6 Tips for Deterring Employee Theft and Fraud

Many small business owners discover too late that preventing theft and fraud is a vital part of running a business. It is estimated that nearly a third of business failures in the U.S. are the result of employee theft or fraud. The hiring, management and oversight of employees offers many opportunities to prevent and respond to employee theft before it sinks your business. If you have been the victim of employee theft or have questions about your legal rights contact your LegalShield provider law firm.

1. **Establish hiring practices for your business.** Always contact references and check employment history. Ask for an explanation of any large gaps in employment history. You may also consider performing background checks on applicants who will have access to financial data, cash or merchandise. The laws regarding your ability to reject an applicant based solely on criminal history vary from state to state. It is important to consult your LegalShield provider to learn about the laws where you do business. Once you establish hiring practices, it is important to follow them for all new hires.

2. **Avoid nepotism and hiring employees with close personal relationships.** Valuable employees help monitor coworkers for potential theft, but when they are family or friends, loyalty to the business may become secondary. You should also carefully consider the risk of hiring your own family. A family member may feel entitled to additional benefits or perks. If you do hire family or friends monitor them as you would any other employee and never let theft or fraud go unchecked.

3. **Supervise all staff and managers.** In many cases of employee theft it is not the newest employee who steals, but rather the long time employee or manager who was unsupervised. Every employee in your company should be supervised. Create an open workplace where every employee feels comfortable communicating concerns or making suggestions. Some employees who steal justify their actions by saying that management is unfair, pay is too low or that managers or owners take advantage of the company so they feel entitled to do the same. In an open and well-supervised environment you may be able to head off these issues before they evolve into theft.

4. **Beware of the warning signs.** While motivations for employee theft may vary, there are some common warning signs. Keep an eye on employees that frequently volunteer to work outside of normal business hours and do not take vacation. This may seem like a positive attribute, but it may mean the employee wants to be unsupervised to facilitate theft. Beware employees who resist procedural changes or avoid oversight of their work. Drug and alcohol abuse, gambling and high levels of consumer debt are also warning signs to monitor.
5. **Develop multi-level checks and balances.** No one employee should have total control or oversight of any area of your business. This is particularly important for accounting and merchandising. Consider having separate employees manage payments and ordering. If your company has large inventory or complex finances you should hire an outside firm to provide auditing or inventory services on a yearly basis. You may also want to perform unscheduled audits to prevent employees responsible for theft from covering their tracks.

6. **Follow up on your suspicions in a reasonable and professional manner.** Failing to follow up on suspicions is asking for trouble; however, you should never make inflammatory accusations or threats against employees. Do not accuse an employee until you have fully investigated the matter. Making threats or false accusations could ultimately lead to legal action against you and your business. If you do identify an employee responsible for theft follow your HR procedures for termination. **Contact your LegalShield provider law firm to learn more about setting guidelines that follow state laws regarding termination as well as your legal options for recovering stolen property.**

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**What You Need to Know About Patent Trolls**

A patent troll or patent holding company (PHC) buys patents with the intention of collecting licensing fees from other business. Patent trolls do not produce or sell products; instead they use threats and litigation to collect fees from anyone infringing on the patents they hold. While large corporations may have resources to defend against or pay fees to patent trolls, these expenses may cripple small businesses. **If you are contacted about patent infringement, contact your LegalShield provider law firm to learn more about your options.**

U.S. patent laws were developed to protect inventors and innovators who may lack the financial resources to produce or distribute their own inventions. Patent laws exist to protect those innovations or inventions from reproduction without permission or compensation. Once a patent is registered it becomes a public record and the duration of a patent is limited. There are several types of patents, including design, plant and utility patents.

Patent trolls purchase patents and use U.S. patent law to sue or threaten suit against businesses, many of whom may not even realize they are infringing on a patent. Patent trolls stifle business growth and innovation by inhibiting companies from using and improving upon technologies. While congress debates potential solutions for curbing these abuses, patent trolls will continue to be a threat to business innovation.

The best way to avoid the threat of patent trolls is to make sure you are not infringing on an existing patent. It is vital that you are aware of patents in your industry and that you properly register new products or innovations. Many businesses think that being unaware of existing patents will protect them, but ignorance is not a legal defense. The United States Patent and Trademark Office offers information on patent law and search tools for checking existing patents on their website www.uspto.gov. **If you have questions about intellectual property law call your LegalShield provider law firm.**
7 Legal Tips for Leasing Commercial Real Estate

Leasing a retail or commercial office space is a significant financial commitment for small business owners. It is vital that you understand the terms of your lease and contact your LegalShield provider law firm before signing any commercial lease. **If you have any questions about leasing commercial retail or office space, call your LegalShield provider law firm today.**

1. **Determine a reasonable lease term.** New businesses generally should stick to one- or two-year leases. Starting a new business is uncertain and breaking a lease is both complicated and costly. Your lease should also include an option to renew.

2. **Location is the most important aspect of storefront real estate.** Research the area thoroughly before signing a lease for a commercial storefront. Is the location easy to find and access? Are the interior and exterior visually appealing? How close is the location to your competitors? An exclusivity clause in the lease prevents the landlord from leasing other spaces on the property to competitors.

3. **Know the full cost beyond rent.** Commercial lease agreements may include additional expenses, often referred to as CAM charges, including utilities, maintenance and janitorial services. Review typical utility fees for the space you are considering.

4. **Consider the cost and responsibility of maintenance and upkeep.** Unlike residential leases, some commercial leases require the tenant to perform maintenance and cover repair costs. If you will be responsible for these costs under the terms of a lease, a thorough property inspection should be completed before you sign the lease.

5. **Consider the worst-case scenario.** What will happen if you are unable to pay rent? It is important to understand the default process as outlined in your lease. Does the lease allow for additional negotiation with the landlord? Are there additional fees for default beyond the amount owed?

6. **Include the option to sublet in the lease.** A sublease provision will allow you to lease the space to another business. The option to sublease will give you an alternative to default should you be unable to maintain the lease.

7. **Have your LegalShield provider law firm review the lease before you sign.** Your attorney will explain the lease’s fine print and point out any potential problems.

We want to know which legal topics and tips are most important to you and your small business. What would you like us to cover in future issues of Small Business News? Email your suggestions and questions to businessmember@legalshield.com.

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