

Dendro Resource Management, Inc.
*provides audit, security and consulting services
designed to raise the theft and fraud prevention stance of the timber industry.*



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Opportunity.

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About Us

With over 23 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. Customer programs can be tailored with your Company's needs in mind. With

What do we control? Opportunity.

Last month we talked about the three basic elements of a criminal act and compared them to the basic elements of a fire. Just as a fire requires fuel, oxygen and heat (or a spark), fraud requires pressure (fuel), rationalization (oxygen) and opportunity (a spark).



We have little control over the personal pressures that employees and contractors face at home - the fuel that starts the process. Outside of hiring honest people and then communicating the importance of honesty and fair dealing while, at the same time, reminding employees of the cost of fraud, we can do little to counter the rationalization that takes place in the heads of potential thieves. That leaves *opportunity*, which is the only part of the equation that managers, internal auditors and foresters can truly impact.

This month, we'll look at *opportunity* by identifying ten things foresters should know about theft. With that knowledge in mind, timber companies can strategize to find ways to make the biggest impact at the most economical level.

*Sincerely,
Aaron Gilland
DRM, Inc.*

Ten Things Foresters Should Know

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I've put together a list of the ten things you should know to prevent and detect theft and fraud at your operation. In some cases, awareness may be all the solution you need. But in most other situations, you will need to take that knowledge and apply it to your own situation through positive action.



So, here they are:

1. **You can make an impact on fraud.** Focus on preventing opportunities and you will keep honest people honest. You have to start by realizing there are things you can do to make a difference. Some of those things are even quite simple. Resolve to learn about effective fraud prevention techniques and implement that at your operation.

2. **You're not immune from theft.** Studies indicate that:

- 40% of employees will never steal or be dishonest.
- 30% will steal or be dishonest on a regular basis
- 30% will steal or be dishonest depending on the situation (easy opportunities).

Too many managers find it hard to believe that their employees would do this to them. Although these percentages may vary depending on the study, all agree that there is a large percentage of society that will steal if given opportunities where they feel they can't be caught. Even honest people can become dishonest if given an easy opening.

3. **Learn how theft is committed.** Knowledge is strength. Educate yourself on current fraud methods being used and the prevention and detection strategies devised to expose them. Take note of any "red flags" or warning signs around you and do not underestimate the capability of the perpetrator. The Association of Fraud Examiners is a great

resource for education on fraud. www.acfe.com.

4. **Acknowledge that theft prevention is our job.** It isn't the sole responsibility of law enforcement or security personnel. Solicit your employees to be part of the program. Encourage employees to follow procedures, prepare proper documentation and report any suspicious activity. If it looks odd, report it. Help employees see how fraud hurts them as well. This message can be crafted for honest employees and potential thieves as well.

5. **Cooperate with authorities** - Pursue judicial actions. Once a fraud is detected, seek an investigation. Once criminal or civil wrongdoing has been proven, seek justice. Proper justice can send a strong message to others. Sometimes there is a reluctance to pursue criminal or civil charges against the perpetrators. The reasons are many and even seem valid. However, by seeking justice you will send a strong message to the next perpetrator that there is a significant risk in getting caught and the penalties can be severe.

6. **Avoid conflicts of interest.** Be wary of people giving gifts. What may appear to be small tokens of appreciation may end up compromising your business relationship.

7. **Thieves take advantage of perceived weaknesses.** Two of the biggest weaknesses in the forest industry can be easily resolved. The first is to avoid establishing a pattern or routine that is predictable and easily detected when visiting harvesting jobs.



The second is to make sure you have at least some preventative measures in place. Put processes and procedures in place so unusual occurrences stand out. Determine where your weaknesses are and shore them up.

8. **Wood flow audits are extremely beneficial.** Conducting wood flow audits is not only a way to detect a potential problem; it also sends an important theft prevention message. If thieves know you aren't looking, they will take



advantage of this opportunity. Put doubt in their minds. Let them know there are eyes and ears watching. Use audits as a deterrent. There are various methods of auditing-some are paper trail audits, others are camera audits and

occasionally someone is hired to sit and watch or follow loads to the mill. Keep in mind that even though your audits are not turning up anything sinister, that doesn't mean it didn't work. Maybe the reason you're not finding any problems is the fact that you have successfully crafted your ant-theft and fraud message.

9. **Beware of external risks/hazards.** Being in the woods lends itself to complacency since we are far away from the urban scene. However, there are still hazards. Environmental Extremists may show up at your mill or block a road to a timber sale. They may sabotage your equipment or burn your offices. Furthermore, Meth labs and meth lab dumps are a significant and growing problem in the south. Meth lab cooks are very paranoid and usually arm themselves. The toxic waste from the dumps can put you and your employees at risk. The same goes for marijuana grow sites. It used to be sites discovered were primarily locals growing some for their use, but lately there is an increase in Mexican National's growing sites. These folks may live on the site and are generally armed. These large grow sites are extensive in the western states, but some have been found recently in Arkansas, Tennessee and Georgia. At least two homicides have occurred with these operations.

10. **Security benefits everyone.** It's difficult to place a dollar figure on how much is saved by having good security measures in place, but we do know that the lack of security leaves you very vulnerable.