

## News Release

### **Fireman's Fund Insurance Company Provides Small Business Tips to Help Owners Prevent Employee Theft and Fraud**

#### ***30 Percent of Businesses Fail Due to Employee Theft***

NOVATO, Calif., (March 9, 2010) – Employee theft and fraud contribute to more than 30 percent of business failures according to the Department of Commerce. Fireman's Fund Insurance Company works with owners to protect their companies and is offering tips for the 28 million U.S. small business owners to help manage liability risks

"Employee theft and fraud can potentially be financially devastating for small businesses so Fireman's Fund encourages owners to become even more vigilant in protecting their company," said Bruce Petersen, senior vice president of Commercial Insurance at Fireman's Fund.

Small businesses employ more than half of all private-sector workers, pay 44 percent of total U.S. private payroll and have generated 64 percent of net new jobs over the past 15 years, according to Small Business Administration's (SBA) Office of Advocacy.

The recent recession and layoffs have fueled the growth of small business, but, statistically, about half will fail in their first five years, even in non-recessionary periods. This is why small business owners must take the necessary precautions to prevent employee theft and fraud.

Small businesses can minimize opportunities and temptations for employee theft and fraud by:

- **Screening prospective employees thoroughly.** The employment application form is an essential tool for screening prospective employees. Prior employment references should be thoroughly investigated and if the position being applied for is of a sensitive nature, owners should run background checks through appropriate law enforcement agencies.
- **The thief can be anyone, even a trusted employee.** Employees who steal typically have worked at a business for several years before starting to steal and continue for an average of three years before being discovered. Theft can involve cash-on-hand, or embezzlement of raw materials and inventory, or other property.
- **Know your employees.** Be alert to the following characteristics of employees that are key indicators of potential theft:
  - Sudden, apparent devotion to work and working late
  - Lifestyles well above salary levels

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- Strong objections to procedural changes related to financial, inventory or supply matters
- Drugs and alcohol abuse
- Moonlighting jobs which use materials available from their employers
- Evidence of compulsive gambling, persistent borrowing, bad check writing and consistently requesting advances

To limit opportunities for employee theft, Fireman's Fund also recommends that small business owners implement the following controls:

- **Purchase Orders.** The payment, receipt and preparation of purchase orders should be separate functions and handled by different individuals. Use serially pre-numbered purchase orders and incoming goods should be verified.
- **Cash Receipts.** Use serially pre-numbered sales slips. Conduct weekly audits and the balancing of sales slips and the register should be done by someone other than the sales clerk.
- **Audits.** Make unannounced internal audits and have a yearly audit performed by an outside firm.
- **Vacation Policy.** Enforcement of a strict vacation policy is a precaution against employee dishonesty.
- **Computer Security Measures.** Understand your computer system and how it can be used to divert money or inventory. Restrict access to computer terminals and records. Periodically change entry codes and check regularly to ensure that security procedures are in effect and include computer records in audits.
- **Checks.** Use pre-numbered checks. Checks should be typed or written in permanent ink. Lock blank checks and signature machine in a secure place. Employees with duties that do not include check preparation or distribution should reconcile bank checking account.
- **Merchandise – Inventory.** Separate receiving, storekeeping and shipping functions. Physical inventories should be done annually by individual not responsible for inventory records.
- **Accounts Receivable.** Separate mail opening and posting functions. Record checks and cash in appropriate registers and stamp checks for deposit only.

### **About Fireman's Fund®**

Fireman's Fund Insurance Company is a premier property and casualty insurance company providing personal and commercial insurance products nationwide. It is rated 'AA-' by Standard & Poor's Rating Services as of November 9, 2009. Fireman's Fund is a member of the Allianz Group, the world's largest provider of property and casualty insurance. For additional information, visit [www.firemansfund.com](http://www.firemansfund.com).

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