

Investigation: A Team Approach

When management becomes aware of a possible impropriety within the organization, it must ascertain the truth and scope of the problem. This means mounting an investigation, a seemingly simple solution. However, in more complex investigations, the investigator must consider the company's image, political and personal relationships, the violation of trust, management confidence, and a myriad of other issues. The simple solution is not really simple.

Unfortunately, when indications of impropriety arise, management often reacts emotionally because of the violation of trust, especially when a senior member of management is involved. An emotional, knee-jerk reaction can compromise an inquiry before it begins.

The first danger faced is a rush to judgment about potential involvement and scope of the problem. Innocent behaviors become suspect, and the futures of innocent people are jeopardized. Suspicion and wild theories of conspiracy abound

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when a fraud is discovered. Senior executives must put aside the emotional baggage and approach the problem as a management issue. This is critical to the success of the inquiry. Careful planning is at the heart of every successful investigation.

Secrecy Is Fundamental

Information about the suspected fraud should be limited to those with a need to know. Exactly who these people are depends on the suspected associate's position and type of fraud. As with any item of sensitive information, the more people who know about it the greater the likelihood of an inadvertent leak that might compromise the investigation.

Secrecy in the early stages of the investigation increases the options available to investigators looking for evidence. A perpetrator who is unaware that his or her fraud has been exposed continues to offer opportunities to identify coconspirators and

the scope of the loss. Traditional investigative methods monitoring an ongoing fraud often develop critical information that would otherwise be unavailable in the subsequent audit trail.

Finally, secrecy is critical to protect the organization from a defamation lawsuit by the target of the investigation. Defamation may result from slanderous or libelous statements made to a third party, which damaged the target's reputation. The truth is always a defense in a defamation case. However, in the early stages of an inquiry, the exact truth has yet to be established.

Forming the Team

The selection of investigative team members may vary with each case, but certain people will almost always be included as advisers in a major investigation.

Senior Management. A senior loss prevention executive should be responsible for the day-to-day contacts with investigators and act as liaison to the president and board of directors.

Internal Audit. A senior internal auditor will secure documents and provide background information on the responsibilities of each employee.

Human Resources. A senior human resource representative will provide background information on the individuals involved. Human resources will also be asked to identify what must be proven to terminate the employee.

Legal. Depending on the scope of the loss, management may elect to include an attorney as an advisor. This is often helpful if the company intends to proceed civilly to recover its loss from the dishonest associate.

Investigator. The investigator directs the day-to-day investigation and resources available. The investigator may also conduct the final interviews with dishonest associates.

Public Law Enforcement. On occasion, public law enforcement officers may assist in the investigation. However, once a police report is made, the company's ability to control the investigation may be significantly impaired.

Investigative Goal

After the team has been selected, the first task is to clearly define each participant's role in the investigation and the various reporting relationships. During the initial meeting, the goal of the

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by Douglas E. Wicklander and David E. Zulawski



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In the Grocery Environment

For the last several months, I have been receiving my bulk distribution of *LossPrevention* magazine. Sharing your magazine with my staff has become eye opening for all. The articles dealing with Interviewing & Interrogation and Women in LP have been insightful for those on my staff who are new to the loss prevention field. In-depth articles and interviews have addressed many of our loss prevention concerns and have allowed us to look at things differently in our approach to fighting shrink and enhancing profit.

I was quite impressed with your interview of Dan Faketty, VP of loss prevention at Harris Teeter (January/February 2003). It's not often that you find such validation when addressing shrink control in the grocery environment. In every issue I have always found something of interest to share with my operations partners. I look forward to the next issue and the BUZZ it will generate with my staff.

Byron J. Smith

Director of Loss Prevention, Houston Division
H.E. Butt Grocery Company

I just wanted to say how much I appreciate your magazine. I especially enjoyed the latest issue as I work for a grocery chain. It appears that Dan Faketty and Harris Teeter are progressive in their LP methods. I also enjoyed the article on operational shrink by Terry Hennessee of Lowe's. It was the type of information that someone fairly new to loss prevention like myself needs to grow.

Brian Stevens

Loss Prevention Agent
WinCo Foods, Inc.

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Interview & Interrogation *continued from page 15*

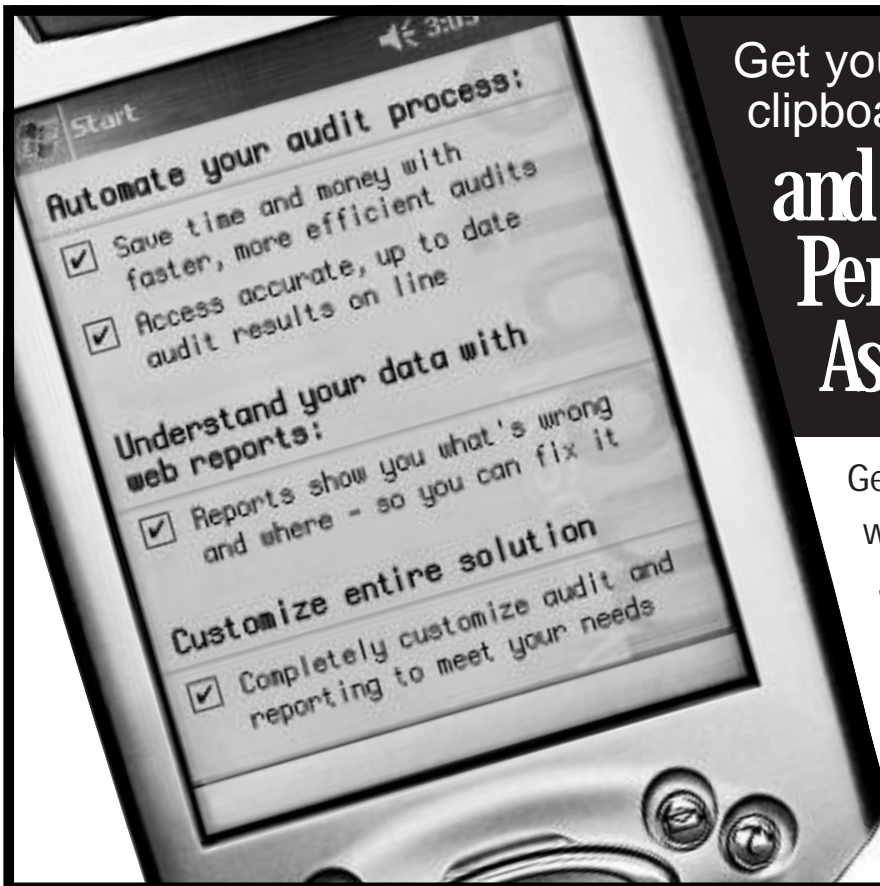
investigation and desired outcome must be agreed upon. Depending on the company, the desired outcome could range from suspension to termination of employment to prosecution of the dishonest employee. Identifying the intended result helps define the timing, scope, and method of investigation.

Another issue the team must consider is the length of time and resources to be allocated to the inquiry. Management, understandably, desires a prompt resolution to limit further losses, which often is in direct conflict with investigative needs. Balancing and allocating the resources available is best left up to an experienced investigator.

Clearly identifying at the outset what proof is necessary to terminating the suspect's employment, or what is needed to file a civil or criminal proceeding, helps senior management accept the timetable and supply resources necessary to do the job.

A clear plan of action that makes the best use of the talent available can lead to the successful conclusion of the investigation

*EDITOR'S NOTE: For a more exhaustive discussion of team investigation, read "A Multidisciplinary Approach to Corporate Fraud Investigations" in the November/ December 2002 issue of *LossPrevention*. ■*



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