

Understanding Motivations for Self-Storage Theft

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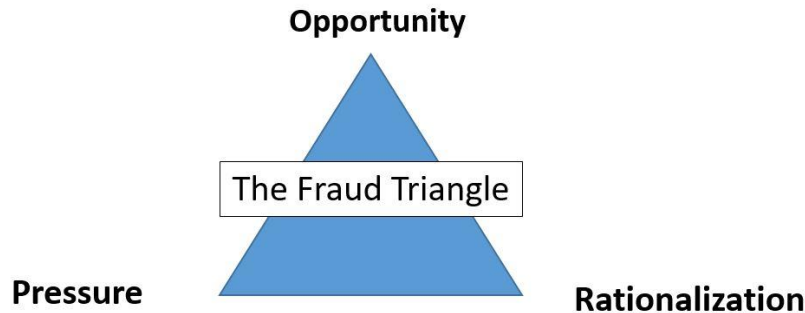
The self-storage industry has been booming with business! With prosperity comes some additional trouble and responsibility. My business as a self-storage auditor is where I discover a lot of dirty secrets about the self-storage business and employee propensity to embezzle. Especially the fact that the business model in self-storage lends itself to being very susceptible to fraud by the employees. We generally have very few people working at the store, which makes theft much easier for employees. Most storage owners don't have enough monthly checks and balances. And, the owner is rarely proficient in using the storage software.

As a self-storage auditor, I have noticed that there has been a noticeable increase in the amounts stolen from self-storage properties by employees. Last year, my company documented more employee thefts totaling over \$40,000 than any proceeding years. And, there were other disconcerting issues:

- Most storage owners did not have any employee dishonesty insurance.
- Owners that did have a large amount of theft didn't make an insurance claim. So, statistically speaking, the insurance companies don't even know the actual extent of employee theft.
- Not one owner pressed criminal charges against the employees, even with theft of over \$70,000.
- Several owners did not terminate the dishonest employee with documented theft.
- Terminated employees quickly found jobs at other storage properties.

Why Does It Seem Theft Is Justified?

The fraud triangle is a framework commonly used by fraud investigations to explain the motivation behind an employee's decision to embezzle company funds. The fraud triangle outlines three components that contribute to cause someone to commit fraud: (1) opportunity, (2) incentive, and (3) rationalization.



Opportunity

The nature of the self-storage business makes it susceptible to employee theft. There are very few people needed to operate the business daily. We have cash paying customers and employees give lots of credits in the management software with little justification or management oversight.

Rationalization

Whether skimming cash from a cash drawer or crediting customer accounts to cover theft, dishonest employees almost always have what they feel is a valid **rationalization** for their illegal behavior. Frankly, there is never a valid reason for employee theft. And, it's useful for storage owners and supervisors to consider the mindset that leads to employee theft. Most of the rationalizations of a dishonest employee are nothing more than poor excuses for their bad behavior. After being caught, they are frightened and defensive about their behavior.

Common things I have heard from employees who have embezzled:

"I have two families I am supporting and I just needed the money."

"No one was watching. It was just too tempting and easy."

"It just started because I needed gas money and to pay some bills."

"I was saving up money to leave my abusive husband."

"The owner never pays me for my overtime, so I paid myself!"

"The owner gives millions to charities, but he pays his employees minimum wage." (This employee and his wife were stealing over \$20,000 per month!)

Typically, employee excuses fall into three distinct categories:

Disgruntled & Disappointed with the Job

Listen for complaints and tones of frustration from the employees. They may be early indicators of an employee primed to steal.

"I'm always working late."

"I never get a break."

"The owner never comes by anymore."

"No one ever tells me I'm doing a good job."

"The home office doesn't understand how much work there is here."

Of course, it is common to complain about your job or lack of appreciation. But keep an ear out for constant complaints or justifications for not getting deposits made in a timely and accurate manner and keeping the property and office files organized. A positive attitude by employees, modeled by managers and upper management, will help eliminate complaints and employee theft.

Unfair Inequality in the Workplace

Most storage managers are managing themselves with very little supervision. The shift in focus paints the business or business owner as wealthy and successful, while the employee is unappreciated and underpaid. The employee feels entitled to the cash or product they steal.

"The company makes a ton of money."

"The owner never comes by anymore. They are always vacationing somewhere exotic."

"I was cheated out of overtime."

"I don't get paid enough."

To combat this rationalization for theft, focus on clear communication of expectations and what the employee's path to success is. Employees should be considered team members who help your company grow in success and profits. Make sure they understand the goals and aspirations of the business and how they play an active role.

Easy Money

Sometimes it is just too easy to steal. Shifts are covered by too few people. Video surveillance is seldomly checked. And cash is readily available to tuck into a pocket. This lax environment creates a perfect opportunity for an employee to rationalize their behavior.

"It was too easy to steal."

"It's insured anyway."

The key to successfully eliminating employee theft is to create layers of security which make it difficult to steal. Using loss prevention solutions, like DIGIOP, make it very difficult for employees to successfully steal cash or goods. Remembering standard best practices like ongoing training, defined **cash handling procedures**, and spot checking cash drawers can greatly reduce an employee's opportunity for theft.

No Excuses

Regardless of the **rationalizations of employee theft, according to the U.S. Chamber of Commerce**, as many as 75% of employees have stolen from their employer at least once.

Deterrents

Combating fraud before it occurs is vital to the survival of any business. Organizations should take the opportunity to consider, enact and improve measures to detect, deter and prevent fraud before it occurs. It's important to keep open and clear communication, policies and procedures. Encourage your employees to work towards a goal and create policies and procedures that help prevent and detect employee theft. A combined effort must be made by the self-storage owner, management company, the accounting department, internal or external auditors, investigators, operations personnel and others to manage the risk of fraud.