

## **Timber Theft Detected by Alert Forester**

**July 2010**

Due to the nature of the forestry industry, thefts often occur because there just aren't enough people around to detect suspicious behavior. In this historic case, not only was the logger detected, but the investigation process uncovered a much larger scam than had been previously anticipated and resulted in a recovery of losses for the company. The case shows how important it is to take action no matter how small the breach appears at the moment. This establishes a climate where all know that security will be taken seriously.

### **Security Breach/Damage**

A forester working for a Timberland Investment Organization (TIMO) noticed a log truck leaving his company's property and heading in the wrong direction. He knew the markets his loggers were delivering to and none were in the direction this truck took after leaving the company property. He was sure the truck was hauling from his job.

He decided to verify his observations by visiting the logging job to make sure it was still active on his property. It was. The driver he saw leaving the property was worth further investigation. He promptly called his supervisor. It was determined best to let the logger continue to work on the property and to call an independent third party to audit the logger's job.

Covert camera and destination check audits were immediately conducted on the logger's operations. Surveillance cameras were placed on the exits of the tract to record all outbound log truck traffic. In addition, two auditors watched the trucks exit the tract and followed them to the delivery mills to verify delivery times.

After one week, the findings of the audit were compared to the settlement records of the logger. Those comparisons helped the auditors determine that four loads hauled during the week were not accounted for -- one load of pine pulpwood, one load of hardwood pulpwood, one load of chip-n-saw and one load of veneer logs. Four loads out of forty-two (10% of the work for the week) were fraudulent.

The auditors encouraged TIMO Senior Management to prosecute the individual for theft of forest products. However, after evaluating the auditors' findings and calculating the ROI of a successful prosecution, senior management decided against prosecution at this stage of the investigation. Instead, they confronted the logger directly and told him a recent audit had identified some discrepancies in the settlements.

They didn't mention a specific time frame. The logger responded by saying he would need to conduct his own investigation and have his accounting people review his records. He would get back with the TIMO when he had completed his own audit process.

After two weeks, the logger arrives in the TIMO office with an apology and a check.

It seems his accounting people had determined that an "accounting glitch" had resulted in the TIMO not being paid for 94 loads of timber. He apologized and produced a check for more than \$60,000, the amount unpaid for all 94 loads.

**Actions Taken:**

The TIMO had the logger finish the tract he was working on, but when it was completed, they asked him to leave the property. He has never been allowed to come back.

The timber security program being used required all loggers to maintain a load sheet and attach a load ticket to each load hauled from the property. Each load sheet and load tag was then reconciled with the scale ticket information submitted by the logger for settlement.

Several additional programs were initiated to further enhance the theft deterrence level of the company and most of these programs are discussed below.

**Recommendations:**

In order to shore up the TIMO security program most of the recommendations below were implemented and are still in use today.

\* Continue with the timber security program established here including the load sheets and tags.

\* Begin a timber security hotline to gather tips. Many people don't want to get involved and won't step forward to notify the company of security breaches. However, the anonymity of the phone system and the fact that it's available encourages employees and all others within the timber system to take steps to utilize this simple and effective way of monitoring for security breaches. For more information about hotlines and other ways to detect and audit security breaches go to our website page on Audit Services

\* Conduct contractor security validations on a routine basis.

\* Perform random camera audits that can be used to compare visual data with the settlement data.

\* Investigate any tips or discrepancies immediately.

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