

ABC Pharmacy

Anytown, Anystate

EMPLOYEE DISHONESTY POLICY & PROCEDURES – for use by company management in an employee dishonesty situation. [TEMPLATE - items in blue should not be included in final policy]

This template is intended to provide management with information on developing and implementing a written employee dishonesty policy. This information should not be construed as legal advice or legal opinion on specific facts. This is not intended as definitive statement on the subject but a tool, providing practical information for the reader. Users should consult with their own local counsel before implementing any of the suggested policies and procedures contained in this document.

FACT: Employee dishonesty has the potential to be the most costly crime loss category facing a company.

FACT: Employee dishonesty can range from an employee pilfering office supplies to a financial officer stealing millions through elaborate accounting frauds.

FACT: The longest term, most trusted employees are in position to cause the largest losses.

FACT: Employee dishonesty is one of the most under-reported crimes against businesses. Why? – Owners and managers are so devastated, disappointed, and embarrassed to be victims of this crime, that often they will simply terminate the offender and “sweep the incident under the rug.”

FACT: re: the above “dilemma”: No other single act or policy will do more to perpetuate a corporate climate conducive to employee dishonesty.

FACT: To effectively control employee theft losses, the emphasis must be on preventing the losses from happening rather than reducing the amounts of the losses.

FACT: Security experts estimate that 30% of employees steal and another 60% will steal if they have a real or imagined motive and are given the opportunity.

FACT: According to the U.S. Department of Commerce, employee dishonesty is estimated to cost American businesses \$50 billion annually.

FACT: Some employees genuinely don't know what defines employee dishonesty!

WHAT CONSTITUTES EMPLOYEE DISHONESTY AT ABC PHARMACY?

- Taking merchandise without paying for it. From a pack of chewing gum to the most expensive item in the store.
- Forgery. Signing company checks or endorsing a customer's check for personal use.
- Pilfering office supplies and converting them to personal use outside the store.
- Embezzlement. Conversion of company funds for personal use. Can range from using petty cash for personal use to complicated purchasing/billing/payables or human resource creation-of-fictitious-employees scams involving thousands of dollars.
- Short-changing customers or the register and pocketing the cash.
- Abusing the company's sick leave policies to obtain personal time off while not ill or injured.
- Abusing the company's time clock policies by having someone clock in or out for you.
- Over-billing expense accounts.
- Charging personal expenses on company credit cards.

How we will prevent employee dishonesty losses:

- ❖ We will follow our **hiring policy** closely to avoid hiring employees with the propensity for, or history of, dishonesty.
 - Management will conduct full background checks, including credit checks and criminal checks, on all applicants for a pharmacy operations or cash handling job.
 - Prior criminal or credit difficulties will be grounds to terminate consideration of a candidate.
 - ❑ [A hiring policy template is available elsewhere on the Risk Management section of www.phmic.com.](http://www.phmic.com)
- ❖ **Physical inventories** of the whole operation will be taken at least twice a year. “Surprise” inventories of the company or selected departments will be taken periodically at management’s discretion.
- ❖ All personnel with cash handling and/or accounting duties will **take one vacation** per year of at least two weeks duration.
- ❖ There will be a **dual signature** policy on all checks written that exceed \$xx.xx. (at management’s discretion)
- ❖ **Bank statements** will be received by the owner/manager for review before being turned over to bookkeeping for processing.
- ❖ The owner/manager is the only person **authorized to approve bookkeeping adjustments**, including error corrections.
- ❖ Banking routines will be varied periodically.
- ❖ The person “making up” the deposit will be different than the person transporting the deposit to the bank.
- ❖ Yet another person will be responsible for writing disbursement checks.
- ❖ Merchandise ordering and accounts payable duties will be assigned to different employees.
- ❖ Processing incoming checks will be a completely separate function from managing the accounts receivable.
 - ❑ [If such segregation of duties is not possible due to the size of the company or for other reasons, “rotate” the jobs and responsibilities periodically, i.e., once every month or two. This can be accomplished under the guise of “cross training” if management feels it necessary to “soften the blow” of this policy.](#)
- ❖ **Video surveillance** will be maintained in all cash handling areas.
- ❖ **“No sale” transactions will require supervisor/manager oversight.** Excessive “no sale” transactions at the cashier positions will lead to reassignment or termination.
- ❖ Any **sales transaction**, sale, exchange, return for refund, etc., **to an employee** will be **conducted by another employee.**
- ❖ If **guilt is proven** after an impartial investigation, dishonest employees, regardless of the amount involved, **will be terminated.**
- ❖ If **guilt is admitted** by a dishonest employee, the amounts involved and any mitigating circumstances can be considered by management in the decision to terminate or not.
- ❖ Dishonest employees, regardless of the amount involved, **can be prosecuted** at the discretion and judgment of management.

- ❖ These policies and procedures will be **communicated to all employees** periodically and to applicants during the hiring process.
- ❖ Each employee will be required to sign an “**acknowledgement of receipt**” form (see Appendix A) to verify they are aware of these policies, procedures, and consequences.
- ❖ **These policies are applicable to all persons employed by the company, from the executive management level to the loading dock.**
- ❖ Investigations of employee dishonesty suspicions or reports will be handled discretely but thoroughly. Management will give suspects, or the accused, an opportunity to present their side of the case. Management reserves the right to employ outside investigators at its discretion.
- ❖ **Employees are encouraged to report** suspicions or proof of employee dishonesty by others to their supervisor (or directly to the owner/manager if the dishonesty has been by someone above them on the chain of command.) However, if the report or suspicion is found to be false, and the intent of the person reporting it is found to be malicious, the reporting employee is subject to the same disciplinary actions that a thief would be.

[Appendix A]

Employee Acknowledgment

My signature below is an acknowledgment that I have read and understand the provisions of the Employee Dishonesty Policy. While this policy is of great importance, it is only one of the company's policies that govern my employment.

I also understand that ABC's management reserves the right to make any changes to the Employee Dishonesty Policy at any time by adding, deleting or changing any existing policy without notice to or consent of the persons covered by this Policy.

I agree that this Employee Dishonesty Policy supersedes any other written or oral understandings or agreements I may have had about this topic, and cannot be modified or amended in any way other than in writing as authorized by an officer of the Company.

Any questions that I may have had about this Employee Dishonesty Policy were answered to my satisfaction, and I received a copy of said policy.

Employee Signature

Date