

18. Theft and Damage

When you get that call . . .

The telephone rings. It's Mrs. Smith, and she's not too happy. She tells you that she noticed her two-karat diamond ring missing shortly after the team was there last. Your heart skips about six beats, you stammer and haw and stammer and tell Mrs. Smith you'll look into it and get right back to her.

Now what do you do?

The Subject of Employee Dishonesty

Thankfully, with careful screening of resumes and interviews, this situation does not arise too often, but employee dishonesty is a potential reality on which you must be cognizant of. It does not mean that all employees are often committed by a perpetrator you know best. The opportunity to take other people's things increases when employees can easily leave valuables around for easy pickings.

Hopefully, getting a call from a client accusing your employees of stealing is an experience you will have, but it won't have to happen too often. However, odds are that you will get a call from a client sooner or later. So, as discussed as well as in the chapter on employee dishonesty, take steps to address the problem.

An Overview of Prevention

It's important to implement a Safety and Illness Prevention Program to reduce job-related injuries and worker's compensation claims, so it's important to take preliminary measures to minimize incidents of employee dishonesty and thereby reduce insurance claims.

If you've ever suspected that your employees are stealing, you're probably going to find out. The problem is compounded because if an employee steals from you, he or she is likely to do it again, and from more than one client.

Several incidents in one fell swoop can create a serious dip in your bottom line (not to mention the hassle of dealing with the police, the insurance company, and perhaps the court system).

We're going to discuss steps you need to take to minimize the potential for employee dishonesty and perhaps head off theft problems:

Fingerprinting is a Deterrent

You can have your employees fingerprinted at the time of hire. Purchase your own portable fingerprinting station for about \$120. Fingerprinting employees, particularly in positions of trust such as your employees are placed, is becoming more and more common in the workplace.

Portable Fingerprinting Station: PI-39

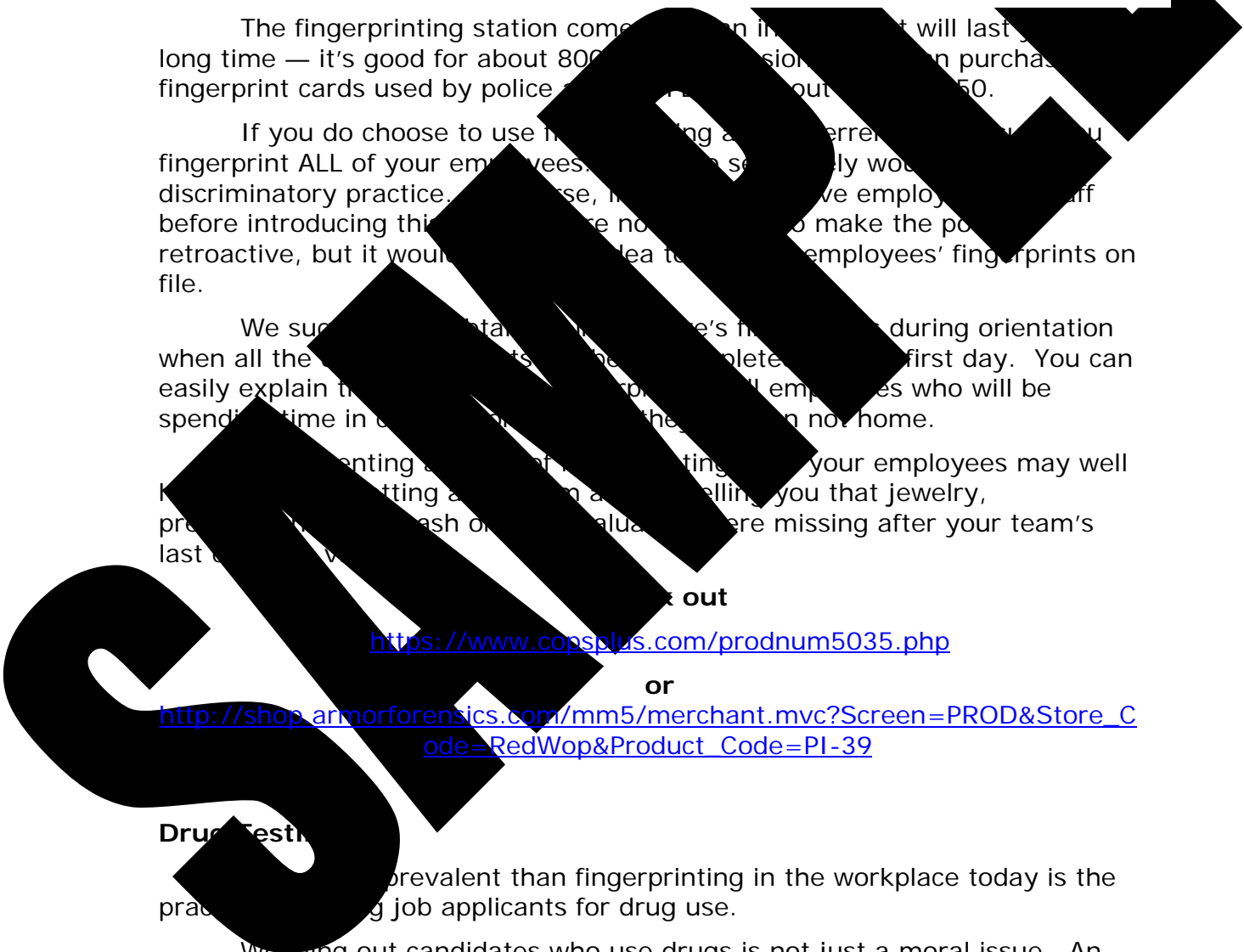


The fingerprinting station comes with an ink roll that will last a long time — it's good for about 800 impressions. You can purchase fingerprint cards used by police departments for about \$0.50.

If you do choose to use fingerprinting as a deterrent, you must fingerprint ALL of your employees. It is not a selective process and would be a discriminatory practice. In any case, you must give employees 30 days notice before introducing this practice. You cannot make the policy retroactive, but it would be a good idea to have employees' fingerprints on file.

We suggest that you have all new hires' fingerprints taken during orientation when all the company's policies have been completely explained. You can easily explain the reasons for fingerprinting to all employees who will be spending time in your company's facilities and those who do not spend time in your company's facilities.

Fingerprinting is a good deterrent. Your employees may well know that you are fingerprinting them and that you are telling you that jewelry, personal items, cash or other valuables were missing after your team's last shift.



<https://www.copsplus.com/prodnum5035.php>

or

http://shop.armorforensics.com/mm5/merchant.mvc?Screen=PROD&Store_Code=RedWop&Product_Code=PI-39

Drug Testing

More prevalent than fingerprinting in the workplace today is the practice of testing job applicants for drug use.

Weeding out candidates who use drugs is not just a moral issue. An employee who is using drugs can be a hazard to herself, fellow employees and your company's reputation.

House cleaning employees who use drugs are likely to steal prescription drugs from clients' homes. And if they're highly addicted to drugs and have an expensive habit, they're likely to steal more than just prescription drugs.

You may want to consider pre-employment drug testing as a condition of hire. This practice, along with fingerprinting, is more of a source of prevention. It's potentially a ton of prevention!

Background Checks

We discussed this earlier as part of the Five Step Selection Process. Here are some statistics that we didn't mention, which emphasize the importance of not skipping this step during your recruiting effort:

- 7% of applicants have criminal records
- 11% of applicants had a bankruptcy
- 15% of applicants were previously terminated or rehired
- 20% of applicants had more than one violation, such as traffic accidents, a DUI or DWI, or a suspended driver's license
- 25% misreported their education and credentials
- 32% misrepresented their employment records

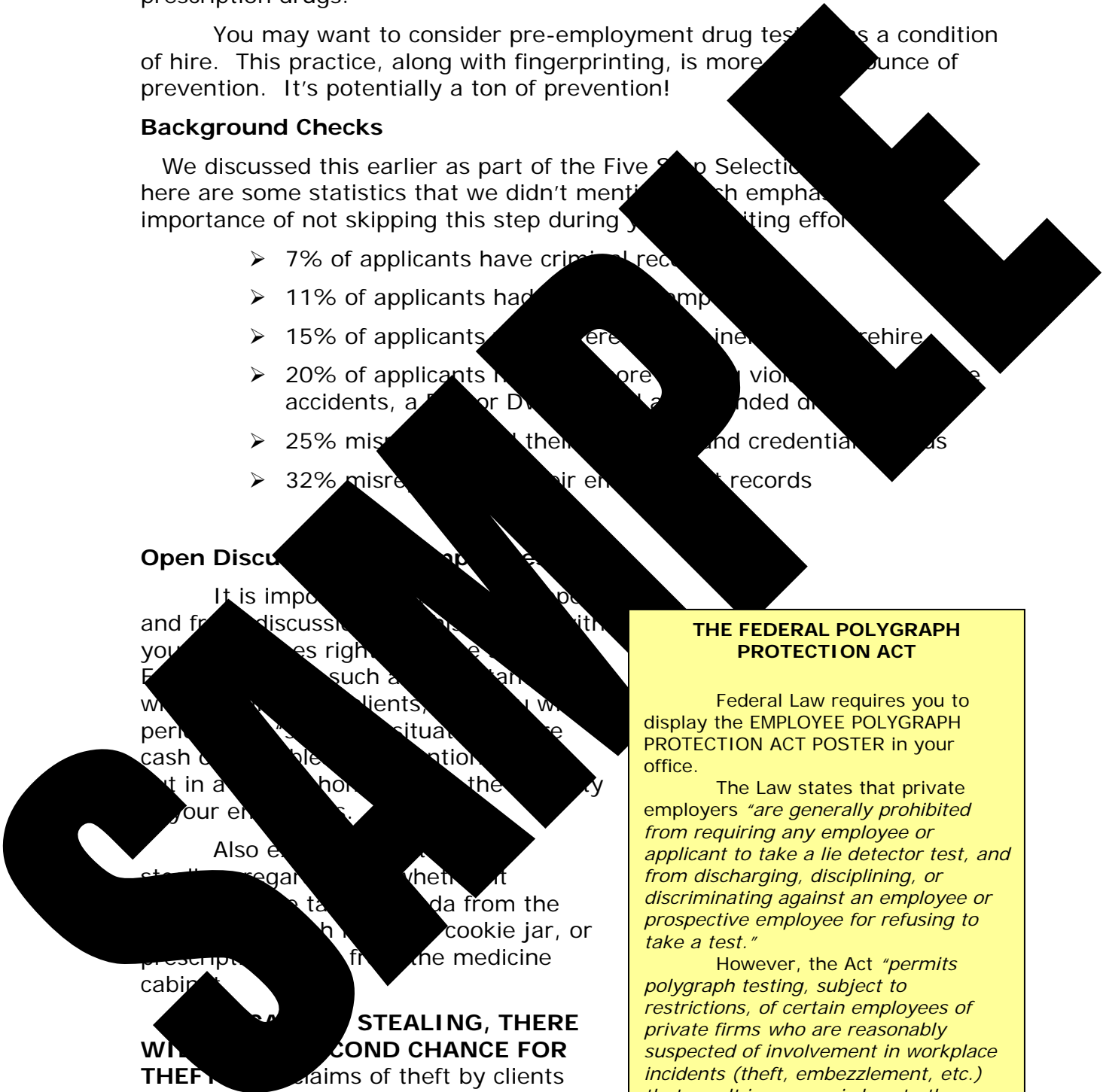
Open Discussion

It is important to have an open and frank discussion with your employees right from the start. For example, such as when you work with clients, you will perform services in situations where cash or valuable information is out in a home, and the safety of your employees.

Also explain to your employees that you will not tolerate theft. If you find a client's cash, a cookie jar, or prescription drugs from the medicine cabinet.

IF YOU FIND A CLIENT'S CASH, THERE IS NO SECOND CHANCE FOR THEFT. Any claims of theft by clients will be reported to the police.

If legal in your state, explain that in the event a client accuses your



THE FEDERAL POLYGRAPH PROTECTION ACT

Federal Law requires you to display the EMPLOYEE POLYGRAPH PROTECTION ACT POSTER in your office.

The Law states that private employers *"are generally prohibited from requiring any employee or applicant to take a lie detector test, and from discharging, disciplining, or discriminating against an employee or prospective employee for refusing to take a test."*

However, the Act *"permits polygraph testing, subject to restrictions, of certain employees of private firms who are reasonably suspected of involvement in workplace incidents (theft, embezzlement, etc.) that result in economic loss to the employer."*

Check regulations that may be specific to your state.

company of theft, each employee on the team will be required to take a polygraph test.

Emphasize that it is your policy to cooperate in any police investigation and criminal proceedings. If appropriate, criminal charges will be laid and perpetrators will be prosecuted to the full extent of the law.

Also explain that all of your employees are bonded and that the insurance company will also seek restitution from the perpetrator upon conviction.

Educate Your Clients

It's important to educate your clients as to why your employees do what they do because you wear a seat belt doesn't mean you drive carelessly, and because your employees are bonded doesn't mean they can be careless with their valuables.

Advise your clients not to leave their valuables in plain sight, or where they're readily accessible. They should put their papers away before the employees arrive, and not leave them (or intentionally) discarded around.

Certainly, tell your clients about the background checks you do before hiring anyone, how you monitor the integrity of your employees, and how your company has a fidelity bond in place for an amount of \$25,000 per employee (or more, depending on the circumstances). In the right circumstances, that can be a great benefit to some people. That's why your clients should be especially cautious to avoid initiating a termination.

What to Do if That Occurs

If you call a client and they call you something missing, the first thing to do is confirm your own suspicions. Don't panic. And don't go ballistic, either. First of all, if the client really suspects foul play on the part of one or more of your employees, it's only possible that the item may have been misplaced, moved by another family member, or even stolen by somebody

... If you can't assure the client that you are concerned about the allegation, tell them you will cooperate in any way you can. However, ask the client if there is any possibility that the property might have been misplaced. Is it possible there was a break-in by a third party, or might someone else have taken the article(s)?

... Advise the client that if he or she really suspects your employees of taking the goods, he or she should immediately contact the police and file a stolen goods report. Tell the client you will certainly cooperate with the authorities in their investigation.

You should also contact the authorities yourself and ask them for advice on how to proceed in dealing with the situation relative to the allegations made against your employee(s). With their experience in these matters, they should be able to be of some assistance.

Don't Assume Anyone Is Guilty

Obviously, charges of theft, no matter how small the amount of the merchandise, are very serious. You can't put off raising the issue with the team in question. For one thing, continuing to send the team to clients' homes when allegations of criminal wrongdoing have been made is opening yourself up to increased liability.

Should such allegations arise after you've been alerted of possible theft by the same person or people you know are guarding the property of other clients.

At the earliest possible time before the employee goes on more assignments, you need to raise the subject of investigation with each member of the team. When doing so, be sure to follow the following points:

- ✓ Speak to each team member alone, starting with the team leader.
- ✓ Explain that Mrs. Jones has reported to the police that after the team's last visit, she noticed some jewelry missing from her home.
- ✓ Ask if anyone has ever reported missing valuables, or does she know of anyone who would be likely to tell on you?
- ✓ Emphasize that it is not your intention to accuse anyone of wrongdoing. You may have misplaced trust in your team(s), but you have a responsibility to follow up on such allegations.
- ✓ Advise your legal representative that you will advise each employee that you will require each team member to take a polygraph test, which is a lie detector test, which is a way of saying you believe that you do not know who stole the jewelry.
- ✓ Also advise your legal representative that you have been contacted (or will be contacted) by the police and that you would like to interview each team member.
- ✓ Advise your legal representative that you cannot send the team out to clients' homes until the investigation has been completed (unless, of course, a suspect has been identified or is otherwise identified).
- ✓ Remind your team that if they know that a fellow team member is involved in a crime, they could be charged as an accessory. It would be a good idea to cooperate in the investigation if they know of anything, or if they learn of anything.
- ✓ Don't overreact to body language. Being suspected of a criminal activity can make anyone nervous. Remember the American Way . . . innocent until proven guilty.

Notify Your Insurance Company

Contact your bonding insurance company immediately. They will ask you to give them a complete report. When? Who? What was stolen? They may also want a copy of the police report that has been filed in connection with the charge (which they will likely obtain directly from the police department).

Any settlement with the client should be mediated by the insurance company. Therefore, advise the client that you and your insurance company are in touch with them directly, and that you have no authority to make a settlement on behalf of the insurance company.

Damage to Clients' Property

Accidents can happen, and they happen to you, too. And that of each member of your cleaning staff is a very important part of preventing damage in your clients' homes. Most accidents are the result of negligence, and just plain common sense can be a frequent subject during staff meetings. Awareness at all times can prevent most accidents.

Rules To Abide By

A. **Never** try to fix a problem on your own if you are not sure. If damage occurs to a client's property, report it immediately. Report it to the Team Leader. The Team Leader should report it to the client.

B. **Never** try to fix a problem on your own if you are not sure. If damage occurs to a client's property, report it immediately. Report it to the Team Leader. The Team Leader should report it to the client. Do not give the client an apologetic note, or call the client to tell them what happened. Don't wait for the client to call you to report an accident.

C. **Settle** any claim with the client. If damage occurs, it is not up to your cleaning staff to settle the claim. You don't want your staff committing to replace a living room carpet, or to replacing the dog that accidentally let out of the yard.

D. **Deal** with claims **directly**. Most insurance policies have a deductible amount that you will have to pay before the policy kicks in. If it is a small claim, it's not worth taking the chance of paying out over a few dollars.

E. **Don't** discipline employees for owning up. Disciplining an employee who reports causing damage to a client's property would be counterproductive. They'll try to hide it, or deny it, the next time.

When a Client Calls To Report Damage

If your employees are truly reporting all breakage they do, there shouldn't be any valid calls complaining of damage done by your staff that you weren't already aware of (unless, of course, you were aware but had so far failed to contact the client before she called you).

If the team had notified you in advance, advise your client that they had already reported the mishap to you, and that you would contact her to discuss it. If this comes as new news, thank the client for notifying you, and ask what appears to have happened, what was damaged, and what its value was.

In the event the damage was minimal (broken ashtray, for instance), ask its value and offer to send a check for that amount. Go one step further. Pick out a nice ashtray and have them drop it off on their next visit. These extra few dollars go a long way to cement your client's help cement her continued loyalty.

If the breakage is more serious, all you can do is to file a claim with your insurance company and keep the client in contact with her within 24 hours. Your insurance company will contact her immediately.

What About Denial of Claims?

One of the biggest problems with business insurance is that the insurance company will deny a claim in the event of a claim.

If your employees deny being responsible for the damage, even though the client claims they were, the insurance company may determine that they are not responsible and pay the lesser or no amount. This makes them, not your employees, (although the denial may still not endear your client to you).

Even if the insurance company denies a claim (most won't go to the trouble or expense), the client will know that the insurance company found you not responsible in their investment case.

Insurance coverage in these situations is often a matter of making a decision: if your employees deny being involved, who do you believe? The client or your employees? You're certainly not going to save a client's business by implying she's not telling the truth about the incident. Can you afford to satisfy the client's demands for the sake of good will? Can you afford to do so?

Consider what it costs to replace a lost client, and consider that it may be more expensive to satisfy the client's claim than it is to spend money to get a new one.

Are You Adequately Insured?

Aside from the standard coverage most insurance companies offer, like Property and Equipment Floaters, your General Liability Package should include the following specialized coverage:

Coverage You Should Have

✓ *Care, Custody and Control* This provides coverage to property your employees are working on. This is excluded on all policies and must be endorsed on a form which makes the policyholder's most important coverage. Your policy should provide for \$150,000 coverage, and Control protection.

✓ *Lost Key Coverage* This covers the cost of a key if someone loses a key to your business.

✓ *Employee Dishonesty* This liability coverage protects you and your business from dishonest acts by your employees. Check your policy carefully to see if it covers third-party bonding. Most policies only cover the employee's dishonest acts of embezzlement.

✓ *Completed Operations* This covers the disappearance of your property because of a negligent act or omission of your employee.

Questions to Ask Your Insurance Underwriter

✓ *If the crystal lamp that I'm dusting should slip from my hands and break, will I be covered?*

✓ *If I clean a marble on the entryway floor, I accidentally over-polish it, causing the marble to lose its shine. As a result, the entryway marble has to be replaced at a cost of \$5,000. Will I be covered?*

✓ *If I fail to lock the door when I leave the home and, as a result of a robbery, the home is robbed, will I be covered?*

✓ *If I throw away valuable papers that were on the floor next to the waste basket by mistake, will I be covered?*

✓ *Are all my employees bonded for third-party theft?*

- ✓ *Do I have replacement cost contents?*
- ✓ *Do I have replacement cost equipment?*
- ✓ *Do I have replacement cost Bailees?*

Get the Best Insurance You Can Find

Finding a company to underwrite the general liability insurance coverage you want may not be a simple matter. If you choose the underwriter that you provide thorough training and have a Safety Program **that you enforce**, it may help you

To the best of our knowledge there is no company that will insure independent house cleaning companies nationwide. One of the advantages of being a member of a franchise organization is that insurance companies know that franchisors mandate training and policies and maintain records. Franchised house cleaning companies have a proven record of success with independents.

You want to do your best to get the best underwriter you can. Come as close as possible to getting the type of coverage we just described. Your state department of insurance may be able to point you in the direction of underwriters who write policies for your industry classification (SIC 8019)



Document relating to

Theft and Damage

Breakage/Damage Report Form

SAMPLE