The Unattended Cookie Jar

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It was a nice, Anabaptist family business and a comfortable, Christian place to work in an open office environment with several employees. Everyone worked together well, shared life's events, and discussed the latest sermons and church happenings. Among the office staff was Brother Ivan. He was kind and cheerful—a bit on the shy side but a very good worker. Ivan had been there the longest and had "done it all" for the company. He used to work out on the job, but as he got older, he moved into the office. The office position fit him well, and he quickly became the go-to person because he knew every customer and knew how everything had been done since the beginning.

One day Ivan's fellow office worker gained enough courage to tell one of the owners, "I think we have a problem. There is money missing, and the only one who could be taking it is Ivan." Initially the owner reeled with shock and disbelief. Then he moved logically to, "Of course we'll look into it, but there must be an explanation because Ivan wouldn't do that." However, after some investigation, it became clear that Ivan had indeed been pocketing money when taking payments from customers.

At first Brother Ivan denied it. But after the facts were presented, he admitted he had gotten a little behind on some of his payments and "borrowed" a little money from the company one time. Always intending to pay it back, that first experience led to another, which led to another, until Ivan was caught in the spider web of deceit and theft. Unable to come to grips with what he was doing, Ivan went further and further down a road he thought he'd never consider taking.

The Big Word "Embezzlement"

"Embezzlement" means taking something that you were entrusted with that belongs to someone else. It is usually money but could be any asset such as materials, time, and products. In short, it is stealing. But it's even more serious and sinister than that, because it was stolen by the very person who was trusted to handle and care for it. While it often begins in a fairly small and simple way, as it did with Ivan in the above example, embezzlement typically grows more premeditated, willful, deceitful, and methodical, including a means of covering one's tracks so as not to be discovered.

Titus, in the Bible, calls embezzlement "purloining" and urges servants to instead show "all good fidelity" to their masters, and in so doing, to "adorn the doctrine of God our Saviour in all things."[1] Circumstances of embezzlement vary, but always we find the same theme—that of taking something not rightfully ours but which has been entrusted to our care. It is, therefore, a blatant violation and contradiction of the scriptural principle of stewardship.[2]

[1] Titus 2:9, 10

[2] 1 Corinthians 4:2

In the book of Acts, a husband and wife agreed to sell a property and give it to the apostles to share it with those having needs in the early church. Though the cause was noble, they were not required to give; rather, they were making a voluntary contribution. But they feigned that they were giving the entire property to the church when, in fact, they "kept back part of the price." This was a purloining, or embezzlement, of something that was no longer rightfully theirs. They professed that it had all been given when, in fact, they had held some back for their own purposes. In a very short time, they had given their lives for this lying "not . . . unto men, but unto God."[1]

While this article is primarily directed to business owners more than to employees, it is important to remember that one of the best ways to prevent embezzlement is to realize what it is and how it happens. It happens simply because of the fallen nature of the human heart and a selfish lust within that manifests itself in a choice and an action such as embezzlement.[2] Further, it happens in an environment conducive to hiding such an action. In other words, embezzlement is possible in the midst of a company with loose and ambiguous procedures regarding the handling of money.

Another way such actions get hidden is behind the mistaken belief that "it could never happen here." In fact, it has happened repeatedly in many of our companies, and not all the examples involve employees—sometimes owners and partners embezzle from their own company! Preventing embezzlement involves creating an environment that prevents the possibility of choosing embezzlement. This includes both the awareness of its reality and the establishment of systems to prevent it from happening. These safeguard both the company and the people who work in it. No honest employees will ever resent procedures that keep their work conduct free of any opportunity for embezzlement, or any potential suspicion of it.

Embezzlement happens at every level in the company

Lower-level employees usually take small amounts—a little extra cash from the drawer, some office or shop supplies, an extra hour of overtime, gas, tools, or other things needed at home. These employees are the typical cashiers, mail openers, and workers with access to credit cards, company cash, and company accounts. These embezzlements can be difficult to detect due to the small amounts and the sporadic timing of the theft; however, with proper controls, even small thefts can be prevented.

Higher-level employees often have access to larger amounts of money and can more easily deposit company money into their own accounts, write themselves a check, or skim larger amounts of money. They can often hide it by falsifying company records. These employees are usually supervisors and managers with spending authority, employees who handle accounts receivable and accounts payable, office managers, and those who do the daily banking. It can be more difficult to detect this embezzlement because these employees can alter company records to cover up. But again, embezzlement can usually be avoided or made much more difficult with proper systems and controls in place.

The more challenging embezzlement schemes are when an employee works with a vendor to steal or when a partner is embezzling money and the other partner does not know it. Proper control procedures can make even these schemes difficult to pull off.

The most-trusted employee problem

Owners will often say, or just have the sense, that "he is so dedicated and would never steal a dime from anyone. I would trust him with everything!" These are the employees who stay late to get something done, offer to help with extra projects, work longer hours, and go the extra mile. They can be your partner, your main office person, a shop worker, or the janitor. They are your brother or sister in the church, another Christian in the community, or a family member. They might be the kind, happy, look-you-in-the-eye employee that every boss wants. It's very important to remember that you will not be able to tell who is stealing from the business by what they look like or what they wear!

Why Employees Do It

Embezzlement occurs when there is:

- Need – a shortage of money or a desire to have more money

[1] Acts 5:1-11

[2] Mark 7:20-23 "And he said, That which cometh out of the man, that defileth the man. For from within, out of the heart of men, proceed evil thoughts, adulteries, fornications, murders, thefts, covetousness, wickedness, deceit, lasciviousness, an evil eye, blasphemy, pride, foolishness: All these evil things come from within, and defile the man."

- Thrill – Embezzlement happens for a thrill, similar to shoplifting
- Access – money handled often can be covered up when missing
- Opportunity – lack of interest in finances results in owners being too trusting
- Justification (excuses) – "I need it until payday" or "They don't pay me enough anyway"

Embezzlement typically is not a complicated, sophisticated, or well-planned scheme. Instead, it often starts with a small, spur-of-the moment theft when an employee is under pressure to pay for something, has access to cash, can justify it in his mind, and thinks he or she will return it before it is discovered. It may go something like this: "My house payment is due tomorrow, and I'm a couple hundred short; I can take this much and pay it back next payroll, and nobody will know." If it works, that person may do it again next month when the house payment is due, but this time, they don't repay it. If the person isn't caught, it can easily escalate to ongoing, consistent, multiple thefts.

Common Ways Cash Embezzlement Happens

- Not entering a sale on the cash register or pocketing a customer's payment
- Stealing cash from the cash register or the extra cash supply
- Not giving the full change back to retail customers
- Taking money or checks to the bank and depositing some in the company account and some into their own personal account
- Employees paying for personal items with company credit cards, on company accounts, or with company checks
- Employees double-paying a vendor invoice and depositing the extra payment into their account
- Depositing vendor payments in the employee's account rather than sending it to the vendor (This is hidden by destroying correspondence from the vendor. If the payment is for taxes, it is especially critical, because it is easy to identify letters from the government and destroy them, and it might be a long time before it is discovered.)
- Setting up fake employees to cover payments made to the embezzling employee.

Methods to Reduce Embezzlement

The best method to reduce theft of any kind is just good common sense. You wouldn't give your house keys to your employees and tell them to come and go anytime they want to. Instead, you keep the keys in your pocket or only give them to people when it is safe. This removes access and the opportunity for misuse. Here are some ways to reduce cash theft:

- Ensure extra cash supply is secured and not available to one person in private. The owner should handle all cash drawers and extra cash supplies.
- Have another person cross-check the cash in the drawer compared to the cash register record.
- The owner or another key employee could work near the checkout area, making it more difficult for a clerk to pocket extra money. Or you can install cameras near the cash registers. Watch for times when the drawer is opened without a customer around or any type of counting near the register, which indicates the employee is adjusting the cash reports. Also notice when customers are given their change.
- When any employee buys something with a credit card or on an account, they must sign the receipt, list the reason for the purchase, and turn the receipt in to the office. The owner should question any unusual purchase.
- Never use an owner's signature stamp and never use checks with a preprinted signature unless there is a procedure to stop unauthorized misuse!

- Have two people involved in vendor payments—one to write the check and attach the invoices to the check and the other—preferably the owner—to sign and mail the payment. A list of all payments should go to the owner who confirms, by checking the bank statement, that no other payments were made.
- Use the bank's Positive Pay service to confirm that the checks written by the company match the checks that came into the bank.
- Have two people involved in customer payments—one to post payment to the customer accounts and one to run a report for the owner. The owner or another person should deposit the checks, and the owner should get the deposit slips and confirm that the amounts match.
- The owner should get the mail when possible. If another person gets the mail, it should not be the same person who posts customer payments to accounts or writes vendor checks.
- The owner should get the bank statement either online or mailed to their home and reconcile each deposit and check written with reports from the accounting system.
- Listen if a customer complains about employees not ringing up a sale or acting nervous.
- Watch for employees who are eager to work late, work by themselves, not take vacations, or fix things that look wrong in the company financials.
- Lock things up, reduce access to only the employees who need it, and create passwords and multiple levels of computer access.
- Watch for bills and coins that are out of place in cash drawers. This is often a method cashiers use to keep track of "extra money" they have accumulated from overcharging customers or shorting their change. At the end of their shift, they remove the extra cash and correct the misplaced bills and coins when they balance their cash drawers.

Principles that will stop embezzlement the most are:

- *Owners who stay actively involved in money items.* Make anything dealing with money a high priority! Show concern, ask about customer payments, look at and sign outgoing checks, and ask questions when something is unusual. Fill in for cashiers and bookkeepers, sign checks and handle electronic funds transfers, make deposits, get the bank statement, reconcile money records, approve payroll transfers, and review credit card slips.
- *Owner who are aware.* Watch for unusual things around the company, such as employees working late, accountants making unusual transactions or corrections, material or expensive tools being stacked in odd places (especially near a door), good items in company dumpsters, and doors left unlocked.
- *Two people involved in any money transaction, whether incoming or outgoing.* One does part of the transaction and another does the rest, with the owner getting records from each person. This helps to rotate the work or have the owner do parts of the process.
- *Incoming mail never sorted by the person who handles money.* The owner gets the mail when possible.

Of Course We Trust You!

Some owners don't want to implement controls, because it "looks like we don't trust our employees." But at the same time, they don't leave the doors to their shops hanging open and don't leave a pile of money lying around on the workbench. We trust our employees, but we still lock our doors and put our money in the bank. We trust our children, but we still control the cookie jar!

A good way to start exercising control is to explain that we don't want any employee to be blamed for theft of any kind, and so to avoid this, we are implementing procedures for their protection.[1]

[1] Romans 12:17b "Provide things honest in the sight of all men."

An Amish business I know of had several years of success followed by years of declining profits and cash flow. Janette was the company's main bookkeeper and posted all customer payments, wrote and sent all checks, and did all the accounting entries. She had worked there for years, was on the management team, and had proved her value by her knowledge and the amount of work she did.

One day Janette was admitted to the hospital, so the owner's daughter filled in until Janette could return. A few days later she came to her dad and said, "We have a big problem!" In trying to discern how to do entries, she had stumbled upon checks written from the company checkbook that paid Janette's personal bills, and there were not just a couple entries; there were many over a period of several years!

The situation was turned over to an outside accountant to research and quantify the amounts. The final summary showed that Janette had been able to successfully embezzle more than $750,000 over a period of several years! She had hidden it by changing the names of whom she wrote checks to, making it look like the payments went to the company's normal suppliers. Janette's hospital visit wasn't just a sickness—she was admitted for attempted suicide because of a company change she knew meant she would soon be caught. Surely our sins will find us out![1]

Before leaving this subject, it is important to consider a couple final things. One, since embezzlement proceeds from a heart of deceit, it is worth examining our own hearts. Though we may have never considered embezzling, we might need to consider other manifestations of deceit that we have permitted in our actions. Rather than simply thinking with horror of the possibility that anyone could embezzle from our business, it is good to remember the waywardness of our own hearts and to recommit to our own repentance and walking in the light.[2]

Next, a discovery of embezzlement should be handled with great grace toward the offender. This does not mean with permissiveness but with a desire for the welfare and restoration of the embezzler. This could be very challenging when the reality of the situation unfolds. Yet, the manner in which a business owner responds may make a world of difference in whether an embezzler ends up in repentance or in the hospital. While never shielding the wrongdoer from the consequences of sin, an employer could still shine a bright light of testimony and draw forth a deep sense of gratitude and loyalty by helping an employee work through a process of correction and restoration.[3]

Both stories cited in this article were Anabaptist businesses that employ plain folks. They could be any business in your community. Both employees were highly trusted people valued by their employers. Ivan was a good brother in an Anabaptist church. Thankfully, he confessed openly and made everything right. Janette was a very trusted employee and friend of the other Amish employees. They even spent evenings in her home together. Both could be the person working beside you in your business—but both embezzled and stole from their employers.

Both businesses left the door standing open, the cash lying around, the keys available, and the cookie jar unattended, so to speak. Both embezzlements could have been avoided if the owners would have put in place some of the simple controls mentioned in this article. It's a benefit for all to pay attention and keep an eye on the cookie jar in our businesses.

[1] Numbers 32:23b ". . . be sure your sin will find you out."

[2] 1 John 1:7 ". . . walk in the light, as he is in the light."

[3] Galatians 6:1 "Brethren, if a man be overtaken in a fault, ye which are spiritual, restore such an one in the spirit of meekness; considering thyself, lest thou also be tempted."

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