

Bank Fraud Newsletter

Investigator's Corner

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Solving Mysterious Disappearances

Last month's column focused on the red flags associated with fraud activity. These included the prevalent managerial styles and behavioral characteristics of embezzlers that indicate the likelihood of fraud activity. Frauds are planned in advance, because their success is based on concealment of the act. Theft, on the other hand, is more often a crime of opportunity based on the subject's real or perceived need.

One of the most difficult types of criminal activity to investigate is property crime because there is rarely a paper trail or witness to the act. Police clearance rates reflect this difficulty. Thefts, burglaries, vandalism, and arson clearance rates are well below 25%, while case resolutions for crimes against persons usually exceed 70%.

Often property crimes can be solved only when there is a pattern of theft activity. Each associate has an equal opportunity to have participated in the theft; but, who actually did it? No bank is likely to be willing to sit back and absorb continuing losses while the pattern that identifies a suspect is established. So how is the disappearance of money or merchandise solved when there is no witness or paper trail?

The Beginning

The investigation begins with the careful reconstruction of the circumstances surrounding the loss. The reconstruction establishes the time frame of the loss and the circumstances involved. This yields a pool of suspects, the "investigative universe" of all those people, management and hourly, who could have conceivably been involved.

It is important that all "potential" suspects be included, no matter how unlikely they are. In one case, a series of thefts occurred out of a safe in a cash office. Six employees worked in the cash office and were offered as the only possible suspects who could be responsible. However, when investigation cleared each one of involvement, suspicion turned to a janitor who emptied garbage in the office. He later confessed to all the thefts from the safe, explaining that he could only steal when the safe was open and the clerks were busy with other tasks.

Creating an "investigative universe" means limiting the number of suspects. The group should be small enough to manage, but large enough to include the thief.

Evaluating the Universe

With the suspects identified, an analysis of background characteristics can narrow the focus of the investigation. Thieves have characteristics that correlate statistically to the theft activity. From research into theft activity, a number of common high-risk categories have been identified. Wicklander-Zulawski has established these categories from the following sources:

- 1) A study conducted by the University of Minnesota, which identified characteristics associated with admitted thieves in the work place.
- 2) Corroboration of those characteristics by Reid Psychological Systems' validation studies of Reid Survey III, (a paper and pencil test used to investigate employee dishonesty, drug use, and organizational problems in the work place)
- 3) A study by Service Merchandise of employees terminated for dishonesty over a ten year period.
- 4) Anecdotal truths derived from hundreds of theft investigations.

To identify the person involved in a mysterious disappearance of cash or merchandise the investigator proceeds on the assumption that the more high risk categories one belongs to, the higher the probability of one's involvement in the act under investigation. By analyzing the employee's background and work product, an investigator can narrow the focus of the investigation to the individual(s) most likely to be involved. For a sample employee data sheet, contact Wicklander-Zulawski & Associates, Inc.

The following categories help identify the person responsible for the mysterious disappearance.

Full or Part-time

People working part-time for an organization are more likely to steal than the full-time associates. The part-time employee generally has no long-term commitment to the organization or its future.

Tenure

Research indicates that employees with less than one year's tenure with the organization are responsible for almost 70% of theft activity. Of this group, those working less than six months with the organization are responsible for more than 2/3 of that 70% figure.

Age

Employees between the ages of 16 and 25 account for approximately 13 per cent of the work force, but commit almost 70% of the theft activity reported to management.

Marital Status

Employees who are unmarried are more likely to be involved in theft activity than those who are married. While a generalization, an individual who steals a VCR and comes home to a spouse is more likely to face unpleasant questions than an associate who comes home only to a pet.

Employment History

Individuals coming out of weekly controlled environments are more likely to steal than those who have been employed in highly structured situations. People who previously worked as convenience store clerks, bartenders or in similar positions often developed the habit of theft because they poorly supervised while having a significant opportunity to steal.

High and Low Salary

Investigators have, for years, focused on individuals with low salaries and correspondingly high financial need as having a motive for theft. The Minnesota study agrees. However, it found admitted theft activity also correlates strongly with individuals who were at the high end of compensation. This group spends more and travels with a more exclusive group. The resulting demands may stretch their finances.

Changes in Income

This aspect addresses the suspect's financial need. Changes in income may result from a husband or wife being terminated or laid off. A change in compensation may result because the company moves an employee from a salary to a commission pay plan. With a change from salary to commission, the subject discovers that his or her inability to sell severely affects income.

Spending Habits

As a group thieves tend to be conspicuous consumers. They spend their money on jewelry, clothes, and vehicles that enhance their image.

Workmanship/Productivity

Thieves, as a group, often exhibit poor workmanship and productivity in their jobs. They produce less than honest co-workers and the quality of the work product is diminished.

Bad Attendance/Long Breaks

The Minnesota study determined individuals admitting theft activity also were involved in the theft of time. They had poor attendance, took long breaks, came in late, and left early. Also, they often were sick the day after a significant theft occurred.

Disgruntlement

Disgruntlement is the characteristic that correlates most often in the research with admitted theft activity. An employee who is disgruntled can easily rationalize theft activity in light of perceived mistreatment. Looking for a new job because of unhappiness is another indicator of increased likelihood of theft activity.

Friends Visiting/Personal Phone Calls

Another factor that is strongly associated with admitted theft activity in the work place is an individual's personal life carrying into the job. Visits by friends and excessive personal phone calls strongly impact the quality of work and attention to detail.

These characteristics apply to theft. In some instances they differ significantly from those that identify people involved in a fraud or embezzlement. Fraud perpetrators, for example, tend to be long tenured and are perceived to be hard working, which tends to conceal the fraud. Checking the universe of suspects against these characteristics, however, often helps focus an investigation on the individual responsible for the loss.