

Feasibility Report for Teldon Facilities Corporation

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Technical Writing
July 29, 2019

Magnum Consulting Firm Inc.
2112 Rush Ave.
Virginia Beach, VA. 23454
July 29, 2010

Jeff Newell
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207 Wigmar Drive
Norfolk, VA 23451

Dear Mr. Newell:

Enclosed is the feasibility report, completed July 29, 2010, regarding the theft and drug use concerns at your company.

This report is consolidated at your request following the problem analysis dated July 9, 2010.

The facility inspection, and interviews conducted on all personnel presently employed at your company were detrimental to our research. The hiring of an off-site security team at the behalf of our firm's request, were beneficial in determining the extent of the problem. Through research conducted by the security team and I, we discovered the high theft items of concern. The drug screen test conducted by the security team, identified the personnel and relation to the theft source. An extensive background check on prospective employees and an installed security system will greatly reduce possible theft within the company. In addition, a random drug screen at each quarter can be a deterrent for further drug use by employees.

If you have any questions or concerns, please contact me at 757-433-5060,

Sincerely,

Chris Tell

Enclosure: Feasibility Report

Executive Summary

The purpose of this feasibility report was to address the problems of company theft, and employee drug use. This report offered three solutions to the problem: install a security system and implement a drug screen program, incorporate an extensive hiring process, and administrative and quality assurance programs. This report also will provide recommendations. The report will recommend the first and third solutions as the best choice. The second solution is the least choice.

Table of Contents

3.....	Executive Summary
4.....	Introduction
4.....	Background
4.....	Purpose
5.....	Research
7.....	Alternative Solutions
9.....	Recommendations
11....	Conclusion
12....	References
13....	Appendix A
14....	Appendix B
15....	Appendix C
16....	Appendix D

Introduction

The Teldon Facilities Corporation has been in business since 1983. The recent 2nd quarter financial report has shown an increased expenditure for repeated purchases of materials, and tools, which had become a concern for the owner, Jeff Newell. This report will examine how the investigation led to the source of theft within the company, along with employee drug use that related to the selling of stolen property for cash. The report will include the economic, structural and operational feasibility of three solutions: install a security system and implement a drug screen program, incorporate an extensive hiring process, and a quality assurance program.

The research of online journals and the on-site investigation has resulted in useful recommendations the company can implement.

Background

An on-site investigation of Teldon was conducted to include fingerprinting and drug screen analysis of all employees of the company. Interviews with three employees listed in the report gave the inspection team an insight and extent of the theft problem. The drug screen analysis identified three employees, two that were involved with the theft problem. One employee had access to various company keys and made copies of the materials and tool shops. The other involved employee stole items from both shops and sold them at scrap yards and pawnshops for cash that supported both employees' drug habit. The other employee who tested positive for drug use was not involved in any theft. Our investigation also revealed a lack of accountability in company administration and quality assurance procedures.

Purpose

The purpose of the feasibility report is to address the company's theft and drug use, and to explore recommendations to resolve the problems. This report will investigate three possible solutions to correct this problem.

Research

Michael Sutton had written a guide that addresses the stolen goods problem that occurs in the United Kingdom. Sutton (2010) believes there are two main objectives for thieves to steal without being caught. The first objective is to "steal items of value, and the second objective is to sell those stolen items" (Sutton, 2010, ¶ 2). Sutton's (2010) research found that thieves quickly sell or trade off stolen goods within a one to two hour period. This quick turnaround of items for cash or trade reduces the thieves' chances of being caught by law authorities (Sutton, 2010).

Sutton (2010) reveals that young, single, and unskilled males living in low-income areas commit most stolen goods type of crime. Sutton (2010) also reveals the correlation between stolen goods and drug use. Sutton (2010) states that "In the United Kingdom, twenty-nine percent of the arrested thieves are heroin or cocaine users, and three-fifths of illegal income results from

stolen goods trade” (¶ 6). Sutton (2010) acknowledges that law agencies and trade industries work in unison to curb the trend of stolen goods.

Wells’ article provides samples of ideas, and programs a company can use to enforce standards and deter employee theft. Wells (2002) reveals that the best prevention of employee theft is not to hire a person with a record of theft crime. If companies want to prosper, the time, effort, and the expense would pay dividends toward reducing company theft and profit the companies’ bottom line (Wells, 2002). Conducting background checks through past employment verification and the court system can reveal problem employment candidates (Wells, 2002).

Wells (2002) thinks companies should adopt proactive programs like anti-fraud and audits. Wells (2002 ¶ 2) reveals that “a lot of fraud becomes noticed through job rotations and vacations.” An example of a manager who for three years embezzled one point six million dollars from his company said “If the company had coupled a two-week vacation with four weeks of rotation to another job function, my embezzlement would have been impossible to cover up” (Wells 2002 ¶ 2). By breaking the set rotation and having people move to different areas in the company, fraud would be harder to conduct (Wells, 2002). Wells (2002) goes further by discussing the idea of having a whistle blower and fraud hotline. This allows employees who see misconduct can freely report company theft to management without reprisals against them. Institute a reward initiative for those employees who witness theft (Wells, 2002).

Osborne (1995) reports on how focus groups at CPA firms are implementing internal control at small businesses. Annual employee thefts are estimated at two hundred billion dollars per year (Osborne, 1995). Theft among employees at banks is at ninety-five percent with only five percent dealing with robberies and customer theft (Osborne, 1995 Intro). Osborne (1995, p. 3) reveals, “One of the problems in dealing with embezzlement is that many business owners believe their employees, especially long-time employees, are inherently honest and can be trusted to handle business transactions without proper controls in place.” Osborne adds, “However, research has found that a surprising percentage of employees are not honest” (1995, p. 3). Most small businesses do not pay an independent auditor (Osborne, 1995). Due to the amount of personnel, companies add on responsibilities to employees who may not be qualified to conduct financial reviews (Osborne, 1995). This problem increases the chance for employee theft without proper safeguards (Osborne, 1995). Insurance companies delay in payment for company theft due to improper written loss prevention plans are not reviewed for accuracy (Osborne, 1995). Independent auditing firms are essential in deterring internal employee theft (Osborne, 1995).

After analyzing all of the data collected from the online research, and the on-site investigation, the following solutions are proposed.

Alternative Solutions

Solution # 1

The first solution is to install a security system to include closed circuit video monitors for inside the shop and outside the premises. Hire a security service to conduct random patrols at night. Implement a drug screen program.

Economic Feasibility

This is an expensive solution, but can provide a deterrent for theft, and drug use by employees. The estimate cost of the security installation would be in the price area between \$15,000 to \$25,000 depending on the service provider. Contracting an outside security company to patrol at night would be around \$1,000 a month. The implementation of a random drug screen program has a cost range of \$5,000 per year.

Structural Feasibility

The security system installation would require drilling holes through various walls to run the cable lines and install equipment. Security patrol and drug screen program does not affect the structure in any way.

Operational Feasibility

This solution will not require the shop to close. The security system can be installed while the shop is open for business. It may be slow operations in the tech, and customer service offices. No operations will be interrupted by security patrols or drug screenings.

Solution # 2

The second solution is to implement an extensive hiring process.

Economic Feasibility

This solution consists of setting up an application that covers all of the identifying information of prospective employees. Contracting a company to conduct background checks on new employees would be in the price range of \$2,500.

Structural Feasibility

There are no structural impacts for this solution. **You need to explain why.**

Operational Feasibility

There are no operational impacts for this solution. **You need to explain why.**

Solution # 3

The third solution is to overhaul the administration and quality assurance program.

Economic Feasibility

The company can implement the realigning the administration flow for viewing by higher authority. The quality assurance program can be conducted within the company. Outside auditors can be contracted to inspect quarterly financials. This independent assistance can reduce any oversight and provide a check and balance of the profit books. This service can cost in the range of \$2,000 per quarter to use.

Structural Feasibility

There are no structural impacts for this solution. **You need to explain why.**

Operational Feasibility

There are no operational impacts for this solution. **You need to explain why.**

Recommendations

Solution # 1

This solution is the first recommendation. This solution is to install a security system, hiring a security firm, and implementing a drug screen program will greatly reduce employee theft and drug use.

This is the most expensive solution. A security system install would cost the company close to \$20,000, but the price is worth it compared to what theft would cost the company in the end. There will be some interruptions of company business due to minor changes of structural integrity while the install is being performed. Operational feasibility may or may not be affected from the install being performed. The security system install is the best means of deterring possible theft for a company.

The contracting of a security guard firm can provide the extra benefits of reducing theft, especially at night. Random patrols during non-business hours will throw off any potential planned theft, due to the element of surprise. There are no structural or operational feasibility from this recommendation.

Implementing a drug screen program Teldon can also provide a deterrent of employee drug use. The program usually costs \$5,000 for the initial set up and can be done on a random basis as no one would know or who, can get tested. This is a huge deterrent benefit. There are no structural or operational feasibility from this recommendation.

Solution # 3

The second recommendation is solution # 3. This solution is to realign the companies' administration functions, overhaul the quality assurance program, and contract an independent auditor.

The company can internally overhaul and realign their administrative and quality assurance program at no cost. The contracting of an independent auditor can cost the company \$2,000 per quarter. The use of an outside auditor can provide a check and balance of financial records and reduce employee embezzlement. There are no structural or operational feasibility from this recommendation.

Solution # 2

The third recommendation is solution # 2. This solution is to implement an extensive hiring process.

This would require the company to have a full application process that includes providing a background check service for all prospective employees. The cost of having a background check service would be \$2,500. This is the least recommendation due to a lot of information cannot be extracted from computer databases, or legal references without interfering with privacy act laws.

Conclusion

Problems with employee theft and drug use at the Teldon Facility have cost the owner financially. By having an installed security system, random security guard patrols, and a drug screen program, the theft and drug use by employees will be reduced. An internal oversight of company operations can further prevent possible company embezzlement.

References

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