



"I've been ripped off!"

by Ellen Rohr

Every couple of months, I hear a horror story from a contractor who was ripped off — by one of his employees. These are sad, sorry tales. Tales of lies, misplaced trust and broken hearts. How does it happen? And how can you keep it from happening at your small shop? Good questions. Let's take a look. Here are a few popular ways to rip off the boss:

- Moonlighting
- Pocketing cash tickets
- Fudging on time cards
- Charging personal items to your credit card
- Processing phony payables — "Pay to the order of Ms. Employee"
- Taking office supplies or inventory for personal use
- Depositing sales revenues into own account
- Fudging on payroll

Certainly, I could make a longer list. But that would be too depressing. The worst rip-off method I've heard of? A friend of mine discovered that his bookkeeper was depositing the payroll tax deposit into her personal account. She stole over \$25,000 before she was found out. But even worse, my friend was liable for the missed payroll taxes and the late penalties.

Embezzlement is a nasty subject. Makes you feel dirty even talking about it. In a small shop it hurts even more than in a large company. A small shop is like family. It may even be family!

When you start out in business, you do everything yourself: run for parts, answer the phone, sweep the shop, etc. All that is in addition to handling the service calls. As you develop your business, it makes sense to find, hire and train competent people who can do some of the tasks that you've been doing yourself.

What a relief it is to hire Beatrice Bookkeeper! Maybe she has a business degree and lots of experience. Perhaps she is a lot better with the "ten-key" machine than you are. Anyway, you are delighted to turn the accounting duties over to her so that you can devote your time to other things.

Each day Beatrice takes on more and more responsibility. Life gets easier! She answers the phone and makes the deposits. And you forget all about the financial side of the business. You pat yourself on the back for your delegation skills.

Then, the bomb drops. While leafing through the mail, you notice the quarterly payroll report from your payroll service. An entry catches your eye, but you have to read it three times before it sinks in: Beatrice's check reflects wages for a 40-hour work-week. But she only works 20 hours a week! Beatrice has been



padding the payroll. In a panic, you race to the file cabinet, and discover that there are no quarterly reports in the file. They should be there! Your stomach knots up, you start to sweat and, flabbergasted, you wonder, "Can this be true?"

Sooner or later, every embezzler is exposed. Usually, through some out-of-the-ordinary activity, you discover something suspicious. One fellow told me he noticed a service call only invoice for a good, regular customer. He called the customer to make sure that there wasn't a problem. The customer assured him that the service tech had done a terrific job replacing his faucet. However, the customer did find it odd that the technician offered 10 percent off if he paid in cash.

Another contractor uncovered an embezzling problem when his credit card was declined for being overdrawn. Embarrassed, and confused, the contractor raced back to the office to check the statements and discovered that he was over his limit with charges that he didn't make. Another contractor caught his customer service rep selling service calls to another plumbing company.

Why does an employee steal?

• *He feels you owe it to him.* Joe Tech is basically a good guy, not a convicted felon. So, for him to justify stealing, he will rationalize his behavior. "I've been working past 6 p.m. every night for a week. I'll just keep the cash on this call. I deserve it!"

• *He means to pay it back.* Bob in accounting is just strapped for cash right now. As soon as he gets his insurance settlement, inherits his father's money, or wins the lottery, he will pay back every penny he took from you.