

## Internal Controls Deter Internal Theft *Trust But Verify*

Article contributed by Bill Cafferty,  
Retail Loss Prevention Consultant

*Within a couple days after Sam was hired, he knew that it was not going to be that difficult to help himself to items of merchandise – or even cash when he became a bit more familiar with the POS system. It was almost as if the owner didn't care if his associates stole, since there were no real controls concerning the use of the back door or trash removal, and there were many associates operating out of the same POS terminal drawer. Sam thought to himself, "I'm going to enjoy working here!"*

It is an established fact that the overwhelming majority of a retailer's losses (aka: shrinkage) is the result of theft – and further, that the majority of those thefts (from a dollar standpoint) is internal, by trusted team members. This fact is a hard pill for retailers to swallow, as team members are, quite frankly, the retailer's second family and are trusted to always do what is right for the business. And when it's discovered that a family member has stolen merchandise, money, equipment, services or time, the initial shock and anger is quickly followed by a sense of astonishment and disappointment that there was not a control in place to deter or prevent the theft. This article contains a listing of many of the controls that are deemed essential to an effective internal theft prevention program.

### START AT THE BEGINNING

Employment applications should be accompanied by a separate document that speaks to your hiring/selection protocol. In plain words, explain that a criminal history check will be conducted and a drug screen will be required (presuming that is the case).

NOTE: If you are not conducting pre-employment criminal background checks or drug screens, check out the Vendors tab at <http://www.ancelossprevention.com> and contact Mandy Toncar at Acxiom Information Security Services, our preferred vendor-partner for background checks and drug screening services. It is not expensive and provides a great return on your investment.

### NEW HIRE ORIENTATION

It is essential that new associates know, from the first day on the job, that you will not tolerate theft or any kind of unethical or improper activity. This should be *clearly spelled out* in your associate handbook. If you do not have an associate handbook, a template is available on ACENET in the AWOR, or contact Retail Loss Prevention for samples. Also, your policy regarding what actions are taken when theft is discovered should be concisely stated in your associate handbook and during in-person orientations. Our recommendation is that all thefts be reported to local law enforcement for arrest and prosecution and that all associates caught stealing be terminated for cause. To do anything less will send the message that it's OK to steal or that job loss is the only punishment.

**Do you want in-person, hands-on training for you or your store associates? Take advantage of Retail Loss Prevention's training opportunities at the spring show in Atlanta!**

– See attached training menu for the full training schedule –

K. **Retail Loss Prevention Workshop** (\$99)

Wednesday, March 7  
9 a.m. to 5 p.m.

*This full day workshop is intended for store owners and trusted managers. We will walk you through how to create, implement, and maintain a solid Loss Prevention program in your store. The session includes an in-depth look at associate theft, shoplifting, robbery prevention, and store best practices.*

T. **Associate Theft Prevention** (FREE!)

Thursday, March 8  
3:30 to 5 p.m.

AA. **Shoplifting Prevention** (FREE!)

Friday, March 9  
9 to 10:30 a.m.

X. **Epicor POS Security** (FREE!)

Friday, March 9  
1 to 3 p.m.

### **CONTACT US:**

Phone:  
(630) 972-2670  
[www.ancelossprevention.com](http://www.ancelossprevention.com)

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## *Trust But Verify*

### ASSOCIATE LOCKERS

You should have lockers available for use by associates to secure their personal belongings. This is particularly important for associates possessing backpacks, purses, or other handbags; and is even more important for team members who operate a POS terminal. Bags of any kind **SHOULD NOT BE PERMITTED** at the POS terminal under any circumstances. The lockers should be numbered – no names – and you should provide a small padlock to each associate for use in securing the locker. The padlock should be stamped with the same number as the locker. One key should be given to the associate and the other secured in a sealed envelope in the store safe.

Your associate handbook should contain verbiage that addresses the use of lockers and the fact that there is a policy that lockers may be subject to inspection at any time by management. (NOTE: We recommend that these inspections be conducted with the employee present.)

### ASSOCIATE SHOPPING CONTROLS

Associates should not shop while on duty. Shopping should be allowed only when off duty or on break and purchases should be at a designated POS terminal. Purchases over an established dollar value (we recommend \$25.00) should require manager approval. Cash accounts should be set up for all associates that automatically apply the approved associate discount. This will provide a permanent record of the purchase, which will be needed should the employee subsequently return the item(s) for refund without a receipt. All purchases should be removed from the store immediately and secured in the associate's vehicle – not taken to their locker. All purchases of edibles/drinks should have the POS receipt taped to the item, if possible. ALL refunds to associates should require manager approval, to include the signature of the approving manager on the refund document.

### OPENING AND CLOSING

In addition to being a prime time for robbery (particularly during hours of darkness), the opening and closing processes present opportunities for internal theft.

*NOTE: It is a best practice to require all employees to enter and leave through the front door.*

#### OPENING

- The opening manager should always be accompanied by at least one other associate.
- The lockup door should be immediately relocked after entry.
- Each key holder should have his/her own alarm code.
- Lockup door locks/keys should, ideally, be on controlled blanks to prevent unauthorized duplication.
- All key holders should sign a receipt for the key (see FORMS at the RLP website, <http://www.ancelossprevention.com>).
- The second associate should be responsible for monitoring the door, letting arriving associates in and relocking the door after each entry.
- If the door is a wood or metal door without a window, a peephole should be installed in the door and it should not be opened until the identity of the person knocking on the door or ringing the bell is positively identified.
- There should be adequate lighting on the exterior side of the door to allow for positive identification of persons at the door.
- DO NOT unlock other perimeter doors that are normally left unlocked during business hours. Wait until the store opens to unlock those doors.

#### CLOSING

- Close and lock front doors and all other perimeter doors precisely at closing.
- Assign a responsible associate to monitor the front door; unlocking it to allow remaining customers to exit, relocking the door after each exit.
- Consider a policy requiring associates with hand-carried items (e.g., purses, briefcases, bags, etc.) to open those items for inspection when leaving at night - this policy should be clearly stated in your associate handbook. At the very least, require associates to show the door monitor proof of purchase for any item of merchandise being carried out at that time.
- At least one associate should stay and accompany the closing manager when setting the alarm, exiting and locking the store for the night.

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### BACK/SIDE DOOR CONTROL

It is absolutely critical that the use of back and side doors be closely controlled. Failure to do so is tantamount to placing a sign on those doors stating “STEAL FROM ME THROUGH THIS DOOR” because you will lose merchandise through that uncontrolled door.

- If the door is not a designated emergency exit, it should be locked (this includes overhead doors) at all times with the key retained by supervisory/management level associates.
- If the door is a designated emergency exit, it should be equipped with an exit alarm or alarmed panic bar. Regardless of the type of alarm, it should be armed at all times; disarmed only when necessary and immediately re-armed thereafter.
- If the store has a CCTV system, a camera should be installed on the wall directly above the door frame so that anyone exiting through that door walks face into the camera.
- It is further advised that a CCTV camera be mounted on the exterior wall covering the door and immediate surrounding area (to include the Dumpster).

### KEY CONTROL

Some internal controls can be very sophisticated and complex. Key control, however, is very basic and not difficult to understand or implement. But like all controls, getting everyone to follow it is usually the hard part.

The purpose of a lock is simply to protect what's behind the lock. Whether it is a display containing router bits, a back stock storage area containing power tools, the room where the POS server and other computer equipment is located, the POS till drawer, or the store safe, each lock is there for the same reason. If the key (or combination) is not adequately safeguarded, the security of the property or money behind the lock is compromised.

- First, require associates to sign the Receipt for Keys, Combinations and Codes form found at <http://www.ancelossprevention.com> and stress that it is vitally important that they protect the key, combination or code as though it were their own personal property behind the lock.
- They SHOULD NOT release the key to another associate - even for a short period of time; the same goes for combinations and codes (to include managers providing override codes to associates operating a POS terminal).

- DO NOT leave keys near the lock for convenience (such as placing a POS drawer key in a drawer at the checkout stand or on a hook near the POS terminal; hanging the key to a perimeter door padlock on the wall next to the door; or “hiding” the key to a router bit display case in a magnetized key case under the shelf of a nearby display, or on the back of the display case). If a key, combination or code is suspected of being compromised (or lost), change out the key, combination or code immediately.

### TRASH REMOVAL

It's a dirty job, but someone has to do it, right? If not properly controlled, trash removal is the #1 method of theft of merchandise by dishonest associates. The following best practices should be employed to significantly reduce the opportunity for theft by way of the trash removal process.

- Trash removal should be conducted within an hour or so of closing. HOWEVER, the actual removal of the bags to the Dumpster should not occur until the following morning, to be accomplished by the opening crew. This separation of duties will normally deter dishonest associates who use the trash removal process to accommodate thefts. Violations of this policy should be investigated immediately on discovery.
- Removal of any trash through rear doors during hours of darkness is discouraged, as it subjects the associate to an increased risk of physical harm and the store to an increased risk of robbery; as well as subjecting the store to an increased risk of associate theft during the process.
- Empty boxes should be flattened prior to their removal from the building. Placing merchandise in “empty” boxes is a common method of associate theft.
- Use clear trash bags (available from your RSC – #6009526/33 gal.; #6067102/13 gal.) to deter the placing of merchandise in them and to make for easier viewing of the contents by managers.
- All Dumpsters should remain locked when not in use. Check with your refuse company - most will allow it as long as it is unlocked when they arrive to empty it - some companies will even provide locks to which their drivers have keys.
- The closing manager should conduct a perimeter check, looking for stashed merchandise in Dumpsters (if they are not locked) and around the perimeter of the store. While performing this task he/she can also examine the physical aspects of the building (e.g., signs of attempted break-ins, structural damage to the building, lights needing attention, etc.).

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### POS CONTROLS

While your store has many items that are theft-prone, there is nothing more theft-prone than cash. Thus, cashiers and other associates who operate your POS terminals are in a group that must receive extra attention. There are many different methods and opportunities for theft at the POS terminal and proactive controls must be set in place to halt this type of loss. The one thing that can have the most dramatic impact on loss prevention at the POS is the “one cashier per drawer” policy. When there are two or more associates operating out of a common drawer, it is almost impossible to determine who is at fault when a shortage occurs. Limiting drawer usage to a single cashier puts that person on notice that whatever happens during that person’s shift is on that person - and that is a great theft deterrent. While one cashier per drawer is not always feasible, with a little creativity, it is normally possible. Retail Loss Prevention professionals are available to discuss your store-specific situation and provide proven recommendations to improve controls at that most sensitive store position. The article titled “POS Controls” at <http://www.ancelossprevention.com> provides a summary of the types of embezzlement that can occur at the POS, along with general recommendations to deter and detect those schemes. The Retail Loss Prevention document “EPICOR OPTIONS, SECURITY BITS, VIEWERS & MISCELLANEOUS FEATURES WITH A LOSS PREVENTION RELATIONSHIP” contains a wealth of information, guides and instructions related to reducing losses at the POS terminal. This document is available by contacting Retail Loss Prevention at 630-972-2670 or at email [info@ancelossprevention.com](mailto:info@ancelossprevention.com).

### CREDIT/GAS CARDS

Credit and gas cards that are given on a case-by-case basis or permanently assigned to associates for their use must be strictly controlled. The Receipt for Company Credit Card form at <http://www.ancelossprevention.com> should be used to document the issuance of the card and advisement of the conditions of its use. Associates should be required to turn in receipts for all purchases made with the card and those receipts matched against the monthly statement. In the case of gasoline cards, it is recommended that in addition to turning in the receipts of all fuel purchases, the associate be required to write the license number and mileage of the vehicle at the time of the purchase on the back side of the receipt. This will allow for computation of miles per gallon since the previous fill up. It is further recommended that the odometer reading(s) be taken by someone other than the possessor of the gas card prior to payment of the invoice, and that the reading(s) and date(s) be recorded on the store copy of the invoice. Any unexplained miles driven or obvious inaccuracy in the mileage figures should be investigated immediately.

*The above best practices are but a few of those contained in Retail Loss Prevention Best Practices, a document that is yours just for the asking. Contact Retail Loss Prevention at 630-972-2670 or at [info@ancelossprevention.com](mailto:info@ancelossprevention.com) for a copy of the complete set, which contains recommendations for all aspects of your loss prevention program.*



# 2012 Spring Convention/Atlanta

## Tuesday, March 6 (pre-show; full-day sessions)

Cost is \$99 each, except for Plumbing Seminar and Electrical Seminar, which are \$199 each.

Session	Time	Length	Title
A	9 a.m. to 5 p.m.	Full day	Plumbing Seminar
B	9 a.m. to 5 p.m.	Full day	Leading In a Time-Starved Environment
C	9 a.m. to 5 p.m.	Full day	Developing a S.A.L.E.S.-Focused Team
D	9 a.m. to 5 p.m.	Full day	Optimizing Associate Performance
E	9 a.m. to 5 p.m.	Full day	Integrate ACENET Into Your Everyday Store Processes

## Wednesday, March 7 (pre-show; full-day sessions)

Cost is \$99 each, except for Plumbing Seminar and Electrical Seminar, which are \$199 each.

Session	Time	Length	Title
F	9 a.m. to 5 p.m.	Full day	Electrical Seminar
G	9 a.m. to 5 p.m.	Full day	Leveraging Your Financial Knowledge To Improve Bottom-Line Profitability
H	9 a.m. to 5 p.m.	Full day	Business To Business (B2B) Implementation Workshop
I	9 a.m. to 5 p.m.	Full day	Successful Inventory Management and Replenishment
J	9 a.m. to 5 p.m.	Full day	Effective Associate Training
K	9 a.m. to 5 p.m.	Full day	Retail Loss Prevention Workshop

# 2012 Spring Convention/Atlanta

## Thursday, March 8

Session	Time	Length	Title
L	1 to 2:30 p.m.	90 minutes	Coaching For Product Knowledge
M	1 to 2:30 p.m.	90 minutes	Customer Returns: Policies and Procedures
N	1 to 2:30 p.m.	90 minutes	Ace In the Digital Space
O	1 to 2:30 p.m.	90 minutes	Ace Rewards Visa – What’s New For 2012 User Forum
P	1 to 2:30 p.m.	90 minutes	Five-Star Key Performance Indicators – A Facilitated Discussion
Q	3:30 to 5 p.m.	90 minutes	Introduction To Margin Master – Making More Money Through Variable Pricing
R	3:30 to 5 p.m.	90 minutes	RSO Compliancy – What It Means To Me
S	3:30 to 5 p.m.	90 minutes	Moving the Needle With Your Customer Insights Results
T	3:30 to 5 p.m.	90 minutes	Associate Theft Prevention
U	3:30 to 5 p.m.	90 minutes	Five-Star Key Performance Indicators – A Facilitated Discussion

# 2012 Spring Convention/Atlanta

**Friday, March 9**

Session	Time	Length	Title
Y	9 to 10:30 a.m.	90 minutes	Discovery Acceptance Rate: How To Drive Sales and GP\$ By Having the Correct Assortment
Z	9 to 10:30 a.m.	90 minutes	Five-Star Key Performance Indicators – A Facilitated Discussion
AA	9 to 10:30 a.m.	90 minutes	Shoplifting Prevention
V	9 to 11 a.m.	2 hours	Financial Management 202 – Using the Enhanced Ace Budget Tool To Manage Profitability
BB	10:30 a.m. to noon	90 minutes	Using Workforce Management To Control Labor Costs, Improve Productivity and Hiring
CC	10:30 a.m. to noon	90 minutes	Customer Insights – Changes For 2012
DD	10:30 a.m. to noon	90 minutes	Business To Business (B2B) Relationship Selling: How To “Learn To Earn” More B2B Sales
EE	1 to 2:30 p.m.	90 minutes	Margin Master – User Group
FF	1 to 2:30 p.m.	90 minutes	Strategic Clutter: Making the Most Of Your Impulse Space
GG	1 to 2:30 p.m.	90 minutes	Financial Management 203 – Understanding How Cash Flow Impacts Profitability
HH	1 to 2:30 p.m.	90 minutes	Five-Star Key Performance Indicators – A Facilitated Discussion
W	1 to 3 p.m.	2 hours	Inventory Planner – A Closer Look
X	1 to 3 p.m.	2 hours	Epicor POS Security



Questions?

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