

Employee fraud checked with smarter devices

Raymund Flandez | September 26, 2008

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FOR small businesses, preventing theft and fraud by employees can be an uphill struggle.

Now a new generation of security technology aims to give small businesses an inexpensive defence against unscrupulous employees.

Here's a look at some of the most innovative new security systems out there.

WATCHING FROM AFAR

For a small business owner worried about employee theft, leaving the shop in someone else's hands can be nerve-racking. Now a host of security providers let bosses check in on things from the road.

For instance, Alarm.com, of McLean, Virginia, sells a system that allows owners to travel to a web portal and get remote feeds from security cameras, change entry codes and trigger sensors that monitor systems such as lighting and climate control. If a problem arises with those systems -- such as a power outage -- you can get an alert via a text message or email.

Recently, Kevin Donahue, owner of a Planet Beach Franchising Corp location in McLean, was in Amsterdam on business when he received a text message from Alarm.com: the spa's alarm system had been armed at 3pm, before the usual closing time. He checked the security cameras online and saw the facility was dark.

So he called his manager and got the explanation: the spa had closed early because of a snowstorm.

"The greatest thing is that it gives me the ability to travel and do the things that I do," says Donahue, 34, who is also a full-time salesman for a tech company and often travels outside the US on sales trips.

"It gives me the ability to manage my staff remotely. I can call and say, 'What's going on?'"

SAFEGUARDING CARDS

Another new technology helps small businesses -- particularly restaurants -- protect against "skimming". In this scam, cashiers steal customers' credit card information for use in identity theft.

About 70 per cent of credit card fraud cases involve skimming, according to Trustwave Holdings, a data security and compliance management company based in Chicago. In many cases, business owners are ultimately held responsible for their cashiers' crimes.

For some businesses, the solution is to let customers become their own cashiers. At Southeast Grille House in Brewster, NY, servers bring a wireless gadget to their customers' tables. Patrons can swipe their credit cards on the device -- which is about the size of a brick -- punch in the tip amount and print out a receipt to sign, all from their seat.

Since the customer enters all the information, cashiers can't inflate the tip -- and the receipts don't contain much personal data that could be stolen and used for identity theft.

CHECKING OUT FRAUD

At grocery stores thieving employees are almost as much of a problem as shoplifters. About 40 per cent of grocery store thefts were attributed to employees in 2006, according to the Food Marketing Institute's Supermarket Security and Loss Prevention 2007 report. One of the biggest problems is "sweethearting", in which cashiers give friends and family freebies by pretending to scan items at the register.

Many stores use closed-circuit television to watch checkout lines. But they often don't have the time or manpower to review the tapes, so the cameras are not a strong deterrent. StopLift, of Bedford, Massachusetts, has devised a system that combines cameras with advanced software to spot sweethearting automatically. The technology can recognise when cashiers make unusual movements when handling items -- such as placing a hand over a bar code -- and determine whether the items were properly scanned. When the system identifies sweethearting it places blinking squares over the video to show exactly where the theft occurred. Then it gathers the incriminating clips together for owners to review.

Three Big Y Foods stores in Massachusetts and Connecticut have been testing StopLift's Checkout Vision Systems for five weeks. Mark Gaudette, director of loss prevention at the Springfield, Massachusetts, grocery chain, suspects employee theft accounts for 38 per cent to 40 per cent of its total losses.

"We've got pretty much a zero-tolerance policy for any folks that steal," Gaudette says. "What we're hoping is that all these technologies will help us in loss prevention and educate all of our staff."

The stores had already been using closed-circuit television and software that scrutinises sales data for abnormal behaviour or inconsistencies at the cash register, such as excessive voids or refunds. But those measures were not enough to stem the losses.

StopLift's system works with those tools to ferret out sweethearting. So far, Gaudette says, he has spotted some sweethearting incidents, but he has seen a lot more cashier errors, such as giving up on hard-to-scan items instead of calling the manager for help.

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