Dishonesty/Theft Quiz

QUESTION

What is employee dishonesty?

ANSWER

Employee dishonesty refers to any fraudulent or dishonest acts by employees and can include:

- Misappropriation of cash (cash theft, revenue skimming, and fraudulent cheques, payroll, expenses, and invoices.)
- Misappropriation of inventory (stealing inventory, unauthorized use, and fraudulent sales and write-offs.)
- Misappropriation of other assets (misuse and unauthorized use of equipment, computer systems, and company cars.)
- Corruption (self-dealing transactions, conflicts of interest, bribery, and bid-rigging.)
- Financial fraud (deliberate misstatement or falsification of financial or non-financial statements.)

WHY IS IT RIGHT

Prevent Employee Dishonesty:

Considering the potential severity and cost of employee dishonesty, it’s important all types of businesses have multiple measures in place to prevent and detect cases of fraud. Here are some tips for doing just that:

- Engage in frequent financial reviews and reconciliations by both internal and external auditors.
- Establish clear accounting and financial procedures.
- Divide accounting duties such as payables, receivables, and bank reconciliations between different staff members.
- Have physical safeguards and systems to protect cash, equipment, and other valuable assets.
- Use pre-employment screening when hiring new staff members.
- Develop fraud and ethics training and a code of conduct for both management and other employees.
- **Split responsibilities among staff to ensure no one individual has unreasonable authority.**

Protect your business

Employee dishonesty can still occur even with the most stringent prevention methods. In addition to prevention, taking steps to detect fraudulent activity and having appropriate insurance coverage can ensure your business is protected.

Businesses can identify instances where employee dishonesty has occurred by following:

- Have a procedure for employees to report suspected dishonesty
- Periodically conduct surprise audits
- Test employee knowledge of fraud and fraud awareness
- Consider monitoring business activities using data and statistical analysis in combination with an external auditor.

The importance of honesty also increases with the degree of responsibility and discretion attached to the employee's position. For example, integrity and honesty are critical to an employment relationship between the employer and a supervisor or manager. In cases involving theft by a supervisor, even if the item stolen is of little value, this will not necessarily save someone with a higher standard of conduct and integrity.

It is also less likely that the trust relationship can be repaired where the employee refuses to accept responsibility for the misconduct. Lack of candor and forthrightness can also lead to an inference that the act was premeditated,

FACTORS EMPLOYERS SHOULD CONSIDER IN DETERMINING DISCIPLINE WHEN A WORKER LIES

Question: If an employee is caught lying to his employer, should the employer factor in what the lie was about when determining discipline, or can all employee dishonesty be treated similarly?

Answer: All employees owe a duty of faithfulness and honesty to their employer.

As with other misconduct, the level of discipline will vary and must be measured in the context of the particular employment relationship.

However, case law generally recognizes that dishonesty goes to the heart of the employment relationship, which makes dishonesty particularly serious.

The magnitude of the lie is a factor to take into account in determining discipline. Dishonest conduct that is prejudicial to the interests of the employer, or is incompatible with the employee's duties, may be just cause for dismissal.

At some workplaces, employee dishonesty is an extremely serious offence.

Employees in the retail industry, for example, work independently, handling cash and merchandise on a regular basis.

In this type of workplace, termination is often viewed as the appropriate penalty unless the decision-maker can be confident the trust relationship can be repaired.

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DISCIPLINING EMPLOYEES WHO LIE

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EMPLOYEE THEFT AND HOW TO PREVENT IT

When running a business, preventing theft is always a top priority. So, vaults are purchased, locks are installed, and fences are built. But the threat isn't always coming from where you might think it is. Surprisingly, some of the people you should be most concerned about may already have keys into the building.

Employee theft should be a major concern for business owners, a bigger concern than some may realize. And since it's such a big issue, it's vital that business owners learn the details of employee theft and take the appropriate precautions to prevent it.

EMPLOYEE THEFT BASICS

A 2012 study by the Association of Certified Fraud Examiners found that 25 per cent of internal fraud cases result in losses of a million dollars on average.

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On average, the Council found, employees steal about $2,500 in cash or goods from their employer before they're caught, while customers only steal about $175. Normally, the $2,500 isn't stolen all at once but rather over time. The council also believes there are approximately 566,000 employee thefts that go undetected each year.

So how does all of this dishonest activity within an organization play out? It can

take many forms, including cargo theft, forgery, data theft, cyber-related embezzlement, and theft of cash, cheques, business equipment or client property.

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PREVENTION OF EMPLOYEE THEFT

Because employee theft is such a widespread issue, it's important that all business owners, ranging from small businesses to large companies, take the appropriate precautions against it. Here are some tips that may help:

- **Establish a pre-employment screening program.**
  - The program should include reference checks. You may also want to perform criminal and credit checks depending on the position you're hiring for.
- **Create security guidelines.**
  - The guidelines should outline the company policy for employees who are caught stealing.
- **Use human resource programs.**
  - Develop programs designed to build employee loyalty and align employee and company goals.
- **Ensure that company merchandise or property isn't easy to steal.**
  - This could include a number of tactics ranging from locking up merchandise to installing a surveillance system.
- **Establish controls.**
  - The controls should be for petty cash disbursements, bank deposits, withdrawals, issuance of cheques, payrolls, reconciliation of bank statements, and payment of invoices.
- **Ensure no one employee has control over all parts of a financial transaction.**
  - Separate responsibilities and functions so more than one employee deals with any given financial transaction, and organize workflow to ensure one employee verifies the work of another.
- **Perform regularly scheduled and random inventory checks.**
  - A program should be implemented to manage these checks.
- **Monitor the premises with closed circuit television (CCTV) surveillance.**
  - Be sure to keep in mind any applicable privacy law requirements with respect to surveillance.
- **Check merchandise records.**
  - All incoming merchandise should be checked against purchase invoices and all outgoing merchandise against shipping documents.
- **Being firm is important. But so is being friendly and fair.**
  - If you treat your employees with respect, they're far more likely to return the favour.

Takeaways for HR professionals Relating to Dishonesty an Theft at work

1. ***Special presumptive rule.***Honesty is the touchstone of the employment relationship. Although such "rules" are always dependent on the circumstances, in the retail food industry in particular, dishonesty, including theft, invites termination of employment for just cause.
2. ***Employee's long service.***Although an employee's long discipline-free service works to the benefit, it cut both ways … since a senior employee should know the obligation to be honest at all times". Especially with respect to honesty, employers can hold employees with long service to a higher standard than those with short service.
3. ***Duty of fidelity and good faith.***Employees have a duty of fidelity and good faith during an investigation. Discipline may be imposed for obstructing an

investigation or providing untrue information regardless of whether the employee is cleared of the initial charges of misconduct. An employee has a positive duty to be honest and forthright and not to mislead the employer, or be evasive or generally frustrate the investigation.

WHY IS EVERYTHING ELSE WRONG

WORKPLACE LIES

The effects of honesty and dishonesty on the job.

Lying is not particularly rare in the workplace. People engage in all manner of workplace dishonesty. People lie about their qualifications during job interviews, they claim sick days when they are healthy, they exaggerate their productivity, they conceal their mistakes and failures, they take credit for others' work, and they deceptively undermine others with whom they are competing for promotions or other limited resources.

While deceptive coworkers sometimes tell outright lies, they often draw from a slew of shady approaches that undermine trust and violate coworkers' senses of moral decency, forthrightness, and integrity. They often try to maintain a shroud of secrecy over their true agendas. Their behaviors sometimes seem bizarre, usually because their actual goals are concealed by misdirection and obfuscation. All of this scheming violates our desired organizational styles and cultural norms.

Workplace Lies – Consequences

There are hidden costs that workplace lies have on organizational climate, employee morale and satisfaction, and organizational productivity. When lies are pervasive at work, people can no longer trust each other. When trust is in short supply, everyone must be cautious, as one can never be sure if they will be taken advantage of, thrown under the bus, swindled, or otherwise mistreated. In short, when coworkers are dishonest with each other, the collapsing organizational trust can render the organization ineffective.

Cultivate an Honest Workplace

Everyone wants to work with people they trust. How do we create and cultivate such a workplace environment? Honest leaders are a prerequisite for an honest and open workplace. When leaders in the workplace lie, their subordinates are likely to follow suit and are less likely to feel guilty about it.

One can easily find examples of massive corporate corruption scandals such as Enron, Volkswagen, and Wells Fargo, in which unethical corporate leaders modeled a pattern of dishonesty that was imitated by their subordinates, eventually leading to catastrophic organizational failures. Honest leaders are a critical ingredient for honest workplaces.

Likewise, for others to trust us, we must show them that we are trustworthy. We do this through our actions, not our words. We must adhere to an explicit ethical standard that insists on truth, earnest, fairness, and integrity. When we model honesty, we set the conditions in which the people around us will trust us and give us the honesty that allows us to trust them. The currency of trust is the absolute bedrock of relationship bonds. Show me any form of relationship without trust, and I'll show you two people who cannot effectively work together.

When we know that someone is dishonest, we don't trust them. We feel anxious when we must work with them. Even when the working relationship is temporarily going well, we

are vigilant, looking for evidence that the untrusted person is going to undermine us or let us down. If we feel enough distrust toward someone, we begin to actually fear them. We tend to withdraw from them, avoiding engagement at all cost. Effectively, the working relationship is over.

Honesty and trust, as it turns out, are powerful tools in the workplace. In her book, Trust in Modern Societies, professor Barbara Misztal makes a compelling case that trust operates in three profound ways in cultures around the world: It makes living with others predictable, it fosters a sense of community with others, and it facilitates cooperative work.

When there is honesty and trust, constant supervision and micromanagement are not needed, and organizations are cut loose from the binds of vigilance and paranoia. The organization can thrive. In honest organizations, people are happier and they work harder. When we work with people we trust, we feel safe to take the kinds of risks that allow organizations to innovate and expand. When coworkers trust us, we gain influence. When we trust them, we allow them to influence us.

We must be mindful that trust in the workplace is extremely fragile. There is a stark asymmetry between building trust and destroying it. Trust is a precious commodity that can take years of effort to cultivate, yet can be squandered in an instant of dishonesty. It is also important to keep in mind that trust is built on honesty, but as James E. Faust once said, “Honesty is more than not lying. It is truth telling, truth speaking, truth living, and truth loving.”

Honesty in the workplace is an active and intentional process in which we strive to shine the light of truth, removing the hidden dark corners of deception and secrecy. Cultivating a truth-loving environment in your workplace is a powerful endeavor that can reshape the essence of your work life. It all starts with you.