

The NCLC Annual Conference

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The 7 Deadly Sins Of Logistics Security

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The Average Loss Of A Fraud Committed By:



- Accounting/Financial Personnel = **\$69,903.00**
- Purchasing Personnel = **\$349,750.00**
- Shipping /Receiving Personnel = **\$210,000.00**

Logistics Theft:

Why It's A Growing Problem

- More Product Than Ever Is Being Shipped
- The Perfect Environment For Theft To Flourish
- Expediency Oftentimes Trumps Sound Security Practices
- Supply Chain Leaks Can Be Difficult To Identify
- **Companies Frequently Rely On Cosmetic Safeguards**

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#1

Are You Relying On Safeguards That Don't Work?

Ask most distribution managers how they protect their inventory and they'll answer "*alarms, guards and closed circuit television.*"

However, the majority of warehouses that sustain inventory loss have alarm systems, uniformed security officers and CCTV.

Why Alarms, Guards And Video Systems Are Oftentimes Ineffective:

Alarm systems are designed to protect against outside break and entry, not *internal* theft.

Most uniformed guards are not adequately trained to recognize employee theft and collusion.

CCTV only works if it's monitored. Few managers have the time or patience to view hours of videotape each week – a fact that dishonest employees know all too well.

Additionally, many forms of theft look exactly like S.O.P. and are very difficult, if not impossible, to detect with a video system.

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#2

Does Your Company Hire High Risk Employees?

Because many companies only superficially check into the backgrounds of new employees, they unknowingly hire a percentage of workers who have theft and drug-related convictions.

Standard screening practices will not uncover this type of information.

Tips For Effective Background Screening

1. Perform background checks for job changes/promotions
2. Never use reference info provided by candidates
3. Develop screening levels consistent with responsibilities
4. High-security position candidates should go thru personal interviews
5. Use legitimate service providers

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#3

Do You Make It Too Easy For Dock Personnel To Work In Collusion With Truck Drivers?

Hundreds of millions of dollars of inventory are stolen every year – in plain sight of warehouse managers who fail to see it.

Because they don't know how to recognize or prevent collusion, many managers and supervisors inadvertently make easy for truck drivers to work with inside personnel – with little or no risk of being caught.

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#4

Is Your Company Too Reactive?

A large percentage of companies that incur shrinkage do little to prevent it from happening in the first place.

They make the mistake of waiting until internal theft reaches serious proportions before implementing effective loss prevention controls.

By the time they take action, they've already incurred a substantial loss and the missing inventory is never recovered.

Examples of Effective Proactive Techniques

- Having your existing safeguards *realistically* evaluated
- Implementing an *effective* auditing program after upgraded safeguards are implemented
- Integrate state-of-the-art technology into your asset protection program
- Training your key people what to be aware of
- Utilizing undercover to learn what is really taking place

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#5

Does Your Company Effectively Weed Out
Workplace Substance Abusers & Distributors?

Nearly 90% of all employee drug users either
deal or *steal* to support their addiction.

Because of the high price tag that many illegal drugs carry,
employees end up paying for them by stealing company inventory.

Consequently, the number of employee drug users gradually increases,
while internal theft escalates.

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#6

Are You Checking Your Checkers?

Too many companies have made the costly mistake of not keeping their checkers accountable.

Because of this lack of oversight, a percentage of checkers become negligent or dishonest, and that's when companies normally rack up substantial losses.

Actual Case History

METHOD: *Collusion Involving Warehouse Checker and Company Drivers*

LENGTH OF TIME: *10 Months*

OVERVIEW: *Prior to the company trucks departing in the morning, a supervisor who was supposed to verify the quantity of product loaded by the night shift onto the trucks, as well as last minute add-ons, was allowing certain drivers to take extra, unmanifested product. Consequently, these drivers were able to sell the additional product for cash and give a % of the proceeds to the supervisor.*

Actual Case History

METHOD: *Receiving Dock Collusion*

LENGTH OF TIME: *2 ½ Years*

OVERVIEW: *The Receiver Was Regularly Signing For Full Shipments And Allowing Certain Truckers To Keep Part Of The Load. The Truckers Would Sell The Product For Cash And Kickback A Percentage Of The Payments To The Receiver, Resulting In A Loss Of \$182,000 a year.*

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#7

**Do You Make It Easy For Concerned Employees To
Report Security Problems?**

It's almost impossible for employees who are stealing, using drugs, or planning/committing other criminal activity to keep it a secret.

Unfortunately, management is usually the last to know about it.

EFFECTIVELY PROMOTING A COMPANY HOTLINE PROGRAM

Key Points :

- Positive Positioning: It's For Everyone's Protection
- It's Outsourced
- Complete Anonymity
- Structure So No One Can Be Wrongfully Punished
- Reward Only For Confirmed Information
- Regularly Distribute Promotional Materials

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