm and the Hitching Post are sold by Se-Kure Controls, our preferred vendor-partner for shoplifting prevention devices. Visit the RLP website at http://www.acelossprevention.com and click on the Vendors tab and then Loss Prevention Devices for contact information and a link to the Se-Kure Controls website.)

RECORD THE SERIAL NUMBER

If the rental equipment has a serial number on the item itself and/or on its motor, it is imperative that it/they be recorded in store rental equipment files. The hard copy file of serial numbers should be retained in a secure file apart from routine rental files. We also strongly recommend that it be included in the item description in your Activant E4W inventory file. If the item is not returned and you refer the matter to the police, they will ask you if the item has a serial number, and if so, what it is. If you say you don’t know if it has a serial number, or yes, it does have a serial number, but I don’t know what it is, the odds of the item being recovered and returned to you are greatly reduced. In summary, whether you use the Activant Rental Program software, third-party rental program software, or no software and do everything manually, it is vital that serial numbers in your files be recorded, one way or another, on the rental agreement.

MARK YOUR RENTAL EQUIPMENT

Now let’s look at what else should be done to make sure you can identify rental equipment as your property once it leaves your store. Let’s say that a customer doesn’t return a rental item, you go through the drill of calling him, mailing him a letter, etc., to no avail. Now it’s time to notify the police and report the item as stolen. In addition to asking you if you’ve met the requirements of the state statute regarding attempts to contact the customer, they will also ask you if the item has a serial number or any identifying marks that would prove it is your property. If it has a serial number and you provide it, you’re in good shape. But let’s say it doesn’t have a serial number or that the only serial number is on the motor, which is not readily visible. This is where marking your rental equipment becomes important. Marking the item with a readily visible etching (store name, SKU) or stamp of your store name, or metal tag securely affixed to the item, or any other means of permanently marking the item in a very visible location not only acts as a deterrent to theft, but also gives police the grounds to arrest the person who they find in possession of it – and ultimately return the item to you.

INVENTORY YOUR RENTAL EQUIPMENT

Rental equipment is different than product for sale in a variety of ways. For example, you don’t have an automatic replenishment program for rental, nor do you “shoot the outs” of rental equipment. Depending on where rental items are physically located within your store (possibly not in ready site of sales floor associates), or if your rental operation is essentially an additional duty of one or more store associates, rental items may not receive the focused attention required to quickly identify inventory issues. It is for this reason we recommend that rental items be inventoried at least semi-annually. The quicker you learn of a missing rental item, the better the odds of recovery.

PROTECTION AND RECONCILIATION OF RENTAL DOCUMENTS

a. Rental contracts are serial numbered, and thus it is important that a serial number control process be in place. If your rental program is automated, a process should be in place in which missing rental contract numbers in your program are investigated. If your rental program is not automated and only manual files are in use, there is an increased risk of abuse by a dishonest employee involved in the rental process.

• First, back stocks of blank rental contracts should be secured in the office with limited access authorized. When blank contracts are received from the printer, log them in and notate them on your number control form as being in-stock.
Rental Program Controls CONT.

- When a pad of rental contracts numbered, say, 01200 – 01225 is issued to the rental department or rental counter, a process should automatically follow that tracks the disposition of those contracts; a process that ensures that a completed copy of each serial numbered contract finds its way back to the office where it is confirmed that the proper security deposit was charged and rung into the POS and the rental fee was properly charged and rung into the POS. This is best done through use of a number control sheet. List each serial number individually on the sheet with columns for checking off that it was properly completed, the associates involved, and the initials of the back office associate who completed the check.

- If a contract is started and then cancelled, it should be so noted, along with the signature of the associate involved, and turned in to the office for reconciliation.

- Uncontrolled rental contracts that are not reconciled can provide a dishonest employee with the chance to run his/her own rental program with the rental fee going into his/her pocket, not your POS terminal.

b. Hard copies of rental contracts must be protected to prevent the accidental loss or intentional removal of a contract; and to protect customers’ personal information contained in contracts. This latter reason is not just common sense, it is the law (http://www.ftc.gov/bcp/edu/microsites/infosecurity/), and your business can be held accountable if a customer’s personal information is revealed and used in the commission of a crime (e.g., identity theft). This is particularly important in stores that do not use a rental software program. Hard copies of active rental contracts should be kept in a locked file cabinet, with the key in the possession of only those associates involved in the rental business. If the only record of a rental is the hard copy rental contract, and that contract disappears, you will have no way of knowing who has the item, let alone recovering it if it is not returned.

c. Rental contracts should be audited daily by the associate responsible for the rental program and spot-checked by management at least weekly to confirm that all contracts are accounted for and that all completed contracts have been properly recorded on the POS.

ENSURING THAT THE CUSTOMER PAYS THE DEPOSIT AND FINAL RENTAL CHARGE

If your rental operation does not have a dedicated POS terminal located within your rental department, and customers must be sent to the front to pay the deposit when renting the item and final rental payment when returning it, it is important that there be controls in place to ensure that those payments are made. Do not allow the customer to take the rental item with him when you send him to the front to make the deposit payment. You may even want to hold onto his driver’s license until he returns with proof of payment. When the item is returned, you may want to ask the customer for his driver’s license and hold onto it until he returns with proof of payment of the rental charge. In both cases, your process should include a requirement for a copy of the POS receipt to be attached to the contract. This will greatly aid the back office associate during the reconciliation process.

WHAT TO DO WHEN A RENTAL ITEM IS NOT RETURNED

When a rental item is not returned and you either cannot make contact with the customer or you are stalled and given different excuses why he has not returned the item, you must eventually come to the decision that the renter has no intention of returning it. That’s when it is important that you understand your state’s criminal statute dealing with the non-return of rental items; what your responsibilities are to attempt recovery before reporting it as stolen; and the records that you must keep and have available for release to law enforcement. We have developed a form for use in managing this process. It is the MISSING RENTAL EQUIPMENT ACTION SUMMARY form, a downloadable copy of which is available on the RLP website at http://acelossprevention.com/default.aspx?Id=Forms. This is a simple form designed specifically to keep track of all of the actions you take during the process of attempted recovery of the item and the eventual reporting of it as stolen to local law enforcement.

IN SUMMARY, IT IS IMPORTANT THAT YOUR STORE’S LOSS PREVENTION PROGRAM NOT OVERLOOK THE VARIOUS RISKS OF LOSS ASSOCIATED WITH YOUR RENTAL PROGRAM - AND AS DISCUSSED ABOVE, THE RISKS GO BEYOND THE OUTRIGHT THEFT (SHOPLIFTING) OF RENTAL ITEMS. SHOULD YOU HAVE CONCERNS OR JUST WANT TO DISCUSS YOUR CONTROLS, PLEASE CALL RETAIL LOSS PREVENTION AT 630-972-2670 OR EMAIL US AT INFO@ACELOSSPREVENTION.COM.