



REAL LIFE CLAIMS: CRIME COVERAGE
The Case of the Crooked Cook



Insurance
& Financial
SOLUTIONS

Introduction to the Case

Country club managers rely on a variety of employees to ensure their business runs smoothly. From pro shop associates to kitchen staff, club management must delicately balance day-to-day operations with a staff ranging from full-time, experienced professionals to part-time, seasonal employees.

In the story below—based on an actual claim—you’ll see through the eyes of a country club owner as they realize the importance of commercial crime insurance. We’ll then provide some best practices to help protect your business from crimes that could happen in plain sight.

The Case of the Crooked Cook

You’ve had a busy spring already at the club, and the summer calendar is full of special events to be held in your award-winning dining venue. Having a restaurant on-site turned out to be one of the best business decisions you’ve made, and you have your kitchen staff to thank for its success, especially Chef Tom.

Tom has been with you for a couple of years, and the rave reviews you hear from diners reminds you how fortunate you are to have him manning the kitchen. You especially appreciate how he goes out of his way to find suppliers with the best prices—according to his kitchen staff, anyway. You’re careful not to micromanage your employees, so you don’t question how they work as long as your customers are happy.

At the end of a busy day you’re anxious to head home, when you glance up to see your newest employee, Jason, standing at your office door. Jason has been working in the kitchen for about six months, and he appears to be a quiet and talented chef eager to learn. From the few times you’ve been in the kitchen area, you’ve been impressed by Jason’s attention to detail and work ethic.

Jason looks uncomfortable as he knocks on your door, and your tiredness turns to curiosity. “Hi, Jason, what’s up?”

“Well, Mr. Collins,” Jason stammers, “I wanted to talk to you about something that’s happening in the kitchen that I think you should know about. I hate to rat anyone out, but...”

“Don’t worry about that, I appreciate you coming to me...what’s going on?”

An hour later, you sit stunned in your office chair. After thanking Jason for confiding in you, you usher him out the door and wonder what to do next. According to Jason, Chef Tom regularly places weekly orders for a large amount of supplies with a local restaurant supply company, who then pads the invoice substantially over the actual cost. The employee at the company then pockets the extra money and splits it with Chef Tom. It appears Tom and the supply company employee have taken thousands of dollars—courtesy of your business. Worse yet, it appears your kitchen manager has been aware of the scheme but has kept quiet in an effort to keep Chef Tom on staff.

After investigating Jason’s claims and the guilty parties admitting to the scheme, you’re ready for a fresh start. And you’re understandably nervous that it could happen again.

PROTECTING YOUR BUSINESS

Our story illustrates the obvious—a lax management style can cost you money. According to data from the U.S. Chamber of Commerce, 75% of employees have admitted stealing from their employers at least once, and 38% admit to stealing from employers at least twice.

While the statistics may seem dire, a Commercial Crime insurance policy can help protect you and your business should it happen. And there are also best practices you can implement to help protect yourself from dishonest employees.

Conduct proper and timely inventory counts

Even if you think none of your employees would steal from you, having regular inventory counts is an excellent way to keep tabs on what's happening in your business. Implement a process that is tied to a point-of-sale system, which breaks down purchases and sales by item. Also consider having a yearly audit of your business performed by an outside firm. If you handle your accounting in-house, having an experienced auditor as an extra set of eyes is never money wasted.

Employ a bid-purchase system

Most clubs operate with a bid-purchase system, requiring two or three vendors for a category of purchases. Implement an approval process for vendors, including thorough vetting and verification by two or more people on your staff. If you have an employee in charge of purchasing who refuses to consider other bids from suppliers, consider it a potential red flag worth investigating. An honest staff member will have no objections if you enforce tighter purchasing procedures.

Implement a purchase order system

Purchase orders (POs) aren't just for big businesses. The benefits of a well-implemented system are numerous—from documenting vendors to helping with budgeting and planning. In terms of employee dishonesty, POs can easily provide a paper trail. In this particular case, another manager was also in on the scheme, so for any disbursements—particularly cash disbursements—use a system that involves multiple managers in the invoice approval process. In short: the individual who orders the supplies should not be the only one to approve the purchase.

Be informed about your business insurance and what is covered

The insurance you need as a business owner can be confusing. For instance, most Commercial Property insurance policies do not cover loss resulting from a crime committed by an employee. Rather, Commercial Crime coverage would protect you from costs associated with crimes committed by employees, including forgery or alteration, theft of property, computer and funds transfer fraud, and dishonesty—such as the case with our crooked cook.

Commercial Crime coverage is relatively affordable and can generally be purchased as a standalone policy or part of a commercial policy package. It's important to work with an insurance agent or broker who will go over your business functions and needs and explain the differences between policies to ensure you have the right coverage.

For more information about how you can minimize the risk of crime for your club, and to ensure you have adequate crime coverage, reach out to your Account Manager or contact us today at info@vgminsurance.com or 800-362-3363.

