



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
US ARMY COMMUNITY AND FAMILY SUPPORT CENTER
4700 KING STREET
ALEXANDRIA VA 22302-4406

CFSC-FM-I

MAY 23 2001

MEMORANDUM FOR SEE DISTRIBUTION

Subject: Risk Management Program (RIMP); Loss Prevention

1. The following is the latest effort by the RIMP to make Garrison Commanders and nonappropriated fund (NAF) managers aware of the trend toward increased claims for losses caused by employee theft. This will also provide suggestions for activities to look for and ways to mitigate and prevent losses of this type.
2. As reported in our RIMP Bulletin, April 2001, there has been an alarming increase in the number and amount of employee theft claims paid over the last five years. The RIMP has averaged twenty-six claims per year with annual payments averaging \$116,300. Thus far in FY2001, ten claims, totaling \$236,000 have been paid. The following are examples of three claims paid during FY2000.
 - a. An employee of a Bowling Center stole money and property valued at \$923. He used a lock pick to open the key box, took the key to the change machine, took the money out and then replaced the key back in the key box. He also took a disk drive and two 2-way radios. The loss was discovered during a cash count of the change machine. When confronted by the Military Police, the employee admitted to the theft.
 - b. An employee at a Skeet Range stole \$4,900 over a three-month period. The range was operated by one man who was solely responsible for collecting money from the shooters, making deposits, reloading the throwers, correcting malfunctions in the machines and assuring the safe operations of the range. The loss was discovered when he failed to make a scheduled deposit.
 - c. The manager of a Community Club stole \$6,650 over a twelve-month period by falsifying reports and explaining away cash shortages during surprise cash counts. He admitted he stole cash overages and made adjustments to his reports to cover the losses. In order to cover his activities, he fabricated the story of a robbery but later admitted to the theft to cover gambling losses.
3. Experience shows that employee theft is more likely to occur when internal controls become lax. Good internal controls will not always prevent a loss but will help to mitigate the chance of loss. In the last two examples cited above, improved management controls could have prevented or reduced the losses. At the Skeet

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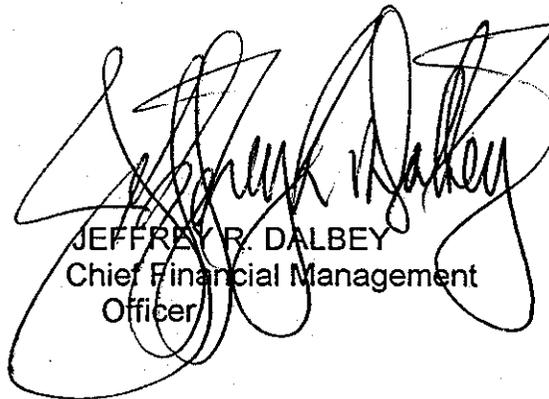
Range, there was no separation of duties. The employee was responsible for collecting payments from patrons, creating daily activity reports, and depositing the revenue. At the Community Club, the manager admitted that during surprise cash counts, he would explain any cash shortages by stating that the change machine contained any money not accounted for. The manager contended that the representative doing the count never verified that the shortages were contained in the change machine.

4. Employee theft is a violation of trust. The employee must hold a position of responsibility, be able to recognize an opportunity to steal and possess the technical knowledge to do it. Personal financial need is a common cause. Living beyond means, high personal debt, poor credit, unexpected financial needs and costly addictions are common examples. Employees often look at stealing as a loan, which they will repay. The warning signs of employee dishonesty include extravagant lifestyle, unusual behavior such as depression or mood swings, reluctance to take a vacation and discomfort when another employee fills in for them. The signs are there and employers must be aware and on the look out for them.

5. The RIMP covers all employees for fidelity bonding which covers employee theft. Class I positions are those that generally have access to money and property such as managers, cashiers, accountants, and contracting personnel. They are covered for \$20,000. Class II positions are those that generally do not have access to money and property such as clerical and administrative personnel, janitors, drivers and cooks. They are covered to \$5,000. Additional coverage for Class I positions is available up to a maximum of \$250,000 per position. We encourage you to review your positions and the adequacy of the limit of coverage for each. Changes can be requested at any time by notifying the RIMP office. We all would like to think we have honest employees but in the event of a loss, it is most important that the positions be covered to meet the exposure to loss.

6. The point of contact for this memorandum is Ken Harris, DSN 761-7313.

For the Commander:



JEFFREY R. DALBEY
Chief Financial Management
Officer

DISTRIBUTION:
Garrison Commanders
Nonappropriated Fund Managers