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Chairman's Corner

One of the most important goals of the ASIS Retail Loss Prevention Council is to be a resource for our LP colleagues in the industry. A resource depended upon to provide current and relevant information and solutions regarding a multitude of issues which LP executives are faced with everyday. We accomplish this goal through a number of methods including:

- Distributing a Council Newsletter which addresses topics of interest to our members.
- Participating in ASIS International sponsored webinar training forums which address relevant topics in detail, and provide opportunities for the participants to get their specific questions answered.
- Providing retail related presentations to LP Executives at the ASIS International Annual Seminar, and at other Retail Industry Loss Prevention Conferences.
- Publishing articles in Security Management Magazine and other Loss Prevention related periodicals which are both informative and actionable.

In this newsletter, we will highlight a recent ASIS webinar during which Council Member Alan Greggo, CPP, CFE addressed an issue of how to identify fraud within a franchisee environment. This webinar was very successful, and I think you will enjoy reading the article Alan has written on that topic. Also, included in this edition is an article by Council Member David Gorman which speaks to the different leadership types which all of us will likely be exposed to during our careers.

To continue this educational theme, our next newsletter will feature a great article from Bill Alford, CFE which deals very effectively with the topic of how to deal with the media during a crisis situation. Be watching for that edition, and let us know what you think of our efforts.



Greg T. Brumley, CPP
Council Chair
ASIS International Retail LP Council

Click [here](#) for information on the ASIS Annual Seminar



Finding Franchise Fraud: Developing a Best Practice Review

It was a muggy, sunny day in July when we walked into the Franchise Optical Shop in Ft. Myers. My business partner and I introduced ourselves to the franchise owner who was expecting us for a Best Practice Review as mandated by the corporate franchise agreement he signed. The office manager was the only associate whom seemed a little nervous, and he did his best to avoid having contact with us as the day wore on.

My partner Mike noticed that there were some unusual looking deposit adjustments that were being reported by the bank. As we examined day to day financials, evidence seemed to be mounting that all of this franchise owners cash receipts were not making it to his bank account. By the end of the Best Practice Review we were able to explain that close to \$84,000 was missing from banking statements when reconciled against the daily business logs. One name was appearing on the deposit slips; that of the office manager. Because Mike and I represented the corporate entity, we were restricted from completing a full investigation. Our franchise attorneys felt that investigations of internal theft were not covered as a service under the franchise agreement and they held a high amount of liability because we were not agents of the business owner. Mike and I took the evidence to the owner, who was devastated at the evident loss of profit. We accompanied him to his accountant's office the next day to present the evidence. The accountant and owner of the franchise decided that they would involve local law enforcement.

The local police department took a report and copied all of the evidence. Detectives called the suspected office manager to the police station for an interview. It didn't take long for him to offer to pay every bit of the \$84,000 back to the owner as restitution if only the police would agree to drop charges and let him resign. The police detective called upon Mike, my partner to determine if we could be counted on to testify to finding the evidence. This was permissible by franchise agreement because it was factual evidence found in the course of a Best Practice Review. The detective told the office manager that there would be no deal, and went ahead with a background check.

The office manager was jailed for violation of his parole. The background check revealed that he had recently been imprisoned for two years for stealing \$300,000 from his last employer, a doctor's office. Right after obtaining his parole he went to Fort Myers to apply with our unlucky franchisee's office. Two lessons were learned during that review of the business. Number one, the Best Practice Review is a very effective audit tool, not just a financial audit, to catch the under-reporting of sales by owners. They also uncover fraud and internal theft. Second big lesson; criminal background checks are very important, even in small businesses.

Upon acquisition of a partially franchised chain of optical retail shops, senior management requested that my department devise an audit function to find out what level of integrity existed in the reporting of sales by the roughly 409 franchised businesses. Mike, whom I described as my partner in the exercise above, was actually the Director of Audit and Compliance, reporting to me and responsible for store auditing. He was charged with assisting in developing an audit document and implementing the program. Together we determined that we would have an adversarial relationship with the franchise owners because they would take offense to our looking into sales reporting. We surmised that this would be our largest obstacle to success.

Creating a collaborative work environment would only be achieved if they saw some value to having us visiting their stores and viewing their monthly business reporting, banking statements and income tax returns. We developed the whole Best Practice Review program around the values and beliefs that if we could teach them some policies, show them how to be efficient, solve some problems, and uncover some over reporting as well as under reporting, we would get their attention. See the comparison below for the differences between audits and the best practice review:

Best Practice Review

- *Learning Opportunity
- *Improve Profitability
- *Self Help Tool
- *Support Franchise Businesses
- *Win-Win: Increase Sales/Profitability

Audit

- *Fact Finding
- *Reporting Lost Profitability
- *Forced Upon Franchisees
- *Catch Them Doing Something Wrong
- *Increase Reporting Accuracy

Initial steps that we undertook in building a Best Practice Review (BPR) included reading the franchise manual and agreements. Boring reading, we suffered, but someone had to do it. Consulting with Franchise corporate management and field operations management who knew what franchise owners wanted clarified, and what they most frequently needed help with, gave us guidance on areas to cover in the reviews. We met with Associate Relations and the Franchise Legal department to ensure we were well within our legal

rights to audit to the agreement. Legal also had to verify that we were not accepting responsibility by conducting inspections in areas such as safety and hazardous chemical controls. Both of these areas were concerns because the stores had laboratories where they manufactured prescription lenses. Associate Relations wanted us to check that franchisees were not using corporate employment applications so it did not appear that associates were hired by the corporation.

Key focus areas for the BPR were sales reporting procedures, sales accuracy, auditing compliance to the agreement, and protection of the brand. If franchise owners were in compliance in each of these areas then we were obtaining the results hoped for in this program. We could also use the BPR to give some training as we explained how to correct the opportunities. We developed a series of yes/no questions in the areas of:

- Physical Security
- Third Party Insurance Processing
- Inventory Controls
- General Operations
- Bank Deposit Controls
- End of Day Procedures
- Cash Management
- Records Administration
- Financial Reporting

These turned out to be the section categories of the BPR. Each question had a related corrective action that we could provide for the franchise owner to enact toward improving their business. The BPR averaged 109 questions in total.

Once the BPR was assembled we were ready to go out and practice. A letter of introduction was sent to all franchise owners. We had the support of the President of the Franchise Owners Association because his business experienced the BPR first and we just happened to find that he was over paying his royalties and had a refund coming. Even his accountant missed the fact that he was using the wrong percentage of sales multiplier from a year before and was overpaying.

An article was placed in the Franchise Monthly Newsletter announcing the program. We even attended the Annual Franchise Convention to talk up the program. During the first year, 2005, we were able to conduct 40 BPRs and uncover \$1.2 million in under reported sales. By the end of five years this program returned \$1.8 Million in royalties to the corporation's bottom line.

On June 30, 2010 The Retail Loss Prevention Council of ASIS sponsored a webinar titled "Finding Franchise Fraud: Developing a Best Practice Review" presented by Alan Greggo CPP, CFE for 15 business attendees. Each business was free to have as many associates view the webinar that they wanted within their facility. This article is a short summary of the 90 minute program. For more information on this subject please contact Alan Greggo at alangreggo@zoomtown.com.



Alan F. Greggo CPP, CFE is the Principal and Owner of PROFIT Rx, an asset protection and consulting firm serving primarily Doctors of Optometry, Doctors of Dentistry Practices and small to medium sized retail businesses. Visit www.Profitrxllc.com. Greggo has a Bachelor of Science in Law Enforcement Administration from YSU; he is a Certified Protection Professional and Certified Fraud Examiner. He is a member of the ASIS Retail Loss Prevention Council. Greggo has had articles published in *Security Management*, *Loss Prevention*, and *Retail Construction Magazines*. He most recently appears as a chapter contributor in Dr. Joseph T. Wells book "*Internet Fraud Casebook: The World Wide Web of Deceit*" published in 2010.

What Type of Leader do you have...The Good, the Bad or the Worst?

By David Gorman, President & CEO David Gorman & Associates

The one thing that we can always totally control within our work environments is the type of leader we are. No matter what challenges are thrown at us, or what obstacles we are expected to overcome, we can still be the inspirational leader that our people need and everyone hopes to have. Unfortunately, we do not have this same control over who we are given as a leader for ourselves.



During our careers, each of us will likely report to a wide variety of leaders, most of whom will hopefully be people who will encourage us and who we can learn from. Others, however, might challenge our very ability to do the jobs we were hired to do. No matter how 'wrong minded' some of these individuals are, we still need to find ways to accomplish our goals, and strive to move our initiatives forward. In this article I will highlight the types of leaders I have been exposed to in my career, and offer suggestions on how to advance your agenda regardless of the situation.

For the sake of this review, I will classify the personalities of the leaders I have experienced into four (4) general categories. These are as follows:

- I'll Tell You What to Do, And When to Do It—The worst type of Leader
- Just Do Your Job, And Don't Create Problems For Me—A Bad Leader
- I'm Here When You Need Me—A Better Leader
- My Success Is a Direct Result of Your Success—The Best Leader

I classify the first of these as the worst for many reasons. Most importantly is the fact that someone who wants to have total control over the day to day operations of your Division, and your decision making, clearly has no confidence in you as a leader. Their close involvement in the detail of everything you do will not only communicate their lack of trust to you and to your people, but to others in the organization as well. As a result, your position and growth potential within the organization is severely undermined. Likewise, individuals who separate themselves from what you are doing, but are quick to criticize everything you do, also fall into this category.

While the second leadership type I have illustrated is not as controlling as the first, that category is still bad. These leaders are bad because their lack of involvement with you and your responsibilities does not convey confidence, but rather a total lack of interest. Basically, what their approach communicates to you and everyone else is that what you are doing does not matter, and that it is not worthy of their valuable time to provide any meaningful support. Their only concern is that you not create an embarrassment for them that they will have to deal with.

The third leader is considered to be better for good reasons as well. This leader not only allows you to do what needs to be done in order to advance the impact of your group within the organization, but also is willing to get involved whenever you need their help. In addition, they will provide positive support to you, both verbally and with actions, on a regular basis within other parts of the organization demonstrating their confidence in your leadership abilities. Where this leadership style falls somewhat short, has to do with the amount of personal development that they provide to you as an individual. Development that really requires somewhat of a commitment of time—whether that be in the form of regularly scheduled one on one meetings, or trips out to visit operating units together where you can observe firsthand the leadership traits that have made them successful.

The leader who believes that their personal success is contingent upon you also achieving success is far and above the type of leader we would all want to have. This individual understands the importance of your achieving personal success through your own actions and initiatives, of your being seen within the larger organization as someone who significantly contributes to the overall goals of the company, and how your continued success will only contribute to their personal success as well. The nature of this type of leader is to provide support and positive feedback based on where you are in your personal development to foster confidence in your own decision making, while at the same time provide you straight forward and honest feedback when issues occur which could have been handled differently.

Regardless of which type of leader we are given, it is critical for us to keep ourselves on course in order to be successful. With the worst two leadership examples, focus on building positive relationships with other key people in the organization so that they understand directly the impact you and your group are having, and are not forming their opinion based on the lack of involvement and support displayed by the individual you report to. Also, attempt to identify someone within your organization who seems to have a more supportive relationship with your supervisor than you do. Use that individual as the flag bearer to lead the way when critical approvals are needed. In many instances with these types of leaders, it is the messenger that matters—not the message.

At the end of the day, you are responsible for the opinion others will have of you and for what type of leader you are. Overcome the obstacles and be the person you want to be.

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