
Management Denial Conceals Internal Theft

Could Theft be an Undiscovered Issue in Your Distributorship?

By Karen J. Ribler

WASHINGTON – The IFDA Education and Research Foundation, Falls Church, VA, recently sponsored a webinar featuring the renowned loss prevention security expert, Barry Brandman.

Brandman, president of Danbee Investigations, shared 90 minutes of practical information sprinkled with advise that if put to use could prevent internal loss before it occurred or help connect the dots for a foodservice distributor with a possible problem.

In a follow-up interview with Brandman, ID Access learned that a good deal of theft continues within the foodservice community because of management's denial that it is happening within its organization. History shows management would prefer to believe there is an inventory mistake, glitch in its IT systems or a breakage problem when actually internal theft is the culprit. Although a trusting culture is usually a good thing, in this case, trust with vigilance is the smarter management philosophy.

COMPLACENCY Aside from lack of watchfulness, Brandman argues that management is lulled into a state of complacency, thinking the organization is protected from theft because it relies on cosmetic safeguards. Most companies regularly use three loss prevention tactics to protect themselves – alarms, video systems and uniform guards. Because of this investment and a lack of understanding of what these tactics can actually do, most have a false sense of security that the company is protected. With these devices, the company maybe less exposed to outside threats but remains susceptible to internal theft.

THE HUMAN FACTOR Brandman builds a strong case regarding how inventory theft can happen. Tax-free cash with the idea that you aren't hurting anyone is too much of a temptation for some personnel. Brandman states that one can count on the fact that 10% of people will never steal, 10%, if given the right environment, will take advantage of the opportunity to steal, and 80% of people are fence sitters, vulnerable to misconduct due to a myriad of reasons.

Inventory theft appears to be on the upswing and is becoming a growing concern for foodservice distributors. Brandman speculates that this is due to the fact that in many parts of the country it is difficult to attract quality workers and employee turnover in foodservice distribution has been and remains notable. (Many distributor execs have told ID Access that hiring good workers is their top challenge.)

With availability of quality workers as a challenge and high turnover, many distributors have hired to a lower standard. Brandman notes that this "desperation hiring," the lowering of standards and relaxed scrutiny, has occurred for drivers as well as inside personnel. Hence, with lax standards foodservice distributors have greater potential for incurring internal mishaps.

Brandman contends the economic environment and the need to retain employees has given rise to an increase in the necessity to be both observant and skeptical.

10 WARNING SIGNS OF INVENTORY THEFT Assisting the webinar participants in understanding what to look for, Brandman listed 10 typical signs of inventory theft:

- Unexplained inventory shortages, overages, or discrepancies.
- Customer complaints of incomplete or un-received shipments.
- An unexplained decrease in a particular customer's purchasing pattern.
- The disappearance of company invoices, receipts, or purchase orders.
- The discovery of inventory cases containing goods that differ from those described on affixed labels.
- Suspected employee drug abuse or distribution.
- A marked decline in employee purchases.
- Overly friendly relationships between company employees and outside truckers.
- **Employees living beyond their means, or a marked change in employee lifestyle.**

- Suspected employee gambling excesses.

PREVENTION ACTIONS It was made clear that theft is not just another cost of doing business, but is preventable. Brandman shared several case studies noting typical problems and tactics to shut down illegal behavior. He also spoke to tactics that deter this type of behavior before it gets off the ground.

Brandman's first recommendation is one that plays directly to human nature – put in an effective hot line program. Most individuals do not want to work along side of others that are stealing, using drugs or are perceived as dangerous. They come to work to work. He notes that many companies have been very successful in identifying the culprits of illegal activity and inhibiting theft by supporting a means for honest employees to anonymously report illegal or unethical behavior. Brandman emphasizes that if it is done right, employees will feel safe calling in observed security violations, product contamination, drug use, theft, on site weapons, sabotage and other threats.

If individual theft, collusion, fraud or substance abuse is suspected, a more active tactic is to hire a professional and conduct an undercover investigation. Brandman states that this is really the best way to put a spotlight on the inner-workings of a company and find out what is really going on. Undercover workers will see behavior that is invisible to management.

Workers are very forthcoming with their peers and will share observations or opportunities that they probably would never voice face to face with management. An example he cited referenced a costly situation that his company was able to expose. During a lunch break a less than honest employee took Brandman's undercover operative under his wing, stating that he would teach him the ropes if he wanted to make an extra \$1,000 in cash.

Needless to say, the operative was able to reveal a scheme that had been occurring where a shipping manager was using a company computer to change counts on specific outbound trucks carrying pricey product. The product would appear to be in inventory record-wise but would actually be sold for cash right off the company truck with the shipping manager obtaining a kickback percentage from the proceeds.

Another tactic that Brandman offered focused on monitoring truck driver behavior through covert or non-covert surveillance. If the covert route is selected, the suspected truck driver is followed throughout the day, watching deliveries as they are being made. The surveillance investigator confirms whether deliveries are made to only authorized stops and whether all actions speak to expected behavior. Brandman shared that in one such endeavor a driver was caught making an unauthorized "final" stop after he had completed his scheduled delivery route to sell the 42 cases of product for cash.

The non-covert surveillance tactic involves having an investigator unexpectedly assigned to a truck that has been loaded and is ready to go on a run. At each stop the investigator checks the manifest to verify that the right cases are coming off the truck. At the end of the day, if the truck has extra, unmanifested cases, there is a problem. At this point Brandman notes the distributor can determine who loaded the truck and take disciplinary measures for an inaccurate count. However, the problem is exposed and the next step may be to initiate covert surveillance to discover where the dishonesty is occurring and whether there is in fact collusion between the driver in question and warehouse personnel.

As an additional benefit to using this strategy, not only will the use of covert and non-covert surveillance expose theft, it will simultaneously deter future theft by establishing a perception that there is a high risk of being caught if illegal activity is pursued.

PROACTIVE MANAGEMENT IS SMART MANAGEMENT Wrapping up the session, Brandman shared seven "sins" that distributors should think through when reviewing their loss prevention efforts.

Knowing that the 90-minute webinar would only address the tip of the iceberg, IFDA has scheduled Brandman to provide additional insights and pragmatic tactics to prevent theft at its Foodservice Distribution Conference and Expo, Oct. 15-17 in Atlanta.

As Brandman stated throughout his presentation, the best way to keep theft in check is by being proactive, maintaining an active program that emphasizes prevention not apprehension; that stance will prove to be more cost effective in the long run.