

# Internal THEFT: *Protection for Pharmacies*

Digital video recorder-based surveillance systems and other emerging technology can help reduce “shrink”

*By Van Carlisle*

**A**ccording to several statistics, retailers lose tens of billions of dollars annually to employee theft, or “internal shrink,” as it is known in the parlance of security and loss prevention professionals. The 2004 University of Florida National Retail Security Survey study showed that employee theft remains the single largest source of inventory loss in retail. The same study showed that among retail categories, pharmacies have the second-highest employee theft rate.

Relative to other retail categories, pharmacies are extremely proficient at securing inventory. A pharmacy may have stringent, robust, and up-to-date measures in place to prevent theft of drugs, OTC items such as ephedrine containing cold medicine, and high value health items. Yet it still has one or more point-of-sale

(POS) devices that are vulnerable in terms of the most common form of employee theft: cash pilferage.

Catching an employee in the actual act of the theft itself is very challenging, and it is almost as difficult to detect theft after the fact, since it is costly and time-consuming to perform thorough cash and/or inventory audits on a frequent basis. Even in cases when there is a well-founded suspicion of ongoing internal theft, a pharmacy owner or operator is hard-pressed to render an accusation without hard physical evidence, as he/she is then an easy target for a lawsuit without solid evidence to support the accusation.



*Retailers lose tens of millions of dollars annually to employee theft—much of which can be prevented.*

There are quite a few ways a cashier can steal cash at the POS. The most common method is to wait for a customer to pay with exact or nearly exact change, and simply ring a no-sale and pocket the cash.

### Why Employees Steal

Why do employees steal? It can be summed up in one word—opportunity. A common (and expensive) fallacy is that most employees who pilfer are already “dirty.” Therefore as long as a pharmacy develops and utilizes a thorough and extensive hiring process, they will be able to weed out these people via background checks on applicants, reference checks, and standardized pre-employment honesty and ethics tests. While these are admittedly better than making hiring decisions solely based on “gut feelings,” none of these methods are even close to foolproof.

This highlights the major weakness associated with human resource-driven employee theft mitigation. The

reality is that internal thefts usually occur not necessarily because an employee is ethically challenged and always intended to steal cash. Often it’s simply an irresistible opportunity that has presented itself, with a low risk of being caught. Rising living costs and stagnant wages levels for lower-tier earners, such as retail clerks, cause the threshold for the decision of an employee to commit theft to be much lower than most people think. Most employees who steal are not professional thieves. In most cases they do experience uncomfortable guilt emotions, which are overcome by rationalizing the act, such as thinking, “They take such advantage of me through low pay and long hours, so I’m evening the score.” Or, “They make so much money, no one will miss what I take anyway.”

According to Keith Aubele, a veteran retail security consultant with The Loss Prevention Group, “Some employees will steal when the reward is perceived to be greater than the risk, and when there is a clear window of opportunity.” He continued: “Our objective, as loss prevention professionals, is to use the tools and methods at our disposal to increase the element of risk, and to eliminate the opportunity to steal.”

The bottom line is that human behavior always has and always will be the “x-factor” in security situations. Trying to defeat employee theft solely by changing human behavior can be a difficult, expensive and ultimately unsuccessful process.

With regard to technology, Aubele says, “It is critically important for retailers to utilize refined systems tools, including exception analysis reporting, an advanced surveillance system, and a well-trained and educated investigative staff when approaching the internal theft problem.”

### How to Stop It

Based on the observations of the driving factors behind most employee theft, it is obvious that any method that allows for the removal of the theft opportunity will be a much more effective measure than one that attempts to detect and (after the fact) record employee thievery. So, while employee theft may be a human resources problem, one of the most proven, effective solutions lies not in human interaction or manipulation, but in technology.

The technology solution that makes undetected employee theft next to impossible is a digital video recorder

(DVR)-based surveillance camera system, which records all in-store activities, including the point of sale(s). The key factor here is that the DVR system is set up to interface with the POS, and when necessary, can produce an exact digital replica of every sales receipt (commonly called “POS data”) to track every purchase or transaction.

Many pharmacies already deploy some form of closed-circuit TV video security system. However, a video surveillance system becomes much more valuable when it’s integrated with the POS solution. POS integration essentially makes the process of reviewing video footage of a cashier’s activities much more efficient. The integrated system can index specific events that occur at the POS station, such as sales over a particular dollar amount or returned merchandise, and review the video footage that corresponds with those events to confirm (with little room for doubt) that an act of theft has or has not taken place. POS data that is extracted from the DVR system can also be used to search for corresponding images or video captures (such as images related to a particular incident), as well as triggering recording and creating audit trail entries.

Consider the typical situations where store owners, management, or loss prevention personnel might suspect ongoing employee theft. It is simple to note that a particular shift consistently and inexplicably logs higher-than-usual no sales, voids, cancels and returns—all possible indications of internal theft. To confirm suspicions, evidence is required. If the pharmacy is not equipped with a DVR that is linked to the POS, the concerned party would have to unroll dozens of feet of journal tape and manually check off every suspect transaction, and then he or she would have to go through literally hours of video footage to match the transactions. This tedious process costs time and money, a fact of which a thieving employee is usually well aware.

### Real-Time Information

When the DVR with POS interface is installed, mitigating internal theft becomes quite a different set of actions. Every transaction can be digitally stored, cross-indexed with the video footage, and easily searchable—right down to the second. The sales receipts of every single shift can then be quickly and thoroughly examined, and questionable transactions or other red-flags that may indicate internal thievery can be noted for closer scrutiny. POS data can be readily used as sufficient evidence to build a strong case against a dishonest employee, immediately involve law enforcement, and file charges, if necessary. The DVR with POS

interface also allows store owners and management to observe their locations in real time, allowing operators to keep an eye on who’s doing what and when, and to deter employees from various schemes to “steal” besides outright theft of money and merchandise (such as false time clocking, sleeping on the job, or letting friends shoplift, to name several).

According to most operations that have deployed a DVR that is integrated with the POS, it usually does not come to that. Once the system is installed and employees

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are presented with a simple five-minute demonstration of the system and its capabilities, two things usually happen. The first and immediate occurrence is that one (or more) employees who are stealing will realize that the ride is over, so to speak, and simply quit. The second is that sales go up. In most cases it is dramatic enough to enable the store owner to recover the cost of the DVR within six months or less.

In the modern era of increased competition and decreasing margins, many pharmacies are looking for ways to boost revenues any way that they can. As a result, they are starting to put more emphasis on loss prevention as a means to reduce the costs of inventory “shrink.” AMR Research, a technology advisory firm for the retail sector, released a report in 2001 that stated: “Loss prevention technology is a great bet in a down economy—dropping shrink from two percent to one percent of sales has the same net effect on profit as a 40 percent increase in sales.”

The bottom line is that DVRs linked to the POS are the next evolution in surveillance and have proven quantifiably successful in reducing losses through employee theft. As one expert in retail loss prevention has said, “Using a DVR is like plugging a leak in your cash register.” **AP**

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Van Carlisle became president and CEO of FireKing, one of the premier security and loss prevention companies in the nation, at age 24 in 1975. Carlisle brings a unique level of security expertise to the company. For more information, please visit [www.fireking.com](http://www.fireking.com).

