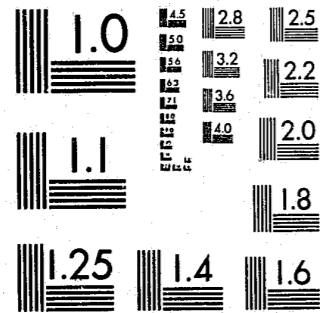


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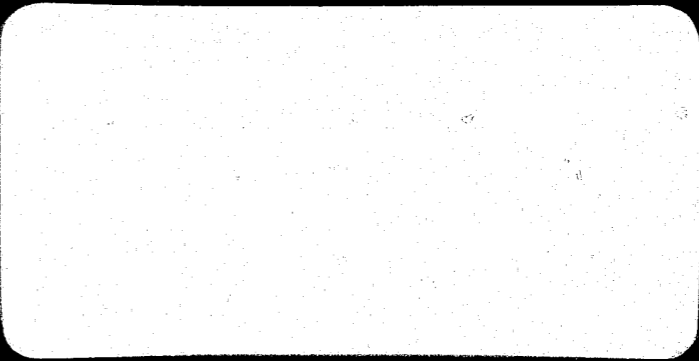
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National Institute of Justice  
United States Department of Justice  
Washington, D. C. 20531

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CRIMES AGAINST BUSINESS

Appendices to  
Recommendations

NCJRS

OCT 24 1980

ACQUISITIONS

American Management Associations

December 1, 1977

APPENDIX 1

LEAA GRANT

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Deputy Assistant Administrator  
Office of Regional Operations

Director  
Program Evaluation and Monitoring Staff  
Office of Regional Operations

LEAA GRANT APPLICATION: #0405-99-DF-76

TITLE OF PROJECT: Crimes Against Business, A National Action Plan

GRANTEE: American Management Associations (AMA)

GRANT PERIOD: August 1, 1976 to July 31, 1977

LEAA SUPPORT: \$300,000

TOTAL PROJECT AMOUNT: \$333,659

I. Project Information

A. Purpose Statement

The principal purpose of this grant is to develop a strategy to counter crimes against business, to develop appropriate attention to these crimes, and to engender the cooperation between law enforcement and business that is required to accomplish these ends. These are the crimes for which there is little data, a lack of law enforcement attention and experience, and in which, for the most part, disposition and offender treatment are handled by the individual businesses alone. The crimes include arson, bad check fraud, credit card fraud, embezzlement, shoplifting, employee theft, insurance fraud, computer fraud, etc. Although non-violent and often undetected, these crimes are not victimless; even more than the particular business target, the true and ultimate victim is the citizen who pays the cost of these crimes through increased prices and reduced services. Component developments in this project will include the following:

1. Recommended demonstration action programs, each to implement strategies through which the business community and criminal justice system can cooperatively address particular crimes and dimensions of the overall problem.

2. A recommended program of communication between business, law enforcement, and the general public through which the importance of reducing these crimes is recognized as a major hitherto unaddressed cost to the public.
3. Recommended operational requirements for a data collection and statistical system that will provide the basis for measurement and analysis of these crimes in the future.
4. Recommended research programs for a greater understanding of the nature of particular crimes and criminals.
5. Recommended strategies through which the momentum and visibility achieved by the initial grant-supported cooperative efforts of business and law enforcement can be maintained.

Although this initial project is a program planning and generational effort, it is envisioned that the program that will be developed will include instruction and assistance to businessmen on prevention of specific crimes, on how to behave and notify law enforcement when they occur, to law enforcement on how to investigate and prosecute. The primary products of the initial grant will include demonstration action program designs, training requirements for prosecutors, police, and businessmen, a public information program to convince the citizen that it is he rather than the businessman who is the real victim, and requirements for statistical systems and research to improve the understanding of the crimes and counter-measure strategies.

The grant will produce a series of reports embodying the above through means of staff development and the exploitation of selected panels of representative leaders of business and criminal justice.

#### B. Methodology

A small staff will be established. A small steering committee composed of representatives of the business segments and law enforcement that are principally involved will advise the staff throughout the planning and design. Later, a Program Operations Group will be organized into 10 to 12 panels to deal with specific subject areas. Each panel will be provided staff papers defining issues and presenting the available facts relating to the subject area of panel concern. Panel activity will be structured and will have specific objectives to provide recommendations and designs for action. Finally, criteria for selection of demonstration communities to carry out particular action plans will be designed.

The products will be a series of reports on the specific subjects with action recommendations. In addition, reports will be made of findings that result from staff research.

#### C. Summary of State-of-the-Art in Program Area Proposed in Application

##### 1. Responsibility.

There is less known about the subject crimes against business than about any other crimes. So few are handled by the agencies of criminal justice, the extent to which they appear as parts of regular crime reporting systems, if they appear at all, is so small compared to the actual magnitude, as to be unusable. Few prosecutors and fewer police have had an opportunity to develop any experience with enforcing the laws relating to these crimes, therefore data on criminal justice response is skimpy.

In July, 1975, the National Retail Merchants Association (NRMA) representing department stores with 41 member companies reported an inventory value loss for the year to crimes of over \$2 billion. In a survey of NRMA the responding companies reported apprehending 96,963 persons for shoplifting. Few of the losses were due to burglary and robbery. The reliability of this estimate is questionable due to the undisciplined collection of data; however, if close, it indicates an even greater cost to the public, for NRMA represents only a segment of the department stores and thereby only a fraction of the retail industry.

The prevalent books on the subject generally have been written by successful (and otherwise) investigators that provide only anecdotal information on types of crime and approaches used by investigators. Additional information may be found in security textbooks, but these too have little data and are not given great credence by the leaders of industrial security.

The American Society for Industrial Security (ASIS) is the leading professional association of security managers, mainly those who are personally employed by corporations and institutions of all types. In a recent survey of its members the question was asked, "What problem do you consider to be the most important one that you will have to face in the next five years?" Thirty-four percent responded that employee dishonesty would be most important, far more than any other single item. There is much knowledge in the ranks of the private security professionals, but little of this is quantified, organized and published, or effectively communicated to other security professionals. Even more

important, the agencies of criminal justice have little contact with the problem. The Department of Commerce estimates that over \$24 billion a year is currently being lost to crimes against business. Other announcements raised the figure to \$40 billion. Neither number has much basis, but the fact that such estimates are given high credibility indicates the impression that prevails among those who are closest to the problem.

In general, there is little organized and quantified knowledge. A major objective of this project is to point the way to obtaining such knowledge.

## 2. Activities of LEAA and Others in Work of this Nature

In 1970 a \$10,000 grant was awarded to the University of Utah to investigate certain characteristics of shoplifting (70-NI-99-6514). The report is of minor value to this project.

In the area of criminal distribution (fencing) a new manual on combatting fencing has been developed and a number of ORO organized crime discretionary programs have accomplished excellent results in developing specialized capability for law enforcement investigation and prosecution; however, even more can be done in the area of encouraging honest businessmen to monitor the participation in fencing by dishonest competitors, or of manufacturers and wholesalers to monitor the diversion of their products to illicit marketing channels. In 1974, NILECJ funded a study of fencing, which though concentrating on offender practices, investigation, and prosecution, included the intention to study the relation of fencing to honest businessmen. The report has just been received.

There has been no other work by LEAA, unless through unknown block grant sub-grants, in addressing the particular crimes that are the subject of this application.

Some non-Governmental agencies have been active in the area of these crimes against business. These activities are almost entirely limited to the security branches of industry associations. Such associations as the National Security Industries Association (NSIA), the National Retail Merchants Association (NRMA), the American Bankers Association (ABA), and others have devoted annual meetings to discuss technical, legal, and other developments in their areas of concern and compare experiences. The major specialized security association, covering all types of institutions and industries, is

the American Society for Industrial Security (ASIS). ASIS conducts specialized seminars, and develops instructional materials for its various industrial institutional divisions.

Recently NCCD became interested in employee theft which it calls "workplace crime" and sponsored a short conference on the subject. This effort appears to be relatively weak and shallow.

There are three periodicals published that occasionally have articles pertinent to crimes against business; Security Management (ASIS), The Nielson Report (credit card fraud), and Security World.

It is expected that the grantee will utilize the results of the NILECJ research mentioned above, and will conduct a thorough literature search of all writings in the field. In addition, AMA's own experience in studies of computer fraud will be of value. Finally, all major industries will be requested to provide representative leaders for the specialized channels.

## D. Relationship with Related Programs in Other Interested Law Enforcement and Criminal Justice Agencies.

### 1. Responsibility.

Discussions have been held with the Department of Commerce, the Small Business Administration, and with the Criminal Division of the Department of Justice. Although each of these three agencies have some effort in this area, the almost complete lack of funds severely limit these efforts. Each agency is looking forward eagerly to cooperate with LEAA in this program. Through a special condition, the grantee is required to invite selected Federal agencies to participate in the appropriate panels that will be established. It is my intention to assure that at least one representative of each of the three receives an invitation. In addition, copies of progress reports will be forwarded to the agencies whenever appropriate.

### 2. Related Activities of Other LEAA Offices and Programs.

#### a. Organized Crime Program (ORO - Enforcement Division)

This program deals with a number of crimes against business, including economic crimes against business.

Therefore, cargo theft, scam operations, and bankruptcy fraud and criminal distribution (fencing) will be considered only to the extent that they do not involve major crimes and organized crime activities. Cargo theft and scam will not be considered at all. Nevertheless, it is planned that communications and relationships be close between the two programs because of their slight overlap and the hopes that methodologies developed in one will assist the other.

b. Economic Crime Project of National District Attorneys Association (ORO - Adjudication Division)

This project concentrates heavily on consumer fraud of various types. As such, it is often concerned with criminality by unscrupulous businessmen against their customers, therefore it provides a balance for the LEAA program in that LEAA will now be giving attention to crimes against consumers as well as to crimes against business.

Prosecutors are expected to play an important role in countering crimes against business. Without doubt, a product of the anticipated grant effort will be a training program for prosecutors to deal with crimes against business. This will require the active participation of selected skilled prosecutors. Experience gained in the criminal consumer fraud program will be valuable here. The grant application indicates that an outstanding prosecutor (Harry Connick of New Orleans) will serve on the steering committee and that a representative number will be included on the various panels.

c. NCJISS Statistical Planning.

It is intended that NCJISS will be kept completely informed of progress on the project, and that representatives of the statistics service will be consulted during consideration of future data requirements.

d. NILECJ Research and Development.

It is hoped that in addition to the project (mentioned previously) on criminal distribution (fencing) that the Institute will participate through a designated researcher that will be involved with the planning process envisioned by this grant.

3. Persons Outside of LEAA With Whom This Project Has Been Discussed.

a. Joseph Rosetti, Corporate Director of Security - IBM Corporation.

Mr. Rosetti approached the Administrator and the Grant Manager with a request that LEAA engage in a program of this type. When this proposal was described, he indicated that it was very close to what he had in mind. The applicant has included Mr. Rosetti as a member of the projected Steering Committee.

b. Arthur Bilek, Vice President, Pinkerton's, Inc.

In early 1975, Mr. Bilek approached the Administrator with the request that the Private Security Advisory Council be allowed to extend its concern to the general area of crimes against business. When informed of this proposal, he responded enthusiastically and was also asked by AMA to serve on the Steering Committee.

c. Norris Lynch, Director, Department of Commerce.

Mr. Lynch has special responsibility for crimes against business at the Department of Commerce and manages the activities of the Interdepartmental Committee to Assess the Impact of Crimes Against Business. The Grant Manager is LEAA representative to this Committee. Commerce considers the proposed project as an important initiative to assist their public in a critical problem area.

d. Alice K. Cullen, Small Business Administration.

SEA is anxious to participate and learn from this project how to improve their own advisory services in the crime prevention area.

e. U. S. Chamber of Commerce.

The Chamber has been deeply involved in the development of this project. It has been discussed by their Board of Directors who support the need and the project enthusiastically. President Leshner is taking direct personal interest in the project. Officers of the Chamber with whom I have been in contact since this program was planned, indicate that their membership consider this to be one of the most important law enforcement innovations and one that is a great need for them and for the public.

**f. National Retail Merchants Association.**

General Manager Gordon Williams of NRMA requested a meeting in early 1975 with the Administrator to ask that LEAA establish a program to counter these crimes against business. Subsequently, at the Administrator's direction, the Deputy Administrator met with a delegation of top rank representatives of the following retail industries: National Retail Merchants Association, National Association of Chain Grocery Stores, Mass Retailing Institute, National Association of Drug Stores. The Deputy Administrator promised a program as a result of that meeting. This grant will be the initiation and fulfillment of that promise. Mr. Williams has been asked to serve as a member of the Steering Committee.

- g. The list of citizens, prosecutors, police, and business leaders that enthusiastically support the initiation of this project can be as long as the number that are made aware of its possibility. At the same time, it should be recognized that unless the message is primary and clear that the ultimate objective is to reduce the cost of crimes of this type to the citizen and to demonstrate a thorough attack on crime, misunderstandings can arise. A quick and shallow appraisal may result in the criticism that LEAA is trying to help the businessman. The grant applicant is particularly cautious of this possibility and will emphasize the public value and interest.

**h. Edward Davis, Chief, LAPD, and Incoming President of IACP.**

Chief Davis was approached by the applicant to be a member of the Steering Committee. He responded that although unable to accept this position on a LEAA grant, he personally considers the project a very important innovation and encourages development.

**E. Management-By-Objectives (MBO). 1.215**

The Crimes Against Business Program is a sub-program of Crime Prevention. It is listed in the DF Guideline M 4500.1 under Chapter 11, although the description was not given. This was because there was to be only one national grant and the exact description and nature was not completely known at that time. For FY 1977 the program is completely described under MBO 1.215. Since this is the only project under this MBO sub-program, the description previously given of the project adequately describes the MBO sub-program.

**F. Utilization of Results.**

It is expected that as a long term result of this program being initiated with this project, the business and law enforcement communities will have developed suitable skills and strategies, business to prevent and detect these crimes and law enforcement to investigate, prosecute, and advise business, and that both will cooperate through institutionalized communication channels toward the general reduction of these crimes against business. The initial project carried out by this grant will develop the plan and initial strategies. The program will require equal efforts by law enforcement and by the business community. In the future, attention should be given through correctional program innovation to dealing with the peculiarities of the types of criminals involved.

**G. Monitoring.**

Grantee progress reports and studies will be closely monitored to assure that project goals are being addressed. The grant monitor will attend and observe some of the planning sessions, particularly those of the Steering Committee and the General Session of all panels.

Principal Grantee personnel will come to Washington as required, to report and discuss the status of the project.

Financial status will be monitored through monthly report reviews.

**H. Evaluation.**

Although evaluation will be minimal for this first grant, since the products will be reports and plans for future action programs, a serious evaluation planning effort will be conducted by a sub-contractor to the Grantee. This will include the following:

1. Observation of the program planning process engaged in by the Grantee.
2. Analysis of program objectives to assure that they are measurable.
3. Identification of available statistical data concerning the subject crimes that will be useful later in comparative analyses.

4. Formulation of a detailed program evaluation plan to analyze impact, cause-effect relationships and projected institutionalization costs that is compatible with the program plan developed by this grant.

## II. Grant Applicant Information.

### A. Criteria for Choice of Applicant.

#### 1. Credibility with Business Community.

The American Management Associations has a preeminent reputation with American business for practical business management know-how. Its over 53,000 members are from every type of medium to large firm in every industry. The AMA Presidents Association has a membership of more than 11,000 chief executives.

#### 2. Strong Recommendation by Other Business Associations.

The U. S. Chamber of Commerce has taken particular and active interest in the development of this project and, since they decided to continue the policy of not accepting any government grants, contacted AMA and urged their application for the grant. The National Retail Merchants Association, also an early advocate of the program to LEAA, supports the selection of AMA, as does the American Society for Industrial Security.

#### 3. Capabilities of the Applicant.

Founded in 1923 as a non-profit membership corporation, AMA has specialized in research, conferences, training and publications in every area of business and institutional management.

#### 4. Past Activity in Crimes Against Business Area.

In the specific area of crimes against business, AMA has sponsored a number of special conferences and included the topic on the agenda of others. AMA published four books on crimes against business.

#### 5. Past Work with Government.

In recent years AMA expanded its training and research activities to include effective management of government

operations at local, state, and Federal levels. This program is growing.

#### 6. No Comparable Choice.

AMA is the only organization with immediate acceptability to the business community that specializes in program development and management training for business. Without business recognition and credibility, much time would be lost in developing it, with the possibility of failure. Detection of crimes against business and policy development are management tasks, the area of AMA specialization.

#### 7. Desire to do the Work.

This grant represents a small portion of the AMA program. Nevertheless, AMA is matching the LEAA portion in cash, limiting their overhead to well below their audited level, and assuming a number of charges that would normally be direct. The AMA Comptroller, Mr. Rand, personally handled the financial negotiations. They indicate that were LEAA not interested, they would attempt the effort alone, but feel that LEAA sponsorship is essential to assure the commitment of law enforcement.

### B. Applicant's Integrity.

The AMA is a large, well-known reputable association, as noted above. It has over 750 employees. Although AMA has not worked for LEAA previously, its work for business and already several Government agencies demonstrate the highest level of integrity and fine reputation.

## III. Financial Information.

### A. Continuation Requirements.

It is likely that application will be made for second and third year grants to complete the planning and to provide expert assistance to the initial demonstration projects. No commitment has been made and AMA is informed that LEAA would limit its continuation of the project (not other parts of the program as a whole) to one or at most two years. These should be at lower funding levels, since the major planning effort will have been completed.



APPENDIX 2  
PLANNING PROCESS

PLANNING PROCESS

The following steps were taken to achieve the objectives of the grant. It will be seen that the procedure was to start with a broad loosely structured approach and systematically to acquire information enabling us to focus with increasing precision upon those crimes and those industries with highest claims for attention, and those models and strategies most likely to be of practical assistance to the business community.

Step One was to establish an advisory Council, representative of all concerned and knowledgeable groups, which could assist the project staff in its planning work. This Council has continued to perform this function from its inception to the present date. (Membership of the Council is listed in Appendix 3.)

Steps Two and Three were carried out more or less simultaneously--the in-depth interviews of over thirty individuals (named in Appendix 4) with special knowledge of economic crime, and a survey of the literature, especially the statistics of crime against business.

The in-depth interviews were conducted among business executives, law enforcement officers, prosecutors, judges, private security directors and other specialists in the field (including one ex-offender, now rehabilitated and working closely with other ex-offenders of many types and hence a valuable data source regarding attitudes and motivations). The interviews ranged from short, but intensive, discussions, to whole-day interviews accompanied by supporting documentation. The purpose of these interviews was to try to ensure that no source of information, statistics, modus operandi, motivations and attitudes of offenders, and the criminal justice and business communities, and techniques of prevention and deterrence was overlooked. As a consequence we emerged with some interesting hypotheses which could be put into "model" formulations for purposes of demonstration and research projects.

The literature survey consisted of reading all the standard texts on economic crime, sampling extensively from the literature of business and private security and analyzing crime statistics reports (the FBI Uniform Crime Reports and

the detailed reports of criminal and anti-criminal activity from each of the states). The data from the in-depth interviews and the literature search was then combined so that we could perform Step Four.

Step Four--drawing upon Steps Two and Three--was to make our first approximation of the dollar cost to business of various crimes and ranking the losses due to each crime within industry type. Step Five, also drawing upon the previous steps, was to conceptualize some approaches to each of the five types of problems the grant required us to examine. This conceptualizing step was based upon our analysis of data from the interviews and literature search which suggested categorization of strategies as "Defensive," "Deterrent," or "Demotivating," and the vehicles for carrying out these strategies as "the Private Security System," "The Criminal Justice System," "the Business System," and the "Educational/Socializing/Ethical Systems(s)." Interrelating strategy with vehicle produced a matrix, into the cells of which we then inserted the problems that our researches indicated inhibited the carrying out of the strategies by means of the corresponding vehicles. For example, senior management's failure to grasp the fact that the problems of loss prevention/asset protection were not different in essence from the problems of purchasing, production, inventory control, marketing and fiscal control, was seen as an inhibitor of good defensive and demotivating strategies. The former is the concern of both the private security system and the business system that employes it, with the latter the concern of the business system itself.

The conceptual approaches were submitted in the form of discussion papers to the advisory Council, which, in Step Six, approved/modified, leading to Step Seven, the selection of priority crimes within priority industries and finalization of concept papers relating to these crimes/industries and the grant-required areas of demonstration, research, data base, communication and institutionalization. (These concept papers--see Appendix 5--formed the input to the Workshop Panels, the members of which were to expand them into programmatic form, or modify and then expand, according to their evaluation of the conceptual approach.)

Step Eight was the selection of persons for each of the Workshop Panels. Once it was known what crimes/industries/strategies were to be considered, it was not difficult to design criteria for selection. The lists from which such

individuals could be drawn were constructed with the aid of the Council, and of the participants in the original in-depth study, who had been asked for suggestions when interviewed and from the additional names uncovered by the literature search.

It was decided that it would not be possible to hold one very large national meeting to cover all the conceptualized areas. The organizational problems would have been too vast. Instead, two separate meetings were held, one concerned with demonstration projects relating to defensive, deterrent and demotivating strategies, and the other relating to research and communication/institutionalization projects and to the national data base. These activities formed Steps Nine and Ten. Each meeting consisted of an introductory overview and orientation session, followed by intensive work in small groups (workshop panels), each group having been selected as especially knowledgeable and/or concerned about the topic in question. Each group had a concept paper to work with, and an appropriate staff person as a resource and each was chaired by a member of the Council. A review and critique session, bringing all participants together concluded each meeting. Mr. Joseph Rosetti was overall Chairperson of the first meeting in New Orleans (May 4-6), and Mr. Leonard Smith was overall Chairperson of the second, held in New York (June 14-15).

The output of these Workshop Panels (a list of participants and a summary will be found in Appendix 6) after further consideration by the participants, who were sent draft copies for final review, forms the basis for the recommendations to LEAA contained in the "Recommendations" volume to which this forms an appendix. The participants gave their time without recompense, only their travel and per diem expenses being reimbursed. The contribution of these individuals cannot be over-emphasized.

To complete the planning process there remains an exploration, by mail survey, of the willingness of business to cooperate in a national data base project, and the current availability of loss data and the potential for expanding these data without major expense or interference with the smooth operation of the business. This exploration is scheduled for September, 1977.

APPENDIX 3

CRIMES AGAINST BUSINESS COUNCIL

CRIMES AGAINST BUSINESS COUNCIL

Dr. Ethel Allen  
Councilwoman-at-Large  
City Hall, Room 582 B  
Philadelphia, Pennsylvania 19107  
(214) MU 6 1776

Mr. Thomas Allwein  
Corporate Security Director  
Central Soya  
Fort Wayne, Indiana 46802  
(219) 422 8541

Mr. Arthur J. Bilek  
Corporate Director of Security  
CFS Continental, Inc.  
100 S Wacker Drive  
Chicago, Illinois 60606  
(312) 368 7515

Mr. Leo F. Callahan  
Vice President  
International Association of  
Chiefs of Police  
1300 N Broward  
Fort Lauderdale, Florida 33312  
(305) 761 2344

Mr. Dennis A. Chesshir  
Manager of Industrial Security  
General Dynamics Corporation  
Fort Worth Division  
P.O. Box 748  
Fort Worth, Texas 86101  
(817) 732 4811

Mr. Richard Cole  
President  
Loss Prevention Diagnostics  
P.O. Box 263  
Mendham, New Jersey 07945  
(201) 543 6575

Mr. Harry F. Connick  
District Attorney  
Suite 200  
2700 Tulane Avenue  
New Orleans, Louisiana 70119  
(504) 822 2414

Mr. Paul Douglas  
State Attorney General  
2115 State Capitol Building  
Lincoln, Nebraska 68509  
(402) 471 2682

Mr. Richard Gultinan  
Partner  
Arthur Andersen & Co.  
1345 Avenue of the Americas  
New York, New York 10019  
(212) 956 6052

Mr. Wayne Hopkins  
Senior Associate  
Crime Prevention and Control  
Chamber of Commerce of the  
United States  
1615 H Street, N.W.  
Washington, D.C. 20062  
(202) 659 6000

Mr. William Lucas  
Sheriff  
Wayne County  
525 Clinton Street  
Detroit, Michigan 48226  
(313) 224 2222

Mr. William McInerney  
11509 Arbor Drive E  
Anchorage, Kentucky 40223  
(502) 245 3394

Mr. Kevin Murphy  
President  
Continental Trailways  
1500 Jackson Street  
Suite 403  
Dallas, Texas 75201  
(214) 655 7946

Mr. Archibald R. Murray  
Attorney in Chief  
The Legal Aid Society of New York  
15 Park Row  
New York, New York  
(212) 577 3313

Mr. Robert O'Keefe  
Vice President  
Insurance Company of North America  
1600 Arch Street  
Philadelphia, Pennsylvania 19101  
(215) 241 4382

Mr. Joseph Rosetti  
Director of Security  
IBM Corporation  
Old Orchard Road  
Armonk, New York 10504  
(914) 765 4884

Mr. Wilbur Rykert  
Executive Director  
National Crime Prevention Association  
National Press Building, Room 985  
529 14th Street, N.W.  
Washington, D.C. 20045  
(202) 393 3170

Naomi O. Seligman, Esq.  
McCaffrey, Seligman and Von Simson  
251 E 61 Street  
New York, New York 10021

Mr. Warren H. Simmons, Jr.  
Senior Vice President  
Personnel and Industrial Relations  
R.H. Macy & Co., Inc.  
Herald Square  
New York, New York 10001  
(212) OX 5 4400

Mr. Gordon Williams  
Vice President  
National Retail Merchants Association  
100 W 31 Street  
New York, New York 10001  
(212) 244 8780

APPENDIX 4  
IN-DEPTH INTERVIEWS  
AND  
SUMMARY OF FINDINGS

IN-DEPTH INTERVIEWS

The following is a list of individuals with whom the staff of the Crimes Against Business Project conducted in-depth interviews between the months of February and April, 1977.

Mr. Toney Anaya  
Attorney General of New Mexico  
P. O. Box 1508  
Santa Fe, New Mexico 87501

Ms. Shirley Barefield  
State Planning Office of  
New Mexico  
Suite 403  
Santa Fe, New Mexico 87503

Mr. Hollis Bauers  
American Bankers Association  
1120 Connecticut Avenue, N.W.  
Washington, D. C. 20036

Mr. Robert Beauvais  
Deputy Director  
Department of Corrections  
State of New Mexico  
Post Office Box 2325  
202 Galisteo Street  
Santa Fe, New Mexico 87501

Mr. Guy Berado  
Special Agent  
Federal Bureau of Investigation  
201 E. 69th Street  
New York, New York 10021

Mr. Jim Bridges  
Security Consultant  
Federated Department Stores  
222 W. Seventh  
Cincinnati, Ohio 49202

Hon. Andrew Bucaro  
Judge  
Municipal Court  
727 South Broad  
New Orleans, La. 70119

Sgt. C. F. Buckland  
Los Angeles Police Dept.  
Robbery-Homicide Division  
150 N. Los Angeles St.  
Los Angeles, Ca. 90012

Chief Leo Callahan  
Vice President  
International Association of  
Chiefs of Police  
1300 N. Broward  
Fort Lauderdale, Fla. 33312

Mr. Lawrence Casanova  
Security Manager  
Maison Blanche  
P. O. Box 60820  
New Orleans, La. 70160

Mr. William Corrigan  
Manager, Security Department  
Ford Motor Company  
American Road  
Room 423  
Dearborn, Michigan 48121

Mr. Richard F. Cross  
Vice President  
Bank of New York  
48 Wall Street  
New York, New York 10015

Mr. D. R. Derning  
Project Director  
Standards and Goals Project  
Illinois Association of  
Chiefs of Police  
Room 207  
841 Spruce Street  
Winnetka, Ill. 60093

Mr. Vernon L. Ewing, Jr.  
Executive Director  
Retail Merchants Bureau  
Chamber of Commerce of New  
Orleans  
Camp and Gravier Street  
New Orleans, La. 70190

Mr. William E. Fleming  
Security Director  
Marriott Corporation  
5161 River Road  
Washington, D. C. 20016

Chief Daryl Gates  
Assistant Director of Operations  
Los Angeles Police Department  
150 N. Los Angeles Street  
Los Angeles, Ca. 90012

Mr. Robert Gold  
Executive Director  
New Mexico Retail Association  
320 Galisteo  
Suite 203  
Santa Fe, New Mexico 87501

Mr. George E. Hall  
Statistical Policy Division  
Office of Management and Budget  
Washington, D. C. 20503

Mr. John A. Herring  
Law Enforcement Planner  
Metropolitan Criminal Justice  
Coordinating Council  
Lew Wallace Building  
513 Sixth, N.W.  
Albuquerque, New Mexico 87102

Mr. Vernon Hoy  
Director  
Arizona Department of Public  
Safety  
2310 N. 20th Avenue  
Phoenix, Ariz. 85009

Mr. Joseph Jordan  
Commissioner of Police  
Boston Police Department  
154 Berkeley Street  
Boston, Mass. 02116

Mr. Clarence Kelley  
Director  
Federal Bureau of Investigation  
Ninth and Pennsylvania, N.W.  
Washington, D. C. 20535

Mr. Alex C. Laubach  
Assistant Manager  
Security  
Western Electric  
222 Broadway  
New York, New York 10038

Mr. Richard B. Leonard  
Coordinator  
Metropolitan Criminal Justice  
Coordinating Council  
Lew Wallace Building  
513 Sixth, N.W.  
Albuquerque, New Mexico 87102

Mr. Steven Luchik  
Howard Johnsons  
6000 N. Lakeshore Drive  
Chicago, Ill. 60611

Lt. Bill Mossman  
Los Angeles Police Department  
Bunco-Forgery Division  
150 N. Los Angeles Street  
Los Angeles, Ca. 90012

Mr. Robert Ogren  
Chief of Fraud Division  
Room 3800  
U. S. Courthouse  
Third and Constitution, N.W.  
Washington, D. C. 20001

Dr. Grace Olivarez  
Director  
State Planning Office of  
New Mexico  
State Capitol Building  
Suite 403  
Santa Fe, New Mexico 87503

Mr. Thomas Purdee  
Executive Director  
New Orleans Chamber of Commerce  
301 Camp Street  
New Orleans, La. 70130

Mr. Benjamin Renshaw  
Director of Statistics Division  
National Criminal Justice  
Information and Statistical  
Service  
U. S. Department of Justice  
Law Enforcement Assistance  
Administration  
Washington, D. C. 20531

Mr. Thomas W. Sena  
Captain  
Los Angeles Police Department  
150 N. Los Angeles Street  
Los Angeles, Ca. 90012

Mr. John L. Schwartz  
Manager, Corporate Security  
Abbott Laboratories  
14th and Sheridan Road  
North Chicago, Ill. 60064

Ms. Karen Strom  
General Manager  
Howard Johnson  
6000 Lake Shore Drive  
Chicago, Ill. 60611

Lt. J. L. Terlizzese  
Commander  
Organized Crime Bureau  
Police Department  
1300 N. Broward  
Fort Lauderdale, Fla. 33312

Mr. Richard Visini  
Executive Director  
Broadway Associates  
1133 Avenue of the Americas  
New York, New York

#### SUMMARY OF IN-DEPTH INTERVIEWS

The following is a summary of the problems and possible solutions that regularly emerged from the in-depth interviews conducted by the staff with a variety of specialists in economic crime across the country.

- There is little or no hard data on losses to business due to non-violent crime, either at the macro or micro levels. Even the relevant importance of employee theft versus shoplifting as contributors to retail shrinkage is not known by the most sophisticated stores. Currently the split is thought to be close to 60:40 ratio in favor of employee theft, although this is variable from area to area and is unquestionably subjective. The issue of bookkeeping error also arises, and here again, little if anything is firm, but some part of unaccounted for retail inventory shrinkage is unquestionably attributable to this cause.
- Poor record keeping and stock/fiscal controls systems are an invitation to employee theft, from pilferage to embezzlement to commercial bribery.
- Business people should tighten their security systems, which are perceived as typically lax in the case of the smaller organizations.
- Good relationships between employer and employee contribute significantly to the control of employee theft of all kinds.
- Only a small proportion of crimes against business are reported to the criminal justice system, even of those known to the business. This is less true of shoplifting but especially true of all forms of employee theft and commercial bribery.
- A major reason why business does not report crime is that the judicial system is seen as inefficient and excessively lenient. Major steps have to be taken to improve both the reality and the image of the judicial system (a separate shoplifting court was seen by one respondent as a useful solution, although this is only one small step in dealing with a large and complex problem.)

- The criminal justice system responds to public pressure and currently the public concern is with violent crimes. Business must communicate to the public and the criminal justice system that the non-violent crime is of major significance to the economy.
- Public pressure aside, the criminal justice system does not want--and cannot allow itself--to be saturated with the mass of shoplifting and pilferage offenses. This has to be the role of private security, working closely with the public criminal justice system, not independently of it.
- Because of the importance of their role, there must be higher standards for security guards. Contract guards in particular are very frequently ill trained and psychologically unfit for their role. Many have prior criminal records.
- Privacy legislation has made it very difficult for employers to screen potential employees regarding past offenses. Although conviction records can be legally obtained, they are difficult to come by in practice. Further, past employers are very reluctant to inform a would-be hirer that an individual was terminated for theft. There is extreme, perhaps excessive, sensitivity to the possibility of violating the Privacy Act and, indeed, of being accused of a variety of civil rights violations.
- Insurance companies require very little in the way of security as prerequisites for policies. The cost of a claim is passed back to the consumer and the insurance companies recoup the payment of a large claim within three years via increased premiums.
- There needs to be an education/communication program between business and the criminal justice system, particularly relating to business' learning to protect themselves and the responsibilities they have.
- Values such as honesty and civic responsibility must be taught and reinforced in the schools.

- Organized crime is heavily involved in white collar crime. (Although not within the purview of this grant, any on-going anti-economic crime entity will need to recognize and deal with the impact on organized crime respecting business.)
- Privacy Act, Freedom on Information Act hampering law enforcement.
- Businesses do not communicate with one another. Business has a responsibility to share knowledge (e.g., current fraud operation going on within industry, known criminals operating within industry). The short term objectives of what is "best for business" must be weighed against long-term objectives of reducing loss.

Certain specific points were made by individual respondents that are worth noting in this summary. One respondent mentioned the role of insurance companies in encouraging business to be lax in its security by not being sufficiently strict in insisting on good security systems and checking to see that they do, in fact, exist. Another gave favorable mentions to the Boston high school program (elective) that featured a "mock trial" and generally educated juveniles in the consequences of criminal behavior and believed that schools could and should play a part in reducing juvenile shoplifting.

The overall sense of these interviews was that: (a) much of the problem lay with business management, which by using improved business systems, better security and better relationships with their employees, could greatly reduce both opportunities and motivation to commit crimes against business; while on the other hand, (b) the courts were backlogged, sentences varied in an apparently idiosyncratic manner and there was a lack of trust on the part of the business community in the judicial system, leading to increased reliance on private security, independent of the public criminal justice system. Special courts, standardized sentencing guidelines and improved communications between business and criminal justice communities were suggested as possible answers to the latter problem.

APPENDIX 5

CONCEPT PAPERS:

Demonstration Projects

Research Projects

Suggested Criminal Justice System Modifications

National Data Base

Communication and Institutionalization



## DEMONSTRATION PROJECTS

### Introduction

It is evident that one cannot combat crimes against business in a piecemeal manner. The pieces interact and a total system has to be designed in order to obtain the maximum impact on the problem. It is also clear that there are three strategies which must be pursued - defense, deterrence and demotivation. Defense--"hardening the target"--is the proper task of private security; it is unrealistic to expect the police to do much in this area; except, perhaps, by assisting in the training of small business to defend themselves. Deterrence is everyone's task, and it is clearly not being accomplished. Part of the problem lies with the prosecutorial and judicial components of the criminal justice system and some proposals in this area will follow. Demotivation refers to reducing the motivations to commit the crimes; some of these motivations are rooted in social and socio-economic circumstances which go beyond the scope of this project, crucial though they undoubtedly are; others relate to the spread of "counter culture" attitudes which can be influenced among the school age population; and others (perhaps also related to counter culture attitudes) spring from dissatisfaction with one's employment because of real or imagined inequities in pay or promotional prospect, working conditions, etc: these can be addressed but probably not under LEAA funding.

Our demonstration program recommendations, at the conceptual level upon which this paper is written, are summarized by type of crime, industry and strategy.

Before turning to this, it is necessary to address the issue of criteria for selection of crimes for demonstration purposes and the data to which the criteria can be applied. Figure 1 shows the criteria used, which are essentially economic impact, recognition of importance by business, feasibility of having an impact which can be measured.

The loss statistics used are the "best estimates" quoted in the "Statistics Paper Part I", which enables us to rank order overall economic impact. Figure 2 shows the selected target crimes by industry.

We have eliminated, as crimes for demonstration purposes, arson\* (because this is a topic that needs research before any recommendations could be made, so inadequate are the data) and burglary (because police forces already do

\* Other than arson for insurance fraud.

Figure 1

## CRITERIA FOR SELECTION OF TARGET CRIMES

### DEMONSTRATION

### RESEARCH

Economic Impact of the Crime on Society

Actual or Potential Economic Impact of Application of the Research Findings

Recognized High Priority by Business

Feasibility of Emergency of Valid Research Findings

High Probability of Measurable Achievement

Recognized High Priority by Business

Generalizability to Small as Well as Large Business and to Several Types of Business Operations

Generalizability to Small as Well as Large Business and to Several Types of Business Operations

a great deal in this area). Embezzlement and securities theft/fraud have not been singled out for a specific demonstration project, because it would be, in our opinion, difficult to prove the affects of any particular set of counter measures. However, we are not excluding them from the overall program; they are too important to be neglected. Our approach is to treat them by means of the "across the board" measures which will be proposed (particularly the creation of an economic crimes unit attached to the District Attorney's office and an evowed policy of prosecution by the District Attorneys and by the business community.)

("Organized crime" is also omitted from consideration, since it is outside the terms of the grant, being studied by other groups within LEAA.)

We have selected industries on the basis of the overall importance of a given crime to society as a whole and its relationship to a given industry, the economic importance of the industry, the specificity of an economically important crime to an important industry, and the extent to which the Federal government is already (through its various agencies) involved in regulating crime within the industry, or supporting particular anti-crime activities. Thus we have omitted organized crime in financial institutions and transportation industry (the latter is very concerned about hi-jacking, mostly an organized crime activity which is covered by specialized agencies). We have suggested light manufacturing (this could be the electronics industry or machinery) because it is economically important and vulnerable to employee pilferage, a nationwide evil. Retailing and the insurance industries have been selected because they are economically important and extremely vulnerable to certain crimes.

General Concepts, Relevant To All Industries  
And Crimes Against Business

Deterrent

We propose that, in a selected community (preferably medium-sized and self-contained ), there should be established certain general programs and organizations, most important of which would be an economic crimes unit attached to the prosecutor's office. It would be given particular training in the nature of and investigation of, economic crimes against business. Typically (and

Figure 2

SUGGESTED DEMONSTRATION PROJECT TARGETS  
(CRIME AND INDUSTRY)

Crime	Retail	Industry: Manufacturing (Light)	Hotel	Insurance
Employee Pilfering	1* ***	1* ***	2* ***	4
Commercial Bribery	3	2* ***	3	2
Securities Theft/Fraud ) Embezzlement )	See Note at Foot of Figure			
Arson	Excluded	Excluded	Excluded	Excluded
Burglary	Excluded	Excluded	Excluded	Excluded
Vandalism	4	3* ***	4	3
Shoplifting/Guest Theft*	2* ***	NA	1* ***	NA
Insurance Fraud	NA	NA	NA	1* ***
Check Fraud	5* ***	4	5	NA
Credit Card Fraud	6	NA	6	NA

# = Rank Order of Estimated  
\* = Feasibility of Impact and Measurement  
\*\* = Industry Concern  
☐ = Selected for Demonstration

NOTE: Although not dealt with as specific, measurable projects, combatting these crimes will not be overlooked. The general measures recommended are expected to have some impact.

understandably) these units, where they exist, have dealt with crimes by business. Any such units should unquestionably do this work, but a sub-unit skilled in embezzlement and employee theft and fraud should be set up. The training would be a mix of management, criminal method and investigative subject matter, to be designed for general use among all such groups and by prosecutors and police (in modified forms).

Another basic deterrent strategy would be a joint public commitment of prosecutors and business to prosecute. We suggest that in the case of businesses, a club or league should be formed in a community (it could be affiliated with the Chamber of Commerce) of business managers committed to this policy. Retailers would carry its emblem displayed prominently, and all employees would receive this philosophy in their employment policy documents.

#### Defense

Another general type of program would be training (by workshops or seminars and publications) of business people--especially those running small businesses in the identification of vulnerable points in the flow of material, money, information, etc, in the hiring of staff (what can and cannot be asked, what information can be gleaned from what source about potential employees), the physical design of the "plant," and how to deal with identifiable vulnerable points. In other words, a loss-prevention systems analysis.

This is described in the Communications Strategy paper, but it is necessary to consider it as part of the total system being proposed.

#### Demotivating

Conduct public meetings--and, in particular, meetings and workshops in schools for pre- and early-teenagers--emphasizing the perils of committing the crimes in the environment created by the new deterrent systems being established in the community, and the economic folly of continuing; a) driving small independent concerns out of business; b) in any case having the cost of crime added to the grocery bill. These meetings and workshops should be conducted by charismatic individuals who are "heros" to the audience being addressed.

This type of program should be extended by audio-visual presentations, also using these "hero" figures.

All communications efforts should stress the importance of good relations between employee and employer, especially at the supervisory level. To match these attempts at consciousness-raising, in-house programs should be designed to establish a good organizational climate in businesses that have morale problems. This would involve diagnosis followed by specific programs, including those related to the inclusion of loss control as a variable in job evaluation of supervisors and such obvious morale-builders as improved control over work schedules, more equitable and visible promotional structures and processes, etc.

#### RETAIL INDUSTRY

Employee pilferage, shoplifting, vandalism, commercial bribery and check fraud are of major concern. In addition to the general elements so far discussed, we propose the establishment of a special court, to deal exclusively with the non-violent crimes against retailers (excluding burglary). Judges would be rotated through a "tour of duty" and would be encouraged to attend meetings of concerned groups and read the specialized literature being prepared for the proposed training of police, prosecutors and business people as detailed in the Communications Strategy paper (as well as above).

#### MANUFACTURING INDUSTRY

The proposed general program would form the basis of the demonstration project in a community with an appropriate type of manufacturing industry. The seminars, workshops and in-house training programs would, of course, be tailored to the particular characteristics of this kind of business.

We would also expect this group formally to establish and announce a "no kickbacks given or received" policy and, again, prosecute for any established case.

The importance of employee vandalism in many manufacturing plants suggests that here is a case where programs stressing: a) supervisory responsibility for loss prevention and also for establishing good relations with employees, and; b) some employee relations and personnel management training in general would be of major importance.

## HOTELS

In addition to the general programs that are as applicable to hotels (and, indeed to service industries as a whole) as to any other industry, it is proposed that one or more hotels/motels in a demonstration locality, with especially high "guest-theft" problems should experiment with specific defensive strategies to combat this problem. Expert advice is needed here, but one possibility is to have room keys handed to a designated floor supervisor (housekeeping) on check out, who quickly inspects the room before the guest is handed the bill. Evidence of theft would be immediately communicated to security who would then directly interrogate the guest. Complementary to this there should be notification to guests that rooms are subject to inspection upon check out and that losses may lead to questioning and possible report to the police, etc. It is hypothesized that the risk of such embarrassment would deter the typical "rip-off" guest, but not, of course, to the professional. Good public relations would be called for to avoid undue offense to non-offender guests. The trade-off between loss due to guest-theft and loss of business is one that has to be measured in evaluating any such program.

Commercial bribery is common in the "hospitality industry." A formal "no kickbacks given or received" must be stated by top management and identified cases prosecuted.

## INSURANCE

Insurance fraud is found in many areas of insurance business. It is unlikely that any project could (or should) deal with every area. We propose that fraud by arson and some petty but pervasive fraud, such as inflated automobile repair work charges, should be the focus.

With respect to fire insurance frauds we propose that a formal link be established between police, the proposed economic crime units and the fire marshal's office, so that all suspected arson cases where insurance is an issue--a fact which can be drawn to the attention of the economic crimes unit by the insurance company if it so desires--can be investigated as suspected economic crimes. (The training proposed for the economic crimes unit would encompass any legal and technical aspects of insurance fraud that called for special knowledge.)

The petty frauds are sometimes collusive, between insured and a claims adjuster, and/or between repairer and insured. The explicit threat of prosecution could probably deter many of the typical offenders, if it were made credible by the proposed overall committal of the criminal justice system to support business in this respect and the wide publicity that such a philosophy should be given in the demonstration community.

With respect to (other) employee crimes against insurance companies (e.g. kickbacks), firm policy statements, the placing of responsibility upon immediate supervisors and the general model of formal announced commitment to prosecution, etc, as discussed elsewhere should be implemented.

### ADDENDUM

As a result of the Crimes Against Business Council meeting in Washington, D. C on March 24/25, 1977, it has been agreed that Fencing should be added as a crime to be included among our demonstration projects. Strategies for this particular project have not been agreed upon.

### PROPOSED RESEARCH PROJECTS

#### Introduction

In dealing with a topic such as Crimes Against Business, there are numerous possibilities for meaningful research. The criteria used for identifying the proposed projects were as follows:

- the suspected actual/potential economic impact
- the applicability and generalizability of the findings
- feasibility of the research effort
- recognition of priorities of business
- general lack of information in the area

The attached outlines for proposed research address the general questions:

1. To determine if it is possible to develop predictors for crimes which would allow for active prevention efforts (No. 1 Predictors for Arson and "Bustout Schemes").
2. To determine whether it is possible to define and catalogue potential modus operandi of potential crimes and demonstrate effective models of detection on the basis of these mo's (No. 2 Computer-Assisted Crime).
3. To determine whether current legislation is sufficient or if changes in statutes would provide for more judicious and effective processing of Part II crimes (No. 3 Legislative Package).
4. To determine if it is possible to abstract and determine the actual cost-effectiveness of prevention and deterrence efforts by determining the actual dollar impact of crimes against business (No. 4 Econometric Analysis of Crimes Against Business).

5. To determine whether it is feasible to develop a prescriptive package for law enforcement and prosecutors to follow in developing economic crime cases. The primary intention would be to enable them to pass the screening procedures of the prosecutor's office (No. 5 Model Package for Prosecution).

These projects are not considered exhaustive of the needs in the area, but they do attempt to deal with a broad range of the issues which are relevant to effective identification, prevention, investigation and deterrence of crimes against business.

Research Project 1. Predictors for Arson (Insurance Fraud) and "Bustout Schemes"

There is general agreement that the occurrence of arson (insurance fraud) and "bustout schemes" become more prevalent during times of economic recession. In most cases the insurance companies and police departments are reactive in their investigative attempts to identify the individuals responsible. The purpose of this proposed research effort is to determine if some common factors can be identified with regard to the histories of the businesses which have been destroyed by these crimes. Following identification of such variables it would be possible to track potentially vulnerable businesses and presumably determine a constructive course of prevention.

Procedure

Insurance investigators and municipal fire inspectors would provide initial identification of a population of businesses which have been subjected to arson or "bustout schemes."

Analysis of variables such as:

- credit rating
- single owner/corporations
- loan extensions
- business losses
- geographic locations
- profit picture

would be attempted to determine a profile of the "typical" business subject to these schemes. Secondly, an in-depth analysis of the trends profile of these businesses would be required to determine which factors are most likely to provide Economic Crime Units with reasonably reliable predictors for the occurrence of such schemes.

In order to be useful, this information would require a standardized technique for tracking businesses within a given community.

#### Research Project 2: Computer-Assisted Crime

There is general agreement that the proliferation of computers provides a vehicle for enormous potential losses. Two fundamental problems associated with this statement concern:

- The lack of information regarding how these rip offs can be accomplished.
- The lack of information which defines the extent to which these losses are currently actually occurring and have not been identified.

#### Procedure

This research project presumes a two-phase effort.

Phase I. In order to elaborate the ways in which the computer can be used in nefarious rip off schemes; it is suggested that a "think tank" of high-level computer specialists be brought together and given the mandate to develop prototypic models of computer-assisted frauds. These models would be developed for a variety of simulated situations which closely approximate the actual uses of the computer in a variety of business enterprises.

The next step would require this "think tank" to develop detection techniques required for active identification and investigation of these "model" computer rip offs.

This stage is extremely important considering the fact that in most audits the primary focus is on "balancing the books" rather than looking for fraud.

Phase II. This phase would focus on the identification of and the magnitude of current losses being sustained by a random sampling of businesses. It would require the active cooperation of business executives to allow an unannounced audit of computer procedures by the "think tank" personnel. These audits would involve the application of the detection products developed in Phase I.

An analysis of these findings will allow a more accurate projection of current and future potential losses than is currently available according to more conventional techniques.

### Research Project 3. Model Statutes Program

The criminal justice system is under attack. It has been called a "non-system" by many knowledgeable people in the field.

It must pull itself together into a cohesive, well-functioning system that is a true deterrent to criminal behavior; a system that swiftly and fairly punishes those who are guilty and exonerates those who are innocent.

Crimes must be re-defined in light of our present sophisticated society, and in light of our past experiences.

Statutes must be uniform, concise, and specific as to what actions are proscribed. They must afford limited opportunity for interpretation, for on such foundations ladders are built to allow guilty parties to climb above the intent of the law.

The law must consider new and novel approaches to writing statutes, allowing the punishment to fit the crime. The law might decide to eliminate some of the judicial discretion abounding so freely and seek to establish mandatory minimum sentences for repeat offenders.

In any event, the law must be made contemporary. And in no field does the law seem to be more archaic than in the field of business and economic crime.



### Procedure

A comprehensive review of existing federal and state statutes with respect to economic crimes must be undertaken.

The review must cull from existing statutes those provisions that appear relevant and have led to high rate of conviction.

Statistical data should be reviewed determining which courts are prosecuting which crimes, and with what success.

Bar Association and other panels should be set up allowing the vast reservoir of legal talent to formulate model statutes in areas that they feel are unproductive.

State legislatures should be canvassed to determine if pending bills have any relevance to economic crime.

Various other agencies, associations, panels, etc. should be contacted in order that all existing or prospective laws are gathered for review.

After such a gathering of information, model statutes should be drafted to be used on a national basis.

### Research Project 4. Economic Analysis of Crimes Against Business

It is currently accepted practice to quote a 24-40 billion dollar loss to business and the economy due to crimes against business. It is presented that this cost (loss) must also be added to related costs of maintaining private security forces and the criminal justice system. It is often presumed that a considerable portion of these costs/losses is passed on to the consumer, through increased prices which in effect contribute to the general inflationary spiral and the inability to sell many products to foreign markets (imbalance of payments).

### Procedure

This research project proposes an econometric analysis of the actual dollar cost and impact of Crimes Against Business on:

- individual businesses
- the consumer
- the national economy

This analysis, in effect, will attempt to define the way in which the presumed impact of crime compares with the actual recirculation of the dollars withdrawn from legitimate business due to crime. Secondly, the analysis

will examine the actual cost/benefits of maintaining the current criminal justice system with regard to the dollar savings for the population of business regarding criminal losses. Finally, this analysis will attempt to define the direct and indirect ways business losses and security expenses impact the consumer and business.

#### Research Project 5. Model Package for Prosecution

The current drop-off rate from arrest to prosecution is approximately 30% for economic crimes. Law enforcement officials often claim that prosecutors screen out "good" cases which should be prosecuted; while prosecutors refer to the "bad" arrests made by police officers. The latter claims, in many cases there is a lack of sufficient evidence for prosecution from a lawyer's point of view.

This proposed research project will attempt to define the criteria used by prosecutors for screening economic crime cases. On the basis of this information, a model package will be developed for investigations, defining minimum standards of evidence required for prosecution.

#### Procedure

Prosecutors with economic crime units will be solicited for their cooperation. Screening techniques will be reviewed with the intention of defining key potential criteria for the decision to "not prosecute". A sample of well documented cases should be reviewed in order to determine the requirements for success in prosecution.

On the basis of these variables, a prototypic investigative package will be developed which will include requirements for passing the screening criteria used by most prosecutors' offices.

This information will then be made available for dissemination through workshops, seminars, and pamphlets to law enforcement officials and prosecutors nationwide.

## Suggested Criminal Justice Modifications

### Introduction

It is a widely accepted view that those committing crimes against business are victimizing not only business but the public at large. However, it is also widely noted that these criminals are prosecuted sporadically and rarely, if ever, experience any meaningful criminal penalty or sanction.

Therefore, if we are to fashion a credible deterrent to commercial crime, the prosecution thereof must become more than an empty gesture or a sporadic act.

New and innovative statutes must be written to adequately deal with the sophisticated and sometimes complex nature of commercial crime. In addition procedural devices must also be fashioned so that the criminal justice system can properly and fairly prosecute and dispense justice with regard to these crimes.

Cognizant of these conditions the Council has endorsed basic recommendations to be considered by the Criminal Justice Modification Workshop Panel. Following is a list of those recommendations and the rationale behind the initial discussions.

- Sponsor legislation allowing for severe penalties to be imposed, when the magnitude of the crime warrants.

The existing Commercial Bribery Section, 35-18-10-1 and 2, of the Indiana statutes, relegates the entire area of commercial bribery to the bribery of officers and carriers or the bribery by officers and employees of carriers. However, even more startling is that the most significant provision of this statute provides that violation thereof, in any manner, subjects the guilty party to a ridiculously low fine (minimum of \$25 to a maximum of \$100.)

The statute is ineffective and counterproductive. Although it is repealed effective July 1, 1977,

it is illustrative of the fact that with respect to certain commercial criminal statutes, the criminal justice system does not provide adequate penalties, nor does the criminal justice system attempt to fully address the magnitude of the problem.

As the legislation with respect to statutes should become more cognizant of the range of penalties imposed, so too must we look to the various aspects of sentencing with respect to the variety of commercial crime.

Recently, a group representing real estate developers in the Southwest perpetrated a fraud upon the public, reaping a harvest of over 200 million dollars in profit. The guilty parties were tried and convicted. They were sentenced to a maximum of two years in jail, such time to be served during the week only. The perpetrators were allowed to go home on weekends.

It is submitted that sentencing of this type, after an acknowledged theft of over 200 million dollars, makes the prosecutorial deterrent nonexistent. Under these conditions such acts will continue to be committed no matter what the written law proscribes.

- Create separate courts dealing with non-violent crimes against business.

The City of Chicago has instituted a concept long championed by the retail industry. A separate court dealing only with retail shoplifting has been established.

Advocates of this type of alignment believe that the congestion of the regular courts will be alleviated. They believe that a judge will be more inclined to view the seriousness of a non-violent crime without having to compare it to a violent crime. Judges and prosecutors will become more expert in commercial crime and better able to understand otherwise complex material and testimony.

- Establish mandatory prison sentences for any repeat offender, notwithstanding the crime.

Long a controversial topic, the Council feels it must be considered, notwithstanding the obvious consideration that judicial discretion will be severely limited.

It should be noted that the proverbial "one bite of the apple" is allowed. Judicial discretion as to prison confinement is not eliminated until the party being sentenced has already been previously convicted. The length of the mandatory sentence may either be statutorily prescribed or left to the discretion of the judge hearing the case.

- Establish the use of increased penalties for repeat offenders.

Once again, this provision is aimed at the recidivist. The knowledge that increased penalties apply to a repeat offender will hopefully deter possible future crimes.

- Establish the use of multiple offender statutes to focus on the career criminal.

Applicability of multiple offender statutes is often ignored by prosecutors. However, if utilized consistently by each prosecutorial office, the deterrent effect is obvious.

- Provide both criminal and civil sanctions to those convicted.

For example:

- the guilty party must make restitution of all monies or property;
- the guilty party is precluded from engaging in similar business or practice.

A person may enter a particular commercial endeavor, defraud various businesses in any number

of ways, and somehow be caught. Yet, after trial, conviction and sentencing, it is conceivable that this person will be required to pay merely a nominal fine, keep the fruits of his labor and re-enter the same business to conceivably begin the cycle anew.

Ostensibly, common sense would dictate that the law prohibit this person from beginning the same sequence again.

- Conduct a comprehensive study of all statutes having relation to crimes against business. Such a study should seek to re-define these crimes, recognize the limitations of the existing statutes with respect to these crimes, and write model statutes to be utilized nationwide.

For example, as is illustrated by the aforementioned Indiana statute, the area of Bribery must be studied and new laws written to reflect circumstances as they exist today.

So too must new laws in other areas be studied and written. Some state legislatures have already attempted to write new legislation seeking to attack a long-standing problem from a different perspective.

In the State of Minnesota the penal law now includes a provision against the possession of shoplifting gear. It provides:

Whoever has in his possession any device, gear, or instrument specially designed to assist in shoplifting with intent to use the same, to shoplift or thereby commit theft may be sentenced to imprisonment for not more than three years or to payment of a fine of not more than \$3,000 or both.

The implication is clear. This state has sought to confront the shoplifting problem at its inception and has made the maximum penalty quite severe in light of the penalties enumerated in other statutes. Innovative statutes similar to this Minnesota statute must be considered, and their feasibility measured.

- Create specially trained units assigned to the police and prosecutorial staffs, trained to investigate, prepare and prosecute commercial cases.

A commitment through the criminal justice system must be made in attempting to deal with commercial crime. It must begin with the police, and carry on through to the judicial process.

Law enforcement must acknowledge that commercial crime is complex and difficult. If a person is mugged, he will know it immediately. If employees pilfer, or embezzle, the effect is not as immediately recognizable, and the case is likely to be more difficult and time consuming to develop.

Accordingly, specially trained units must be assigned to investigate and prosecute commercial cases in order to effectively process them through the criminal justice system.

- Set up a procedure whereby the sentencing judge and prosecutor are notified when an individual comes up for parole.

It seems obvious that the prosecuting attorney and sentencing judge would have meaningful input with respect to an individual's application for parole. Accordingly, corrections should be required to make proper notifications at all parole hearings.

#### Conclusions

The existing laws, and the prevailing level of prosecution of those laws, has not and will not create any measurable deterrent threat to the criminal in our society. Crime against business does pay. And it will continue to proliferate until meaningful commitments are made by legislators, police, prosecutors and the judiciary.\*

\* A total commitment from business is essential also, but that is not within the purview of this paper. However, it should be noted that without such commitment from business (e.g., better record keeping; strict announced policies against all crime; the willingness to report and prosecute offenders, etc.) then the commitment made by the criminal justice system will remain an empty gesture.

Better laws, investigation, prosecution, sentencing procedures, and education are all necessary before our criminal justice system is made to function effectively to deter crimes against business.

#### Some Recommendations for a National Data Base

In the first phase of our information collection process, the staff of the Crimes Against Business Project attempted to locate and assess the current statistical base regarding the economic impact of crimes against business. This phase focused on:

- sources and extent of available data;
- gaps in available data base;
- accuracy and adequacy of current data collection methodologies.

On the basis of the information compiled, preliminary recommendations were made for provision of a reasonably valid national data base respecting the economic impact of crimes against business.

The following recommendations are excerpted from our "State of the Art" paper of March 1977 as approved by the Crimes Against Business Advisory Council.

### Preliminary Recommendations

Data collections should serve several purposes in addition to scoping out the dimension of a problem. The recommendations set forth below describe methodological alternatives which take into account the conclusions/problems described in the previous sections, and the need to accomplish the following through the process of data collection.

- Provide an incentive and a vehicle for individual businesses to assess the impact of crime on their profit picture and make crime loss a management issue.
- Establish communications between and among businesses and the Federal government which brings crimes against business into focus and priority attention.
- Provide information to raise the consciousness of the consumer vis-a-vis the impact of crimes on the general economy and inflation.
- Provide baseline data to assess within each organization and nationwide the impact of programmatic efforts to reduce and prevent crimes against business.

With these purposes in mind, the following recommendations are described in summary form. The first four are not mutually exclusive, although it is likely that if both 1 and 2 (collection from business by a modified tax return or via a special data collection effort in a sample of businesses) were found to work, only one would, in fact, be the basis for a nationwide effort.

#### 1. IRS Corporate Tax Report Modifications

Current provisions of corporate tax returns make allowable deduction of losses due to theft where "theft" includes but is not limited to larceny, embezzlement and robbery (see Appendix L). IRS supplemental schedules for forms for gains and losses could potentially provide an accurate source of information regarding the loss figures sustained by businesses due to crime.

Currently, it is not possible to parcel out these figures on corporate tax returns as the schedule groups together allowable losses and therefore the source of the loss cannot be determined from the gross figures.

Secondly there is generally collusion among executives at all levels of a corporation to "bury" such losses under alternative categories and thus prevent identification of losses directly due to theft (which companies and executives find embarrassing).

A modification of categories on the supplemental form with the explicit requirement to identify accurately the nature of the loss could provide direct, reasonably accurate data. Since tax forms are filed yearly these figures would represent an ongoing data gathering process which could be compiled and reported by the IRS in its publication, Statistics of Income - Business Income Tax Return.

Groundwork would have to be done to generate the willing cooperation of business by indicating that this is the most discrete and confidential method of collecting statistics which are important to business.

#### Advantages

- The IRS is a highly credible source and the request to report on tax forms should provide adequate incentive for businesses to maintain accurate loss records on crimes against business.
- The IRS tax machinery represents the most direct, efficient, inexpensive and accurate method for generating statistics on an annual basis.
- The IRS could maintain the confidentiality of the information from sources and therefore would be the most likely of all Federal agencies to receive accurate information.
- The IRS would be able to analyze these figures with regard to a variety of variables; e.g., size of corporation, geographic location, personnel expenditures, type of business organization, etc., since this information is available off the tax forms.

- The IRS would have information from the entire population of businesses rather than a sample. This could help overcome the reluctance of individual businesses to reveal losses for fear their credibility will be reduced vis-a-vis competition.

#### Disadvantages

An effort would be required to establish a reporting requirement for IRS to gather this data. IRS refused a similar request made by the Department of Commerce in 1975. It is unlikely that they would be immediately favorable to such a request in 1977.

Unless businesses can be persuaded that it is in their own best interest to report accurately, they are likely to resist any such additional change in the IRS reporting format.

Reporting may still not be accurate with regard to loss category. Business may still attempt to "bury" figures in order to prevent disclosure of actual losses and the split between shoplifting, internal theft and non-criminal "shrinkage" of inventory would remain extremely difficult to assess in the retail industry.

#### 2. Representative Sample Panel of Businesses

This proposal envisages an analog of the Victimization Surveys, with business organization as the sample unit. The sample would be some form of stratified (by type of business, size of business, geographic area) random sample within selected communities. (Probably differential sampling fractions would be used in some strata, in order to improve the reliability of estimates for particular industries, etc. Weighting would be used to obtain national estimates.)

It is envisioned that the businesses that constituted the sample would form a panel, continuously reporting losses over a two or three year period, from the time of enrollment, before being replaced by new units.

Bias due to difference between those organizations that cooperated and those that did not would have to be investigated, presumably by taking a "once only" picture of a sample of non-cooperators, and comparing this with

equivalent data from cooperators. Corrective weighting could then be applied to improve the estimate, if discrepancies were found.

We anticipate that a sample of about 10,000 businesses would be adequate for the purpose of estimating losses, making comparisons between broad industry groups (various categories of retail and wholesale business, of manufacturing, of service, finance, insurance and transportation). Sub-samples of the total panel sample would be replaced, at intervals, with new units. This procedure can be optimized to give the best combined estimates of losses at a particular time and of trends over time. It also has the advantage that dropping a cooperative business from the study after, say, two years enables that business to drop the sophisticated data collection effort if it finds it onerous and not, for its own purposes, cost-effective. On the other hand, if it finds such data to be a useful management tool, then it would possibly want to continue without federal support for the effort. From the viewpoint of data validating per unit, a panel has the advantage that one is not relying upon data gathering by non-standardized methods (or upon memory) in order to obtain the entries in the recording schedule. A unique, standardized system, using very rigorous and explicit definitions of each crime category and explicit means of measuring, would be established at the outset in each cooperating organization. Once this system was in place, reporting would not call for personal, face-to-face interviews; returns could be made by mail, although some monitoring visits would be in order. The panels could be extensions of the existing commercial victimization surveys.

#### Advantages

No legislative changes would be needed to establish these panels and, given a truly representative sample, the loss figures could be made sufficiently accurate for all practical purposes (although the shoplifting/pilferage breakdown would still be in doubt without a further step, as described in 3) below). The NCJISS would analyze and disseminate the data as part of its standard service.

#### Disadvantages

Even with the proposed sample size, there would be considerable restriction on the fineness of analysis that could be performed, compared with a census such as tax returns would provide. There is also the danger that despite all checks and corrective weightings, a bias



could enter the estimation process because of differences between these organizations that joined the reporting panel and those that did not.

In any system, the problem of identifying the crime (as distinct from the fact of loss) still remains and, as stated, is acute for the shoplifting/pilferage split.

### 3. Sample Survey of Individuals

In order to help in obtaining information on the dollar magnitude of crimes (shoplifting versus pilferage) that cannot be easily obtained by loss measurements within an organization, it is suggested that an experiment be carried out among a sample of the public (say 14 years and over) to obtain "confessions" of illegal activity. Obviously, this would have to be carried out under circumstances of absolute confidentiality, with guaranteed (and evident) absence of any identification. (This probably precludes sampling householders and interviewing at a person's home as is customary in Bureau of the Census work; a version of the "quota" method used by market research organizations, although frowned on by sampling statisticians, might yield good results because the individual interviewed in the street or in a cafe, etc, would not be asked for name or address and could be more easily convinced of anonymity, than if the householder's address were identifiable.)

There is some evidence that people are quite willing to "confess" to illegal acts against business under the appropriate circumstances, as illustrated by some LEAA-funded work by the Mid-Atlantic Research Institute. Whether their particular approach and instruments are valid is a subject for further inquiry, but some such effort seems promising enough to explore and would, if valid, be a useful complement to the loss estimates obtained from the business organizations, either by a tax return or a sample-panel method.

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\* Sample is balanced by demographic characteristics such as sex, race, age and socio-economic status, within area.

### 4. Uniform Crime Report Revisions

A requirement for businesses to report losses due to crime to local prosecutors' offices as a prerequisite for claiming a deduction on an IRS Tax Schedule might be instituted as an effective reporting system for Part II crimes against business. Prosecutors would require standard formats for maintaining records; providing businesses with appropriate exemption forms; and passing the information onto the state UCR agencies.

Such a report system, although cumbersome, would focus the attention of business onto crime losses. In addition, prosecutors would have to gear up economic crime units to handle the increased case load. This would increase the number of white collar crimes processed through the criminal justice system and foster a more equitable distribution of deterrence efforts for Part II as well as Part I crimes.

This effort would be expensive and most probably meet with considerable resistance.

### 5. Random Sample Survey of Businesses

A survey comparable to the one mounted by SBA in 1969 would be the least desirable alternative. Survey/interview could potentially be effective for data gathering if sufficient visibility and commitment among business were generated prior to the effort. Cooperation with such an effort could be fostered by joint sponsorship of Federal government/Chamber of Commerce/National Trade Association/LEAA/AMA.

Some effort would be required to provide an ongoing sponsorship to the survey effort. Single efforts such as the original SBA do not provide the kind of in-depth continual focus on the problems of crimes against business. Indeed such periodic single effort may actually distort more than they reveal.

### Recommendations

With regard to data gathering several recommendations can be made:

- Business must be persuaded to report known offenses to local police departments.
- UCR reporting should place stronger emphasis on the reporting of Part II crimes reported by municipal agencies (currently only approximately one-fifth of municipal police departments turn in such records).
- Prosecution data gathering system should be established nationwide. A standardized format and some standardized process for monitoring the screening procedures is required. This information should be forwarded to UCR state centers.
- Courts should refer disposition data, sentencing and actual commitment to prisons to UCR units.
- Correctional institutions should provide standardized annual reporting systems to state UCR centers as do municipal police departments. This information should include annual admissions data and population profile by standardized offense categories.

### Some Recommendations for Communications and Institutionalization

#### Introduction

The following overview of proposed strategies for communications and institutionalization (see below for definitions) is presented as a basis of consideration for further expansion by the panel workshop members. These recommendations reflect the suggestions of the project staff and modifications made by the Advisory Council at the last joint meeting.

#### Communications

Communications strategy is defined for present purposes as a procedure for the exchange and dissemination of information relevant to controlling crimes against business among individuals and groups who are (or should be) concerned about the problems of such crimes.

We propose a communications network, the goal of which is to take the high-level awareness and support for the Crimes Against Business Project being developed by the AMA Public Relations Program and communicate: (a) the magnitude of the economic and social effects of crimes against business among business, the criminal justice system, the private security community and the general public (i.e., raising the level of awareness); and (b) the general nature of the solutions that these groups can adopt, especially by working together.

A primary focus is the breakdown of the "we/they" perceptions that presently exist among groups (in particular the business and criminal justice communities). Useful types of vehicles to achieve such an end are the Public Interest Groups and professional and trade associations, which have an interest in controlling crimes against business.

The purpose here would be to bring together those groups which recognize the magnitude of the problem and want to do something about it, but whose efforts have not been coordinated or unified for effective information dissemination and exchange or for lobbying for legislative changes regarding the problem.

Examples of such agencies are:

- International Association of Chiefs of Police
- National Association of District Attorneys
- American Society of Industrial Security
- National Association of Manufacturers,
- Chamber of Commerce of the United States
- Local Chambers of Commerce
- Various citizens groups which are concerned with crime, community economy or the cost of living.

There has been indication, by many of these national organizations, of their willingness to cooperate with the Crimes Against Business Project, but as yet no common meeting of all these groups has occurred and each tends to view the shared problems through their own perspective. Coordination and cooperation can be achieved by such means as national and regional forums, roundtables, presentations by one agency to another, etc., and a systematic exchange of ideas and data by an inter-group newsletter.

One particular means of bringing these national organizations together is to form a specific division, representative of common problems, within each of the existent organizations. National conferences would include, via these divisions, papers, ideas and discussions regarding issues of overlapping interests and jurisdiction. Formal representation by members from each of the groups at the administration level would enable a consistent and scheduled sharing of information. A rotating system of executives through the executive members or members of Boards of Directors would assure that a shared commitment is constantly being established.

Press releases and lobbying activities would be coordinated by means of these interlocking efforts; a joint "Crimes Against Business Coordinating Council" might be the appropriate structure. This could form the core of a national "Economic Crimes Institute," as described below.

(It should be noted that the LEAA grant proposal states that "detection of crimes against business and policy development are management tasks, the area of AMA specialization." Therefore a key suggestion for developing a communication network system is the design and utilization of AMA-type workshops, seminars and publications. These have, however, been addressed at a conference in New Orleans held on May 4/5/6, concerned with demonstration projects and need not be specifically discussed at the present series of workshop panels.)

#### Institutionalization

This is defined as the creation of new organizations or innovative use of existing organizations to act as vehicles for the on-going implementation of programs directed at controlling crimes against business. Emphasis here is upon "hard" and specific programs rather than the exchange and dissemination of general information, although the latter can itself be institutionalized (as discussed in the previous section on Communications).

Such institutionalization should operate at national, state and local levels. While the public interest, professional, and trade associations can, we believe, play a valuable role in communication of broad, non-specific information, they are not suitable vehicles for the conduct of research or "hard" action programs; we, therefore, propose a separate but related network of organizations to that suggested under Communications.

National Level. We propose the formation of a national organization, dealing with the issues of economic crime, both against and by business. It could, as indicated earlier, be a development of a Crimes Against Business Coordinating Council created to coordinate the relevant activities of appropriate public interest, professional, and trade groups, but expanded by a small professional staff. In that case, its functions would be:

- coordination of information exchange and dissemination;
- coordination of lobbying activities, especially those concerned with criminal and crime-related legislation;

- creation of (or efforts to create) uniform policy toward strategies for the control of crimes against business, by the various sections of the criminal justice and business communities;
- maintenance and advancement of "state of the art", by original research and dissemination of research findings;
- to serve as a technical resource for organizations at the state and local levels.

The proposed organization would have a Board of Directors drawn for a diversity of sources representing criminal justice, business, private security and the public sector, plus a small professional staff. It is suggested that it could be funded by a variety of means, including business (through trade associations), foundations and the Law Enforcement Assistance Administration.

State Level. State Planning Agencies could be utilized at the state level. Their concerns for the criminal justice system provide built in support for an extension or subdivision of the present body to work in coordination with the proposed national organization. Additionally, many SPAs provide for regional supervision in their structure. Each state would organize a sub-unit of the Agency to oversee activities of the local organizations.

Local Level. The local organizations can be based upon already existing bodies (such as "Citizens Crimes Commissions") or be extensions of existing programs (e.g., Operation Shoplift in New Orleans) where there is the potential to bring together prosecutors, business people and law enforcement individuals. In addition, local organizations can be actually created via innovative demonstration projects offered to particular locales. The presumption is that once such local organizations are initiated they will gain the momentum necessary for further effort, which would be appropriate to particular priority problems faced by each community.

These organizations would be the means for viable local interaction between the general public, the business community, private security and the criminal justice community.

APPENDIX 6  
WORKSHOP PANELS  
NEW ORLEANS, NEW YORK  
AND  
SUMMARY OF FINDINGS

WORKSHOP PANEL MEETING  
MAY 4/5/6, 1977  
FAIRMONT HOTEL, NEW ORLEANS

Mr. Del Aleman, Jr.  
Vice President  
Barbers, Hairdressers &  
Cosmetologists International  
Union of America, AFL-CIO  
Crowndelet Building  
New Orleans, La. 70112

Mr. Thomas Allwein  
Corporate Security Director  
Central Soya  
Fort Wayne, Indiana

Mr. Edward Bacon, Jr.  
Corporate Security Manager  
I. Magnin & Company  
Union Square  
133 Stockton  
San Francisco, Ca. 94108

Mr. Harry Barber  
Director of Security  
D. H. Holmes  
P. O. Box 60160  
New Orleans, La. 70160

Dr. Steven A. Brenner  
School of Business Administration  
Portland State University  
P. O. Box 751  
Portland, Ore. 97207

Mr. William Cahalan  
District Attorney  
1441 St. Antoine  
Detroit, Mich. 48226

Mrs. Dorothy Chappel  
Vice President Human Resources  
The Equitable Life Assurance  
Society  
1285 Avenue of the Americas  
New York, New York 10019

Mr. Richard Cole  
President  
Loss Prevention Diagnostics  
P. O. Box 263  
Mendham, New Jersey 07945

Mr. Harry F. Connick  
District Attorney  
Suite 200  
2700 Tulane Avenue  
New Orleans, La. 70119

Mr. William Cunningham  
Hallcrest Systems  
7346 Eldorado Street  
McLean, Virginia 22101

Mr. Robert Dicker  
Special Agent  
Federal Bureau of Investigation  
201 E. 69th Street  
New York, New York 10021

Mr. Thomas Dolan  
Director of Security  
Barbizon Plaza Hotel  
706 Central Park South  
New York, New York 10019

Mr. Paul Dunn  
National Council on Crime  
and Delinquency  
411 Continental Plaza  
Hackensack, New Jersey

Mr. William Fleming  
Security Director  
Marriott Corporation  
5161 River Road  
Washington, D. C. 20016

Mr. Patrick Foley  
Director  
Wayne County Organized  
Crime Task Force  
1180 Frank Murphy Hall of  
Justice  
1441 St. Antoine  
Detroit, Mich. 48226

Dr. Simon Fuchs  
Mayor's Advisory Committee on  
Small Business  
230 Tower Building  
Baltimore, Md. 21202

Mr. Robert Grassi  
Vice President - Fraud Division  
J. Kroll Associates, Inc.  
909 Third Avenue  
New York, New York

Mr. Richard Gultinan  
Partner  
Arthur Anderson & Co.  
1345 Avenue of the Americas  
New York, New York 10019

Alan Harris, Esq.  
70 Glencove Road  
Roslyn Heights, New York

Mr. L. Merritt Kanner  
Director  
Security Systems  
Marriott Corporation  
8515 Biscayne Blvd.  
Miami, Fla. 33138

Mr. Herman King  
Texas Instruments, Inc.  
P. O. Box 2909  
Austin, Texas 78769

Dr. Arthur Kingsbury  
Chairman, Law Enforcement  
Macomb County Community College  
Warren, Michigan

Mr. Aaron M. Kohn  
Managing Director  
Metropolitan Crime Commission  
of New Orleans, Inc.  
1107 First National Bank  
of Commerce Bldg.  
New Orleans, La. 70112

Mr. Leonard Kolodny  
Metropolitan Washington Board  
of Trade  
1129 20th Street  
Room 200  
Washington, D. C. 20036

Dr. Ezra Krendel  
The Wharton School  
The University of Pennsylvania  
Philadelphia, Pa. 19174

Mr. Jules Kroll  
President  
J. Kroll Associates  
909 Third Avenue  
New York, New York 10022

Mr. Sal LaBarbera  
Director of Loss Analysis  
& Prevention  
Human Resources Administration  
60 Hudson Street  
New York, New York

Mr. Ian Lennox  
Executive Vice President  
Citizens Crime Commission of  
Philadelphia  
1700 Walnut Street  
Philadelphia, Pa.

Mr. Robert Leonard  
Prosecutor  
Genesee County  
100 Court House  
Flint, Michigan

Mr. Gene Looper  
National Security Manager  
Sears Roebuck & Co.  
Sears Tower - Department 731  
Chicago, Ill. 60684

Mr. William Lucas  
Sheriff  
Wayne County  
525 Clinton Street  
Detroit, Michigan 48226

Mr. Richard Mainey  
IBM Corporation  
Old Orchard Road  
Armonk, New York 10504

Mr. Henry R. Mann  
Deputy District Attorney  
220 West Broadway  
San Diego, Ca. 92101

Lt. Robert C. McClary  
Wayne County Organized Crime  
Task Force  
1180 Frank Murphy Hall of  
Justice  
1441 St. Antoine  
Detroit, Mich. 48226

Mr. Leo McGillicuddy  
Special Agent  
Federal Bureau of Investigation  
201 E. 69th Street  
New York, New York 10021

Mr. William McInerney  
11509 Arbor Drive East  
Anchorage, Kentucky 40223

Mr. Thomas J. McKeon  
Executive Vice President  
INTERTEL  
1707 H Street, N.W.  
Washington, D. C. 20006

Mr. George P. McManus  
President  
Auto Theft Bureau  
390 North Broadway  
Jericho, New York 11753

Mr. George Milne  
Vice President - Finance  
IPCO Hospital Supplies Co.  
1025 Westchester Avenue  
White Plains, New York 10604

Dr. Earl Molander  
School of Business Administration  
Portland State University  
P. O. Box 751  
Portland, Ore. 97207

Mr. Albert Molephini  
Western Electric Company  
222 Broadway  
New York, New York 10038

Mr. Philip Montelepre  
Municipal Court  
7272 S. Broad Street  
New Orleans, La. 70119

Mr. Archibald R. Murray  
Attorney in Chief  
The Legal Aid Society  
15 Park Row  
New York, New York

Mr. Frederick Newman  
Director of Security  
Security Division  
Macy's  
151 West 34th Street  
New York, New York

Mr. Robert Ogren  
Chief of Fraud  
Room 3800  
U. S. Courthouse  
Third and Constitution  
Washington, D. C. 20001

Lt. Richard Piland  
Multnomah County Sheriff's Office  
Crime Prevention Unit  
10525 SE Cherry Blossom Drive  
Space 101  
Portland, Ore. 97216

Mr. Edward Riordan  
Department of Rehabilitation  
DWI  
P. O. Box 133  
Albuquerque, New Mexico

Herbert Robinson, Esq.  
32 East 57th Street  
New York, New York

Mr. Joseph Rosetti  
Director of Security  
IBM Corporation  
Old Orchard Road  
Armonk, New York

Mr. Donald P. Rowen,  
President  
South Central Iowa Federation  
of Labor, AFL-CIO  
2000 Walker Street  
Suite B  
Des Moines, Iowa 50317

Mr. Harold Russell  
65 Landsdown Lane  
Rochester, New York 14618

Mr. Wilbur Rykert  
Executive Director  
National Crime Prevention  
Association  
529 14th Street, N.W.  
Washington, D. C.

Sgt. Warren Sturr  
Wayne County Organized Crime  
Task Force  
1180 Frank Murphy Hall of  
Justice  
1441 St. Antoine  
Detroit, Michigan 48226

Mr. John L. Schwartz  
Manager  
Corporate Security  
Abbott Laboratory  
14th and Sheridan Rd.  
Chicago, Ill. 60064

Mr. Jesse Taylor  
Associate General Counsel  
May Department Stores Corp.  
611 Olive Street  
St. Louis, Mo. 63101

Mr. Warren Wagner  
Assistant Vice President  
State Farm Fire and Casualty  
112 East Washington Street  
Bloomington, Ill. 61701

Mr. Allen Walz  
Norton-Simon, Inc.  
277 Park Avenue  
New York, New York

Mr. Timothy Wilson  
Department of Justice  
General Crime Section  
315 Ninth Street, N.W.  
Washington, D. C. 20530

Lt. John Yurko  
Wayne County Organized Crime  
Task Force  
1180 Frank Murphy Hall of  
Justice  
1441 St. Antoine  
Detroit, Mich. 48226

Thomas A Zotos, Esq.  
St. Louis County Juvenile Court  
501 S. Brentwood Blvd.  
St. Louis, Mo.

Mr. Francis J. Wolfe  
Assistant Director  
Insurance Crime Prevention  
Institute  
15 Franklin Street  
Westport, Conn.

WORKSHOP PANEL MEETING  
JUNE 14/15, 1977  
AMA HEADQUARTERS, NEW YORK

Dr. William C. Bailey  
Department of Sociology  
The Cleveland State University  
University Towers  
Cleveland, Ohio 41114

Dr. Alfred Blumstein  
Urban Systems Institute  
Carnegie Mellon Institute  
Pittsburgh, Pa. 15213

Dr. Duncan Chappel  
Battelle Institute  
4000 NE 41 Street  
Seattle, Washington 98105

Dr. Wayman Crow  
Director  
Western Behavioral Science  
Institute  
1150 Silverado  
La Jolla, California

Dr. Edward DeFranco  
Chief  
Probations Management Analysis  
and Information  
New York Department of Probation  
Albany, New York 12223

Mrs. Janet Falsgraf  
Director  
Criminal Justice Public  
Information Center  
3510 Chester Avenue  
Cleveland, Ohio 44114

Mr. William Lucas  
Sheriff  
Wayne County  
525 Clinton Street  
Detroit, Michigan 48226

Mr. Frederick H. Newman  
Director of Security  
Macy's  
151 W. 34th Street  
New York, New York 10001

Mr. Larry Stark  
Manager  
Community Development Project  
Greater Cleveland Growth  
Association  
Cleveland, Ohio 44115

Mr. John J. Sweeney  
Greater Cleveland Growth  
Association  
3647 Rolliston Road  
Shaker Heights, Ohio 44120

Mr. Gordon Williams  
Vice President  
National Retail Merchants Association  
100 W. 31 Street  
New York, New York 10001

American Management Associations

Crimes Against Business Project

Summary of Recommendations Emanating  
from Panels of "Crimes Against Business"  
Specialists Attending Two Conferences:  
New Orleans (May 4-6) and New York City (June 14-15)

June 30, 1977

SUMMARY OF RECOMMENDATIONS FROM  
PANELS OF "CRIMES AGAINST BUSINESS" SPECIALISTS

Introduction

Two conferences were convened in order to develop certain concepts, initially generated by the American Management Associations' "Crimes Against Business" Project, into recommended programs. The project is funded by a planning grant from the Law Enforcement Assistance Administration (LEAA) and is concerned with strategies to control "non-violent" crimes against business. The final outputs will be a set of recommendations for:

- Demonstration Programs
- Research Programs
- A National Data Base
- Strategies for:
  - communicating the economic and social impact of crimes against business to the American public and establishing communications between the criminal justice system and business communities;
  - institutionalizing the project and the proposed program so that momentum is maintained.

In all, some one hundred leaders in the fields of criminal justice, private security, business and academia participated.

Demonstration Programs

Participants were asked to consider concepts relating to defensive, deterrent and "de-motivating" strategies.

Internal Defensive Measures

Employee Pilferage and Vandalism. A series of curricula outlines were proposed for training and educating top and middle management in the fundamentals of loss prevention systems, suitable for small and medium sized organizations in retail, manufacturing, and hotel/motel industries.

Shoplifting and Check Fraud. Two curricula outlines were proposed for training and educating management of retail stores in the essentials of loss prevention systems, aimed against shoplifting and check fraud, and suitable for use by small and medium sized concerns. In addition, an employee training program was proposed relevant to the same concerns.

The proposal was that mall areas should be used in demonstration sites, and a program outline was developed that could lead to measurable results and dissemination of findings.

Hotel/Motel Theft and Related Crimes. The National Crime Prevention Institute model security survey was taken as an example of a recommended basis for a training program for management. In addition, a general employee training program was recommended, this being considered "the fulcrum upon which loss prevention programs will pivot, combined with unrevokable commitment on the part of management." The issue of key control was also addressed in detail.

The above three sets of programs could be combined into a loss prevention/asset protection demonstration project in selected communities.

Commercial Bribery. The outputs of the group concerned with this issue were:

1. A definition.
2. Summary guidelines for use by organizations in establishing and communicating its operational philosophy, its commitment and its operational standards relating to ethics in business.
3. A description of situations in which bribes are accepted or offered and their nature.
4. Guidelines for establishing controls to make temptations towards dishonesty "appear impractical or unprofitable," with such controls being more personally demanding upon executives than those imposed on employees of lesser responsibilities.
5. A recommendation for closer cooperation between business and the criminal justice system in investigating, detecting and prosecuting bribery, and



in particular the creation of a staff that can serve as interface with the system, and an improved capability in the public sector to cooperate with business in this activity.

6. Guidelines for the development of vehicles for the cooperative dissemination of goals within industries, with a particular recommendation that industry associations establish committees of members to deal with dissemination of information on the problem, appropriate philosophy, codes and deterrent techniques.
7. An outline of training programs/seminars to promote the deterrence and control of corporate bribery.

#### Joint Defensive and Deterrent Measures

Arson. An outline was developed for a two-track training program, consisting of an overview course for members of the judiciary and an intensive course for arson-insurance investigators and members of the criminal justice system dealing with the problem. Suggestions for changes in statutes concerning arson were also made, including a recommendation that states should consider adoption of the American Insurance Association Model Arson Law.

The expertise that is already available was recognized as was the existence of the National Fire Prevention and Control Administration and the National Academy for Fire Prevention and Control, but the point was stressed that effective promulgation and implementation were lacking. A possible demonstration project would be the creation of an arson task force in an area with a growing arson problem and no such force, and the instituting of training of all personnel along the recommended lines.

#### Public Deterrent Measures

Modification of the Criminal Justice System. A proposal was made for the establishment of Economic Crime Units, under the auspices of local prosecutorial offices in metropolitan areas. The purpose of such units would be to conduct special investigations involving complex commercial crimes and crimes

that generally affect the business community. They would be staffed by prosecutors (experienced trial attorneys) and investigators. Personnel would be specially trained. The National District Attorneys Association models were recommended for staffing and training.

While some areas do already have such units, many do not and where they do exist they are not always efficiently staffed. The proposed demonstration project would be to establish a model unit, with a carefully selected staff, properly trained, and with the involvement of business people in an advisory capacity.

In addition to such structural changes, many recommendations were made concerning statutes, sentencing guidelines and court procedures. In most cases, it would not be possible to set up demonstration projects in these areas, since state or municipal legislative action is called for; they have therefore been treated as subjects for research and dissemination of research findings, in the belief that this is the most effective way of producing change.

Commercial Fencing. Commercial Fencing is a means whereby stolen goods are sold to legitimate business for resale to the public, the legitimate business being sometimes aware that the goods are stolen. The panel recommended methodology for identifying the elements which will improve the chances of uncovering such operations and the capability to successfully prosecute. A number of research projects were proposed, which it was thought would lead to various demonstration projects, including an extension of "Operation Sting," directed, however, at finding the receiver who places stolen goods in the legitimate market.

#### "Demotivation"

Workplace Crime. The goals to which this panel worked were: a procedure to identify causes of employee dissatisfaction, alienation, ignorance, and other psychological dimensions which could be induced by organizational factors and which could, hypothetically, motivate workplace crime; matching solutions. While recognizing that there was not much hard data to support this hypothesis, it was agreed that it was plausible and worthy of testing in a "real" environment.

The elements of an organizational survey were determined, which would identify causes of dissatisfaction, etc. Matching solutions would depend on the survey findings in any one organization, but would range from eliminating discriminatory personnel practices and improving working conditions to improving internal communications, providing security training for all employees, dedicating the corporation to a policy of excellence and high ethical standards in all its operations, and communicating and implementing a policy of strict sanctions against offenders.

A proposed demonstration program would entail locating organizations with recognized problems among its workforce, then identifying the causes of these problems, instituting solutions and measuring the impact upon workplace crime. A medium-sized retail store (or stores) was proposed as an example, with a similar organization(s) as a control.

Crime By Young Persons (Shoplifting and Vandalism). The panel recognized that juveniles from all social strata commit acts of vandalism and shoplifting. Peer pressure was thought to be the strongest single influence, but a "multi-initiative" approach was stressed, which would include the family, schools and business, and innovative judicial reform. Specific activities proposed include: developing "canned" programs for use by (a) mass media, and (b) by schools, churches, Parent-Teacher Associations, Chambers of Commerce, directed to parents as well as to juveniles themselves; field trips to prisons by juveniles; involvement of business representatives in school and community programs; evaluating the Albuquerque Shoplifting Rehabilitation Program (based on driver re-education models), for possible extension into other jurisdictions.

A particular municipality would be selected as the site of the "canned" program project, one with recognized problems of juvenile crime and little in the way of structured programs to deal with the problem.

#### Research Projects

Arson. As a complement to the demonstration project on arson already considered, it was recommended that research should be conducted on the feasibility and effectiveness of an "educational network," which would instruct elements of the criminal justice system, banks, lending institutions and insurance companies on what characteristics of a business should be looked for in order to (a) predict the likelihood of intended fraud by arson; and, (b) increase the likelihood of successful investigation of frauds that have been perpetrated.

Computers and Crime. To research the field of computers and crime, it was proposed that, firstly, an attempt should be made to develop prototypic models of ways in which frauds and embezzlements can be perpetrated by use of computers. This would be achieved by bringing together a team of computer specialists and permitting them to simulate (with access to one or more computer systems) ways of "beating the system." Secondly, the team would develop methods of preventing and detecting these crimes, when committed in real-world businesses. Thirdly, given the methods so developed, a study would be made of a sample of businesses, to detect the magnitude of computer-assisted crime.

Since it may well be that computerized systems inhibit rather than facilitate crime, it was considered necessary that the research should be so designed that comparisons between the actual and potential magnitude of crime via automated and manual systems could be made.

The project staff would, it was recommended, include experts from the FBI, Department of Defense, Atomic Energy Commission, members of public auditing firms, and academic and private computer specialists.

Statutes, Sentencing Guidelines, Criminal Justice System Processes. The focus, it was proposed, would be on commercial bribery, theft, fraud, embezzlement and arson. The study would commence with an analysis of the affects on the system and on society of differing statutes, sentencing procedures and court processes, currently in use, from which recommendations would emerge as to what "ideal" statutes, sentencing guidelines and processes should be. The researchers would work with such organizations as the National District Attorneys Association and the National Attorneys General Association, with legal associations, associations of state legislative leaders and with staffs of legislative committees.

Separate Courts. Closely related to the issue of process changes in the criminal justice system is the issue of special courts, particularly those set up to deal with shoplifting. It was proposed that the Chicago, Illinois Shoplifting Court be used as a model for study comparing its results with those in another jurisdiction with a similar level of shoplifting and similar demographic and criminal justice system characteristics (other than the existence of the court). The outcome of the study would be guidelines for the establishment and operation of such courts in jurisdictions meeting certain criteria.

#### Econometric Study of the Social Impact of Crimes Against Business.

The objective would be to estimate the true costs to, and effects on, society of crimes against business. These costs and effects include increases in consumer prices, lost services, lost job opportunities, etc. It would be necessary to track through the effect of each type of crime on the business itself, insurance companies, the consumer, and the community. Much of the input to the study would come from the proposed National Data Base, described elsewhere in this summary.

Identifying Management Techniques that Relate to the Encouragement or Discouragement of Workplace Crime. The proposed method is to locate organizations of similar sizes, labor areas, markets products or services, etc., but with different internal crime rates and seek differentiating management practices, either with respect to personnel, overall conduct of the business or loss prevention. With an appropriately designed sample, the effects of different practices upon internal crime could be identified.

#### Improvement of Cooperative Efforts Between Business and the Criminal Justice System and Between Business and Other Businesses.

It was proposed that research should be undertaken to study the motive and attitudes of business regarding cooperation with the criminal justice system and vice versa, and also the motive and attitudes of business regarding cooperation within the business community itself. In-depth interviews, followed by a telephone survey of business executives, prosecutors and senior law enforcement officers were recommended as the method.

#### National Data Base

It was proposed that, as a first step, detailed, in-depth studies should be made in a small number of businesses, concerning the current availability of loss data and the potential for increasing the availability of valid data by cost-effective means. Following this initial effort, it was hoped that a developmental project could be mounted, possibly using the Bureau of the Census/LEAA Commercial Victimization sample as a basis for creating a panel of respondent businesses. It was not felt that this could be recommended at this time, however, since too little was known about what business could or would provide in the way of loss data, hence the need for the initial step.

A second proposal was to use self reporting as a means of assessing individual rates of offending, and to relate offenses to offender characteristics and modus operandi. Again, it was not felt that this method could be recommended until a thorough study of self-reporting techniques had been made.

#### Communications and Institutionalization

The panel recommended that an Economic Crimes Institute be created, policy control being vested in an Economic Crimes Council which would act as a Board of Directors. This Council would be broadly based and would represent business, criminal justice, private security, consumer groups and organized labor. The Institute's mission would be research, development and information dissemination in the field of non-violent crime against and by business and other organizations. Information would be disseminated via a network of other organizations represented on the Council, each of which would have affiliated organizations at the state, county and municipal levels. Hence, centrally generated or gathered data, on economic impact of crime, recommended statutory changes, internal procedures to control crime and so forth, could readily be disseminated at the levels where the information could be used. The Institute should be funded from the private sector, with some on-going support from Federal sources (by grants and contracts).

The creation of the Institute would be preceded by conducting a National Economic Crimes Forum, with Federal support. This Forum, like the Council, would be very broadly based. Its purpose would be to focus national attention on the problem and lead, more or less automatically to the formation of the Institute and a national network for the exchange and dissemination of information.

#### Implementation Strategies

All the above recommendations are currently being translated into specific task or program formats and submitted to the Law Enforcement Assistance Administration with a request that steps should be taken to ensure their implementation in the near future. Other government departments and agencies at Federal and state levels will also be approached as will concerned professional, trade and consumer interest organizations to maximize the probability that some, at least, of these many proposals become on-going programs, having some real impact on crime against business.

**END**