

Employee Theft—A Serious Risk for Manufacturing

During rough economic periods, many of your employees will likely suffer from financial woes at home. If your company experiences tough economic times, then employees may face the added worry of losing their job. Unfortunately, financial stress can sometimes lead normally honest employees to resort to theft at work. Employee theft is a concern you should always have, but that risk is greater than ever in a down economy. Employees may also rationalize this uncharacteristic behavior if they were given extra responsibilities without a pay increase after others were terminated. Theft comes in many shapes and sizes. You may think your largest risk comes from employees who handle your books embezzling money. While this is a serious threat, you also should consider the materials on the manufacturing floor. Some scrap material and/or finished products can be very valuable if employees steal and sell them.

Tips to Protect Your Organization

To prevent theft at your company, consider the following safeguards:

- Communicate with your employees about the economy and how it will affect your organization. Be open and honest, but discourage them from panicking.
- Try to maintain a positive work environment even during tough times. Encourage open communication, listen to employees' ideas and recognize employee achievement.
- Educate your employees about what is considered fraud and the consequences associated with it, and emphasize that the company has a no-tolerance policy.
- Conduct more internal audits, both with your financials and scrap materials and finished products on the production floor.
- Increase company oversight by upper management and owners.
- Reconcile bank statements immediately.
- Consider using a payroll service to ensure accuracy.
- Purchase insurance for embezzlement.
- Consider installing surveillance equipment. Be mindful that this may decrease employee morale if they feel that they are not trusted.
- Upper management may consider taking a pay decrease or not receiving bonuses, so that lower-level employees see that everyone in the organization is affected.
- Regarding financial tasks, give different employees different jobs, such as one person handling transaction authorizations, one person collecting or paying cash and one person maintaining records. Do not allow one employee to have too much control.
- Establish a fraud hotline for employees to report suspicious or fraudulent behavior. Give them the option to call anonymously.
- Conduct thorough background checks on all your new hires.
- Train supervisors to monitor employees and watch for suspicious behavior. Any suspicious behavior should be reported and further investigated.
- Be sure to monitor your management employees as well, especially any with access to financial transactions or records.

To learn more about insurance for embezzlement, contact Nottingham Insurance today.