Crime Loss: proven steps to reduce your risk

BY FRANK MARANTO

Since its inception fifty years ago, the financial services industry has evolved from simply cashing checks to providing a range of financial services that were once restricted only to banks.

However, as much as the industry has changed over the years, the types of crime losses that plague the industry have not. The crime losses that occurred in the 1950s are still the same losses that occur today.



Those of us who are involved in the insurance end of the business recognize that it is inevitable that check cashing stores will have crime losses. The insurance carriers that provide crime coverage factor in future crime losses in their premium makeup. So, if it is a reality that check cashing and crime losses go hand in hand, what's the answer to reducing or eliminating losses? In our opinion, it is controlling the exposures with sound security procedures, good security equipment, and strong cash management.

Essentially, the check casher in his daily operation subjects himself to various types of crime exposures, the most common being robberies, safe burglaries, employee thefts, and kidnap/ransom.

However, check-cashing store employees and not owners are usually tasked with the day-to-day operation of the business. These are the people who are exposed to risk. They, in addition to owners, should be made aware of the need for operational safeguards and the reason behind their implementation.

REDUCING THE RISK OF ROBBERIES

The check-cashing cage is the first line of defense against an armed attack on your store. Without a well-protected teller area you, your employees and your property are certainly at risk. Some owners

choose to construct their cages with bullet-resistant material on the floor, ceiling and walls. Others choose to only use bullet-resistant materials on the four walls. However you decide to construct your check-cashing cage, the wall between the cage and the customer area should be made of the highest rated bullet-resistant material available. UL level one protection would be the absolute minimum.

To ensure that you and your employees are kept safe from an armed robbery and feel comfortable when working behind the cage, the teller windows in the check-cashing cage should be constructed of UL bullet-resistant glass or equivalent glazing material.

Since both the materials used in the construction of the cage and teller windows are critical to the safety of you and your employees, we would suggest you check with FiSCA for a list of industry suppliers.

Without question, the most dangerous time during a check casher's workday is when he or his employees are outside of the check-cashing cage. This is the time when most robberies occur and, tragically, when most check cashers are injured or killed. The check casher and his employees need to be highly alert and more aware of their surroundings at this time.

"Push-ins" (illegal entry utilizing an

owner or store employees) are the source of a large percentage of robbery losses. It seems the longer a check casher is in business, the greater the chances are that his operation will be exposed to this type of loss. It is not just the result of "the odds." The more frequently a store is opened and closed, the greater the chance of a robbery occurring. Unfortunately, years of performing the same task builds complacency, and individuals take their surroundings for granted. Don't forget that the cash exposure in the store may be, in many instances, greater than that of the local bank and the store will always be a target for the criminal element. A check casher and store employees must make a concerted effort to be continually aware of any individuals around the store every time they open (or close) it and every time they enter and exit the check-cashing cage.

As an added precaution, two individuals standing apart from each other should always open a store. One individual should position himself far enough away from the other to prevent a perpetrator from "getting the drop" on both of them. One person in a vehicle and one on the sidewalk is an even better approach.

For additional security, it is always a good idea to equip these individuals with handheld holdup buttons, connected to the store's alarm system, or with cell phones to enable them to keep in constant contact with another employee or a third party when opening or closing the store.

A remote relocking device—a simple mechanism that allows the front door of the store to be locked and unlocked from behind the cage—is also a necessity. This device prevents someone from compromising the check casher in the lobby area of the store when he is entering or exiting the cage before the workday begins or when it is ending. For example, in the morning the check casher enters the store and locks the main door behind him. He then unlocks the cage doors and enters the cage. Once securely inside the cage, the check casher unlocks the main door with the remote relocking device. The store is now ready for business.

An equally dangerous time occurs when closing the store in the evening. The perpetrators can force the owner or employee back into the store after it has been closed for the day. This is the reason two individuals should also be involved

continued on page 24



in the closing procedures.

Some owners designate one of the employees to drive his car around to the front of the store and observe while the other employee closes. Again, owners and employees must maintain the same level of awareness as they do during the day. They cannot let their guard down just because the workday is finished. In an effort to eliminate the closing "push-ins," some owners take store keys away from employees or install electronic locks so once they exit the cage or store, they cannot re-enter either one. Several owners employ independent guards whose primary duty is to open and close the store each day. Other owners have specific employees whose sole purpose is to meet the in-store employees in the morning to open the store and in the evening to close it. The

in-store employees never have possession of the keys.

Another security measure for inhibiting opening and closing robberies is the installation of time locks on safes. By installing this type of locking mechanism, the safe can only be opened at a set time. If the store is opened at 8:00 a.m., the time lock can be set for 8:30 a.m. Therefore, in the event of a "push-in" at 8:00 a.m., the robbers would have to wait 30 minutes until the safe could be opened. Conversely, once the safe is closed and locked for the evening, it cannot be opened until 8:30 a.m. the next day. Signs placed around the store will notify anyone contemplating a robbery that the safe is time-locked.

Some additional advice on preventing robberies: Handle housekeeping with caution. A surprising number of losses

have occurred while employees were performing housekeeping duties, such as taking out the garbage, sweeping or cleaning the lobby area. The use of the remote locking device will help reduce and hopefully eliminate this potential opportunity for robbery.

Remember that every time the cage is opened during business hours, the store is exposed to robbery. The robber may be one of the customers standing in line who can easily point a gun at an employee as he leaves the cage. If this occurs, you have two options:

- 1) Let the robber in behind the cage and allow him access to the funds. You need to consider that at this point he knows you can now recognize him (or her) and may decide to harm everyone inside the cage.
- 2) Have everyone behind the cage drop out of view, refuse to speak with the robber. push the holdup button, and wait for the police to arrive.

In either case, a major crisis is now unfolding with no definitive answer. However, option #2 provides an opportunity for a more positive outcome.

Here's another consideration to increase your store security: By law, you may not be able to prevent employees from leaving for lunch. However, during busy days you may want to caution them against doing so or against leaving the cage at all. This may prove to be a difficult task, but they may be more receptive to your wishes if you offer to buy their breakfast and lunch and have it delivered.

PREVENTING SAFE BURGLARIES

Burglaries differ from robberies in that they occur when the business is closed and the perpetrators need to use force to enter the premise and safe.

Subsequently, the last line of defense is the safe. Safes come in many sizes and shapes, and bigger does not mean better.

The safe classifications that we recommend are approved by Underwriters Laboratory (UL) Burglary Department and range from a minimum TL-15, which can resist an attack on its door with common hand tools for 15 minutes, to the highest 60 x 6 TXTL, which can resist an attack with common tools, torches and explosives



on all six of its sides for 60 minutes.

With the better UL safes, an "X6" follows the number. This signifies that all six sides of the safe carry the UL designation. If the "X6" does not appear, only the safe door carries the UL designation. Usually, the safe's classification appears on a metal plate attached to the bottom interior doorsill of the safe.

If you are thinking about purchasing a safe that does not bear a UL classification, make sure the seller provides you with documentation that certifies the capability of the safe. And, to help prevent easy outside access, safes should be placed on an interior wall of the check-cashing cage.

The store alarm system is another important part of burglary defense. The topic of alarm systems is far-reaching and we cannot deal with it properly in this article.

AS MUCH HAS THE INDUSTRY HAS CHANGED OVER THE YEARS, THE TYPES OF CRIME LOSSES HAVE NOT.

However, we can provide some insight into the more important aspects of what constitutes an effective alarm system.

The alarm system should consist of UL-approved commercial components and should be installed according to UL standards. This is an important aspect of the system even if the alarm installation company is not UL-approved. Ideally, it should meet the following standards:

The system must be monitored by a central station (as opposed to not at all). The premise protection should be a minimum #3 installation. (Premise installations range from a #1 where the walls, floors, ceilings and the space in between are totally protected, to #3 where only the fixed and movable accessible openings leading from the premise are protected.)

It is also recommended that the alarm on the safe be installed as a "complete" rather than a "partial" installation. The "complete" installation provides protection for all six sides of the safe against attack rather than just protecting the safe door, as a "partial" does. With a "partial" installation, a burglar can access the safe from

continued on page 26



EMPLOYEES SHOULD BE ALERTED NOT TO ACCEPT PACKAGES WITHOUT FIRST REQUESTING A PHOTO ID OR A WORK ORDER

Crime Loss continued from page 25

the top, bottom or sides and the safe alarm will not be activated. If a "partial" is used, installing motion detectors close to the safe should provide additional protection.

The system should include holdup buttons at all teller windows, in the bathroom, and in the offices. As mentioned previously, it is also a good idea to provide holdup buttons to the staff.

The system should include UL-approved "line security," which can detect any compromise attempts on the line between the store and central station. If this is not included as a part of the system, the alarm system will be useless, since the alarm line can be rendered inoperable and the alarm company will not be aware of it.

The system should also include "supervised" openings and closings. The alarm company will be able to tell if the premise was entered before the designated time or after the system was turned on for the evening. This aspect of the system is important for detecting robberies that may occur when opening or closing the store. In the event that an owner or employees were forced back during non-business hours or an employee returned to the

store after closing "for the wrong reasons," the re-entry would set off the alarm.

In addition, your system should include a service agreement whereby the system will be repaired within 24 hours of notifying the alarm company of a problem, and it should also include an emergency backup.

One more very important item should be mentioned as far as an alarm system is concerned. If an alarm condition occurs at the store, and the owner or a designated employee must return to the store to meet with the security personnel investigating the problem, it is extremely important that you make sure that the alarm system is fully operational before leaving the store.

Bear in mind that burglars may cut the telephone line, which shuts down the phone system and in turn notifies the alarm company of a problem at the store. When alarm people arrive at the store, they check the alarm components in the store. If everything

continued on page 28



Crime Loss continued from page 26

is in order, they make the assumption that the system is operational and that the problem is with the phone line. If the alarm is not tested and the store is left unprotected, the burglars will have all night long to work on your safe!

If the system cannot be repaired immediately, ask the alarm company if they can provide someone to remain in the store until the alarm system is up and running. If this cannot be done, designate an individual (quard) to remain at the store until the next day's opening.

ELIMINATING EMPLOYEE THEFT

The one type of loss that is the most devastating to owners is the theft of the company's assets by one of their long-term employees. Normally, owners have a difficult time admitting that this long-term employee could possibly have been involved in a loss. Employee theft is a

growing problem in the check-cashing industry and it has been estimated that 95% of all businesses in the United States have suffered this type of loss. Employee thefts can be overwhelming and can easily put a business into bankruptcy.

When employee theft is mentioned, most people visualize employees "cooking the books," i.e., writing out checks to fictitious payees, making unauthorized purchases, etc. In the check-cashing industry, dishonest employees commit these same fraudulent activities. However, they also can fake "push-ins" at opening or closing of the store, fake holdups when going to or from the bank or another location, knowingly cash stolen checks, fake a kidnap scenario, or take other dishonest actions. From experience, we estimate that dishonest employees may generate 55% of all robbery losses!

The first line of defense, and the most difficult, is hiring the right people.

Background checks are an absolute must. These checks should include criminal background checks for felony and misdemeanor convictions, previous employer tracking, credit checks, drug testing, and education verification—and, if this is part of the job description, driving record checks. There are a number of pre-employment screening firms that can screen potential hires, and you can contact FiSCA for a list of these firms.

In addition, there are a number of dayto-day security procedures that can be instituted that are helpful in controlling employee theft. Frequent, unannounced spot cash audits, conducted by individuals who do not work in the store that is being audited, are an excellent deterrent. Video cameras and dual controls are also very effective. As previously mentioned, make sure two employees open and close the store: have a minimum of two employees in the store at all times; and split the safe combination between two employees.

Here are some more ideas:

Two employees should also conduct all reconciliation procedures, and no teller should be allowed to remove money from the safe by himself. Make sure that tellers work out of individual drawers and that teller drawers are locked when unattended. Be sure to balance each teller drawer before closing or after shift changes. The use of closed circuit TV systems tied into point of sale machines is also effective.

CONTROL THE THREAT OF KIDNAPPING

Although kidnapping has been around for some time, it has become more prevalent in the last year or so.

Instead of setting up a robbery at closing, the perpetrators watch the owner or employees as they leave the store and follow them home. They gain entry into the owner's or employee's home and take them and their family hostage. The perpetrators may stay with the family until morning, at which time one perpetrator may accompany the owner back to the store to remove money from the safe while the other stays with the family until the operation is completed.

In another scenario, rather than waiting for morning, they go back to the store with the owner or employee immediately to gain access to the funds. There are a number of measures that can be taken to help make owners and employees less of a target. For instance, vary the times you or your

employees leave the store and vary your driving routes between work and home. And have a constant sense of normal surroundings, so occurrences that are out of the ordinary will stand out.

ARMORED CAR SERVICES—YES OR NO?

The use of an armored car carrier for transporting cash may be a question your operation is considering. Some operators advise us that they feel that an armored car parked in front of their store is an advertisement that their store contains a lot of cash and is a prime target for a robbery or burglary. Our response is that we have found it is more hazardous to transport your own funds. Any business whose main duty is to cash checks, take utility payments, sell money orders, tokens, bus passes, and provide other financial services has to have cash to operate. Unfortunately, due to the increase in publicity in the past several years, the public has been made aware of the operations and cash potential of check-cashing stores. Perpetrators watch their victims very carefully before they attack. Losses involving individuals transporting cash from the bank to their check-cashing location or from one location to another have caused numerous owners and employees to be injured or murdered each year a statistic second only to premise robberies.

DON'T HIDE NON-NEGOTIABLE CHECKS

When it comes to transporting non-negotiable checks, we suggest a different approach. Robbers do not want non-negotiable checks. They only steal check deposits because they think the bag they're being carried in contains cash. Many a lunch bag has been stolen due to this reasoning. There is a simple way to prevent anyone from becoming a target when carrying checks. Don't try to hide the checks! Don't place them in a bank deposit bag. Keep them in sight, out in the open or carry them in a see-through plastic bag marked "Checks." Make sure everyone who looks at the bag is very aware that only checks are inside.

CRIME NEVER TAKES A HOLIDAY

Over the years, perpetrators have used ingenious methods to gain entry into the check-cashing cage. Some of these methods have included posing as a firefighter, police officer, meter reader, telephone repairman, an armored car employee, city fire inspector, deliveryman, etc. One of the more ingenious methods involved a robber who hid inside a large cardboard box. The box was delivered to the store on the afternoon of a very busy day. It was placed between the double doors of the check-cashing cage. Toward the close of the working day, the employees brought the box into the cage and out popped the armed perpetrator!

Employees should also be alerted not to accept packages and other deliveries without first requesting a photo ID, a work order or other delivery instructions displaying the name of the delivery firm and the delivery address. Packages should be placed within the double doors. Before removing them, be sure the outer door of the entry system is closed and locked before opening the interior door.

A number of check cashers have installed package doors in the cage wall that can accept small packages. Your rule should be: No one except employees is permitted behind the cage.

For operators who have installed ATMs in their lobby: If there

is a problem with the ATM, you should instruct your employees not to leave the cage to repair it. There have been instances where the malfunction has been intentional.

THINK LIKE A CROOK

While security procedures and equipment are absolute necessities in deterring losses, they will be largely ineffectual if security procedures are not followed properly and if the best equipment is not purchased and maintained.

While check-cashing and crime loss appear to go hand in hand, it is possible to greatly reduce your risk. Look at your operation from a criminal's perspective. Are you complacent about opening and closing procedures? Are your security systems the best they can be and are they well-maintained? Are your employees loyal and alert? Where are the chinks in your security armor? Find them and fix them, before the bad guys exploit them.

Frank Maranto is a Vice President with Marshall & Sterling Insurance and Bond Division Manager. The Bond Division handles the insurance needs of the Financial Services, Armored Car, Courier and ATM industries on a national basis.