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"Where the Spirit of the Lord is, there is Liberty" II COR. 3:17

Digital gumshoes

Alarmed at employee theft, companies turn to technology

By Gregory Weaver gregory.weaver@indystar.com June 16, 2003

By smuggling dozens of video game compact discs out of his factory every day, a Hoosier laborer made an extra \$6,000 a month by selling them on the black market.

An Indianapolis coffee shop worker padded her pay by failing to ring up the first hour of sales each morning -- and pocketing customers' money.

A Castleton-area furniture deliveryman liked the merchandise so much he found a way to sneak an expensive leather living room suite out of the warehouse and into his home.

Each scam ultimately was discovered. And the workers lost their jobs, thanks to evidence gathered by Phenix Investigations Inc., one of a handful of Indianapolis firms that specialize in going undercover for area businesses intent on catching in-house thieves.

Brian Bauer, Phenix president, said workplace spying and electronic surveillance have become a growing business as employers battle an employee theft problem that is on a record-setting tear.

"It keeps us busy," said Bauer, who uses a combination of tiny surveillance cameras, employee interviews and undercover agents posing as workers to break up workplace theft and drug rings.

Last year, the nation's retail industry alone lost an estimated \$15 billion from employee theft, according to a survey of retailers conducted by the University of Florida's Security Research Project.

Retailers estimated that 48 percent of all inventory lost in 2002 was caused by employee theft -- the highest percentage ever recorded in the survey's 10-year history and a figure that far surpasses the 32 percent attributed to shoplifting last year.

"It used to be that shoplifting and employee theft were considered to be equal causes of inventory loss," said Richard C. Hollinger, the survey's director.

"The best guesstimate today is that employee theft is a much greater concern, perhaps because employees no longer see retail as a career and lack a devotion to their employer."

Theft concerns among retailers, manufacturers and other industries keep business humming for specialized private investigation firms.

While federal privacy protections have made some companies leery of allowing outside investigators to trail their workers, many of them still seek the investigators' advice on how to install surveillance systems.

Charles L. Brown, owner of a Fishers investigation agency that bears his name, estimated that the surveillance-design portion of his business has increased 75 percent in the past five years.

"There's no question that businesses are installing more surveillance cameras to take advantage of the advances in technology," he said.

Finish Line Inc., an athletic shoe and apparel specialty chain based in Indianapolis, recently increased video monitoring in public areas of its stores.

Unlike the trends found in the national survey, however, Finish Line has noticed a leveling off in employee theft and an increase in shoplifting, said Mike Smith, the company's senior vice president for loss prevention. He attributes the increase in customer theft to the popularity of the chain's sports jerseys.

However, new surveillance tools make employee theft easier to monitor, Smith said.



The tiny hole in the middle of this device, held by Brian Bauer of Phenix Investigations in Indianapolis, actually is the lens of a camera. Investigators can hide such surveillance tools, which send video to a remote location, to record possible evidence of theft.

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Small but powerful: Investigators doing corporate undercover work use surveillance tools such as this pager. It has a tiny hole for a camera lens, which can give a view of what is happening in a room.

Internet technology allows video feeds from all stores to be sent to the chain's central loss prevention office. The video then can be checked whenever cash register audits turn up suspicious activity.

Loss prevention officers simply determine when the suspicious transactions were processed, then find the video for the corresponding date and time. If the video shows a worker putting money from the cash register into his pocket, the case is solved.

The process is a lot more efficient than the old days when videos were kept at each store and had to be physically retrieved, Smith said.

Phenix usually is called in by businesses that don't have their own loss prevention departments or lack surveillance systems sophisticated enough to capture suspected criminal activity.

Among the tools of Bauer's trade are tiny cameras with pinhole-sized lenses that can be hidden in ceiling tiles, wall clocks and desktop radios.

His undercover agents who pose as workers often bear tiny cameras hidden in cell phones or beepers that they wear around their waists.

An overhead camera helped catch the coffee shop worker who was pocketing the money from early-morning sales.

But it was old-fashioned gumshoe work that caught the video game thief.

"We observed him going to the post office and shipping large volumes of games that he sold on eBay," recalled Tony Jarana, director of special investigations at Phenix.

Workers routinely confess and quit their jobs once confronted with taped evidence, Bauer said.

That evidence then is used as leverage to persuade the employees to make restitution or face prosecution. And restitution often must cover the cost of the investigation as well as the cost of the theft.

An employee at a commercial real estate company recently agreed to pay \$11,000 in restitution for an investigation into \$2,000 worth of home improvement materials he had improperly charged to the company.

"You'd be surprised how many people can come up with that kind of money in order to save their own skins," Bauer said.

Some employers, however, are reluctant to seek prosecution because they don't want the bad publicity that often accompanies a worker's arrest, said Ken Yerkes, an employment attorney at Barnes & Thornburg.

"It's a judgment call," Yerkes said. "But if you want to send a message, you prosecute."

Finish Line and some other retailers believe that actively pursuing criminal charges serves as an effective deterrent.

Earlier this month, a Greenwood Park Mall store turned in an employee accused of giving unauthorized discounts and free merchandise to friends.

Accusations by the Gadzooks clothing store resulted in the employee being charged with theft.

Smith, the Finish Line executive, said the time and expense of aggressive enforcement are more than offset by the savings generated through the thefts they deter.

He said an effective deterrence program must start with a hiring process that screens out problem applicants and warns new hires of the consequences of theft.

Galyan's Trading Co., a Plainfield-based athletic and outdoor retailer, credits its reference-checking with keeping employee theft below the industry average.

But Mike Hiatt, who owns the Racer's Edge NASCAR merchandise store in Daleville, believes he has found a more effective way to prevent employee theft.

"I've been burned so many times, I really don't hire anyone to help me anymore," Hiatt said.

"I depend on myself and on family and close friends to help. They're the ones I can trust."

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