

Special Edition

What Constitutes a Good CEO? Part 6

Last week, I discussed the turnover of employees and the cost associated with terminating and re-hiring employees. I also discussed honesty evaluation tests and the problems that employers face when they have people problems. I reviewed;

- Pre-employment tests.
- The type of questions and answers that should be incorporated into specific tests, and;

I indicated the tests must measure 3 distinct areas to be beneficial;

- a) Intelligence.
- b) Motivation.
- c) Personality.

When hiring an individual, it's not experience that counts, or college degrees, nor age, race, sex or other accepted factors. Success hinges on "fit with the job". The traditional approach to employee selection has been to take a generic job description and try to match the candidate's skills, knowledge and experience to an inadequate job description. This does serve as a good starting point, but unfortunately provides only part of the picture; leaving out critical elements that dictate how well that person will perform on the job.

The traditional "one size fits all" approach to candidates selection, does not work in today's changing business environment. Trucking companies are undergoing continuous realignment. They are acquiring an effective job-person match requires in depth information about the individual, the job, the organization.

Customized job/person profiles meet that need. This week, I want to discuss employee theft.

It is shocking but true – over 40% of all business failures are caused by employee theft. In the retail business, employee theft takes a bigger toll than shop lifting. There was a study, approximately 4 or 5 years ago which produced some astonishing figures;

1. 1/3 of the population feels they have the right to steal.
2. 1/3 will steal if they feel they are "wronged" or they will steal items that "won't hurt anyone", and;
3. 1/3 of our entire population is honest.

I remember reading an article in the American Truck Dealer (newsletter) entitled "25 Ways to Invite Employee Theft". The article provided 25 time saving common sense business practices that (if exploited by a dishonest employee) could end up costing a trucking company countless headaches and heartaches, and a significant loss of income. The contents of the article outline the following:

THE AHERN ADVISORY

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- **Don't waste time on frequent inventories. Advice: stealing is one of the most common sources of internal loss. Reconcile sales to inventory on hand quarterly, or at least annually, with the help of a 3rd party. Better yet, conduct surprise inventories.**
- **Let the person who processes checks and cash, manage the accounts receivable. Advice: misapplication of payments is a common method used in embezzlement. Separate those duties among people who don't work together.**
- **Allow employees to make purchases. Advice: use purchase orders. This way, you can keep tabs on all expenditures before they happen.**
- **Make supplies and equipment accessible to everyone. Advice: lock it up.**
- **Don't bother reconciling register tapes. Advice: if you make cash register sales, institute a tough register policy. Independently verify cash receipt against the tapes each day whenever an employee signs off on a register.**
- **Let your accounting and clerical staffs make book keeping adjustments as needed. Advice: approve any adjustments to the books, however slight, even adjustments to correct the error.**
- **Allow a number of employees to sign checks. Advice: limit the number of signatories to yourself and one or two highly trusted subordinates. Keep blank checks under lock and key.**
- **Process time cards quickly. Advice: always check reported hours against time clocks or other physical records. Have a trusted employee authorize time cards before they are paid.**
- **Get your monthly bank statements into the accountants hands as soon as possible. Advice: instruct your bank to send the bank statement directly to you and review its content before passing it along.**
- **Let your book keeper/accountant pay bills when he/she is sure they are valid. Advice: process payments only from original invoices that have been initiated by you or a trusted employee.**
- **Give employees full access to the computer system. Advice: limit access to those who need access. Institute a computer security system assigning passwords and restricting entry in sensitive or confidential files.**
- **Let your financial people process the mail quickly. Advice: let a trusted assistant open the mail each day to filter out unpaid invoices and checks and log them before they are formally entered into the books.**
- **Give your employees access to petty cash. Advice: allow only one or two trusted employees to disperse petty cash. Require that a receipt and signed voucher be submitted for all petty cash.**
- **Allow an individual employee to order goods and approve payment from them. Advice: assign payment responsibility and order responsibility to different people.**
- **Don't give receipts to customers, unless they ask for them. Advice: require receipts.**
- **Furnish company credit cards to employees. Advice: require that all credit cards be "signed out" when they are used. Require that all credit card expenses be authorized by purchase order.**
- **Turn expense account vouchers around as quickly as possible. Advice: require strict documentation for all reimbursable expenses incurred by employees. Subject every expense account voucher to a "pre-audit" review before paid.**
- **Allow employees to void sales and issue refunds when necessary. Advice: issue refunds only upon the approval of a 3rd party.**
- **Require your cash receipts accountant to make deposits as soon as payments are processed. Advice: verify that the day's cash receipts total in the deposit amount balance. Make the deposits yourself or assign the job to someone other than the book keeper.**
- **Don't get upset about occasional shortages in petty cash. Advice: any shortage, however small, could be symptomatic of a larger problem – investigate.**
- **Don't bother with those expensive audits. Advice: an independent audit is not a fool proof way to ensure financial integrity, but it highlights weaknesses in your internal control system.**
- **Rely on "clean audit" as evidence that things are going well. Advice: you, not your auditor or accountant, are responsible for monitoring procedures, books and assets on a daily basis.**

- Trust your employees. Advice: watch for unusual behavior. Employees who pay unusual attention to certain records, display secretive behavior, exhibit sudden wealth, or begin taking excessive time off from work, merit your attention.
- If a theft occurs, keep it quiet. Advice: if you suspect employee theft, call the authorities. With outside help, you may be able to get to the bottom of the problem quickly.
- Reassure yourself that articles like this should concern only other employees. Advice: employee thieves come from all walks of life; all income ranges and works in every type of business, including yours. They usually have two things in common:
 - a) First, they are in positions where they have the opportunity to steal, and:
 - b) Second, employee thieves don't see any different than honest counter parts, who compromise the majority of any work force.

The actions of dishonest employees often astonish their employers, people just like you and me. I know I've been a victim of theft by my employees.

Next week, I will discuss integrity testing.

QUOTE OF THE WEEK: **"It is possible to fly without motors, but not without knowledge and skill"** (Wilbur Wright)