

Company theft

How to prevent employees from stealing — and detect theft if they are

INTERVIEWED BY SUE OSTROWSKI

You've just discovered someone is stealing from your company. Worse yet, what if a high-level person — a partner, an owner, a director or an officer — is involved?

“Particularly if the theft involves a substantial amount of money, an accomplice outside of your business, or if criminal investigatory agencies are involved, you should consult with an attorney about how best to interact with authorities, respond to possible subpoenas, conduct an internal investigation and craft a consistent message to employees and customers,” says Kevin Douglass, a shareholder at Babst Calland.

Of course, every employee with access to company financials poses a risk, and every company should take steps to protect itself.

Smart Business spoke with Douglass about how to keep your business from falling prey to a theft — and what to do if it happens anyway.

HOW CAN A COMPANY PROTECT ITS ASSETS?

Employees with the greatest access to the company's finances are in the best position to take advantage. The easiest way to prevent stealing is to ensure that there are checks and balances built into your company's financial system, regardless of the trust you have in employees or colleagues responsible for managing that system.

The easiest way to do that is to require that more than one person monitor the company's cash flow, including approval or review of checks, credit and debit card usage, petty cash and invoicing. If that is not possible, consider an audit every couple of years by an independent accounting firm and provide them with full access to the company's internal financial records.

An individual may only take small amounts

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WEBSITE: For more information about preventing and detecting theft at your business, contact Kevin or visit www.babstcalland.com.



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in the beginning, increasing the amount and frequency as they gain confidence. And to cover their tracks, they likely will delete, alter or fabricate financial recordkeeping. If undetected, embezzlement can last years, or even decades, and add up to thousands or millions of dollars. Once someone starts down this path, they rarely stop until they are caught.

Company theft happens more often than you might think. No company wants to publicize the fact that an employee is stealing. Often, once detected, a business may choose to quietly terminate the employee and sweep the situation under the rug to avoid negative attention. But that does not mean that it did not happen.

ONCE THEFT IS DISCOVERED, HOW SHOULD A COMPANY PROCEED IN THE IMMEDIATE AFTERMATH?

First, you must be certain the person has actually stolen from the business. As quickly as possible, perform an internal investigation and, depending on the complexity and scope, consider hiring an independent investigator or accountant to ensure your investigation is credible and comprehensive.

You also need to take steps to prevent further harm to your business, including likely termination of the employee, denying the offender access to the company's accounts and finances, as well as other

company records and property, including laptops and company phones. An employee under suspicion may intentionally delete computer files and/or alter records, so decisive and immediate action is necessary. If the individual has signature authority on a bank account, you need to remove that authority or consider closing the account.

After a theft is discovered, consider whether and how to communicate with other employees, customers and the public. Can you keep this quiet? Should you keep it quiet? What is the right messaging?

In addition, you must decide whether to report the theft and seek recovery of the stolen funds. Is a customer a victim via fabricated invoices or other means? If yes, consider your obligations with counsel given the company's unwitting role in the theft.

HOW CAN AN ATTORNEY HELP YOU NAVIGATE THE CRISIS?

It is critical to receive sound advice as quickly as possible when confronted with a theft of company assets involving an owner or employee. Counsel can guide you through this stressful process, ensuring proper communication and messaging with governmental authorities, employees and customers, as well coordinating the internal investigation. In addition, counsel can help navigate the complex contractual issues that may arise in order to sever ties with an offending owner. ●