

Trends, the Economy, and Theft Deterrence

January 2010

I hope this newsletter finds you settling into the routine again after the holiday break and developing and implementing your plans for the new year. I for one took some time during the holidays to lay out my own "TO DO" plans and calendar for 2010. In looking at the current trends in theft deterrence, I came across a study from PricewaterhouseCoopers that seemed to resonate with my own thoughts and experiences. I summarize those findings below for your benefit and consideration.



At the same time, I wondered if that survey and the current literature reflected your own situation. Are your experiences matching that of the rest of the nation? How is your business outlook for 2010? What is the current state of theft & fraud in the forest industry now that we've been in this economic downturn for over two years? I thought I'd give you an opportunity to be heard.

Take a Brief Survey to Give Your Perspective on How the State of 2010 is Unfolding

Please take a take a few minutes to participate in a short survey (less than 5 minutes) and I'll share the results in the next newsletter. *To entice you to participate, I'm offering an opportunity for those who respond to have their name entered in a drawing for a \$50 gift card to Bass Pro Shop.* The survey and the drawing will be handled by a third party, Fulcher and Associates, LLC. They will collect your responses and contact information. That way you can speak freely and candidly without fear of sharing confidential information with competitors. Your participation is necessary to ensure we get a solid picture.

Click on the link here to take the survey:

<http://www.surveymethods.com/EndUser.aspx?81A5C9DB80C4D5D5>

What Others Have Said -- Highlights of the PricewaterhouseCoopers Survey Results

In the meantime, what are others saying? A report published in November 2009 by

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PricewaterhouseCoopers called "The Global Economic Crime Survey" confirmed through survey statistics what many of us felt intuitively. An economic downturn does in fact raise the risk to your company experiencing fraud. One in three respondents in their survey reported a rise in economic crimes in the last 12 months and many respondents felt a key factor in the increased level of fraud to be "job security pressure". In other words people are afraid they may lose their job, so they are more willing to commit fraud in an effort to "meet the budget numbers." Managers need to be cautious of taking a hard line attitude toward employees to meet tight, challenging budget goals. The strategy could work against you in false reporting or even fraud.

Some other key findings of the study:

1. Impact of staff reductions. A second finding from the survey is that staff reductions often result in reduced segregation of duties and less monitoring of suspicious activities. Perhaps at some point, we should quit thinking of those charged with monitoring and maintaining the business controls as "non-productive?" This finding makes it counterintuitive to continue cutting "non-productive staff" if it jeopardizes the checks and balances that reduce the likelihood of fraud and/or reduce the size of any frauds that may occur.
2. Collateral Damage. A third key in the report highlights a concept many of us do not consider -- the collateral damage caused by a fraud occurring within your organization. It naturally gives the company a black eye and impacts the moral of the employees, but it also puts off investors, suppliers, customers and potential recruits.
3. Top four industries targeted. The report also finds the top four industries for fraud were; communications, insurance, financial services and the hospitality industries. With a large percentage of our timberland now residing within the financial services sector this should raise our awareness that fraud, in its many forms should be aggressively purged from our industry.
4. Underestimation of Exposure. Lastly, the survey notes that respondents consistently underestimated their future fraud exposure by believing the greatest threats lie from outside the organization, when in reality a significant threat exists within the organization.

To get greater detail about the findings, you can read the entire report at:
<http://www.pwc.com/qx/en/economic-crime-survey/download-economic-crime-people-culture-controls.jhtml> .

DRM, Inc.

With over 21 years' experience in the forest products industry, Dendro Resource Management, Inc. (DRM) is a leader in timber audit services. DRM is committed to supporting the integrity of the forest industry by providing independent analysis and recommendations regarding internal controls as well as actively detecting and documenting theft and fraud incidents.

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