

Employee Theft: It Can Happen at Any Community

THERE HAVEN'T BEEN

many significant instances of employee theft for Independent Rental Owner (IRO) Brent Sobol, but the ones he has had are memorable.

There was the assistant manager in charge of evictions who went door-to-door in a community collecting overdue balances. The problem was that the manager was accepting smaller cash payments in exchange for staying the eviction for several weeks—and pocketing the results. Only when a resident complained about some offensive comments the manager had made was the repeated theft exposed.

Sobol, Owner of Happy Home Communities, with 1,100 apartments in Atlanta, has experienced few such thefts from employees, but he's heard stories for years from remorseful owners nationwide. IRO Frank Barefield, President of Abbey Residential in Birmingham, Ala., with 8,000 apartments, confirms.

"Employee theft in some form is happening at every property," Barefield says. "It's just a matter of degree." Thefts range from the relatively innocuous, such as paper, postage or copies; to the expensive but hard to catch, such as maintenance or construction parts; to serious crimes with thousands of dollars stolen.

While there are always employees in any business that are dishonest, apartment owners also need to give their associates the

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right amount of "space" to do their job. The right mix of checks, balances and preventive procedures should deter employee theft, detect any dishonest behavior and protect an owner's assets and income. Following are useful guidelines shared by Sobol and Barefield.

Don't Take Cash. Cash in hand can create the temptation to skim off the top. It leaves no paper trail, and it can create a safety concern for leasing employees, as robbers

and burglars might know cash is stored in the office, the owners say. Post a sign in your office and state in the lease that no cash is accepted (including for ancillary fees such as community room rentals), Sobol suggests. Never allow managers to store cash in the office overnight.

Review Financial Statements.

"The manager must explain significant differences from budget," Barefield says. "You'd be surprised what the review ends up catching." Also reconcile bank accounts monthly and ensure no payments are still in transit, he suggests.

Walk Vacant Units. Barefield once had a manager report units as vacant when they were actually occupied. And those residents were paying rent directly to the manager. "She was able to accomplish this because the management company didn't follow the procedures in place that required oversight," he says. A manager or supervisor should walk all vacant units to make sure they are, in fact, vacant and ready to rent. Having an assistant manager in charge of collections and a manager checking units provides useful balance, Barefield suggests.

The same goes for overdue rent, Sobol adds. "If you're going to have a staff member go to an apartment and inquire about past-due balances or assess tenancy, insist that the person be accompanied by another staff member," he recommends.

Review Write-Offs. Allowing onsite managers the latitude to "write off" fees or provide rent credits in certain situations is a necessary component of resident retention. But a supervisor must review such items and question them if they appear out of the ordinary, Barefield states.

Use Fidelity Bonds. Essentially insurance for employee thefts, fidelity bonds provide peace of mind and compensation should a theft occur. Barefield says he spends about \$7,500 for \$1 million in coverage for his portfolio, a worthwhile investment, he says. Although proving a theft can be a time-consuming hassle, Barefield says his insurance provider is fair and has paid large claims.

Prosecute, but With Caution. Owners should prosecute employee thefts, Barefield and Sobol agree, but shouldn't get their hopes up for an ideal outcome. Local prosecutors or police may not have the resources to handle such crimes (especially without hard evidence) and may decline to bring charges, Sobol notes. Be wary of past employees prosecuted for crimes and found not guilty, Barefield warns, as they may have the right to come back and sue you. "And this is speaking from experience," he adds. —NAA's Jeffrey Lee

