Ms. Pressman felt that this created a conflict of interest, she confronted her supervisor about it. Her supervisor became angry, gave her negative performance evaluations over the next year, and she was subsequently terminated for poor performance. During the previous three years, Ms. Pressman's evaluations had consistently indicated that her performance exceeded the company's expectations.

**Mr. Mansfield**

Mr. Mansfield was a technician in the machine shop of Millfield Corporation. During his employment, he met at lunchtime, during breaks, and after work with employees, attempting to persuade them to start and support a union. After six months of meetings, Mr. Mansfield was informed by his supervisor that he was fired. He was told that he had violated union organization procedures and was using the company premises without permission to organize a union. Therefore, because he had violated the rules about union organizing, he was terminated.

## Application Case 16–1

# The High Cost of Theft and Fraud

Owners and managers want to believe that their employees are honest, hardworking, and have only the company's best interests at heart. And most employees do fit that description. There are some, however, who feel that they are entitled to an occasional box of pens or can run off unlimited copies from the company machine. These sorts of unintentional perks may go unnoticed by management, but they do add up. And the reality is that few companies recognize the deep bite that employee theft—big or small—can take out of a company's profit margin. That is, until a major incident makes headlines or cuts into the company's bottom line.

Take a nationally known beverage retailer, for example. This Pacific Northwest business found success with premium coffee and expanded rapidly—so rapidly that it perhaps outgrew its internal controls. Managers no doubt kept an eye on employees to make sure they did not pass out free beverages to their friends. But despite internal controls, in 2001 an employee created a fictitious consulting firm, submitted invoices to the beverage retailer, and arranged for the retailer to send payments to a special post office box. In less than a year, this employee embezzled $3.7 million, using the money to buy a collection of automobiles, motorcycles, a yacht, real estate, three grand pianos, and a variety of other luxury goods.

That same year, a leading boat manufacturer filed suit against its former CFO, accusing him of embezzling $14 million in company funds over 16 years to finance his own stock purchases, to run three businesses, and to pay off personal credit card expenses. In 2005, a national office supply retailer began the year by firing four employees who were believed to have fabricated documentation for $3.3 million in invoices to the company. This fraud was uncovered only when a vendor complained that kickbacks were being demanded and that bills were being falsified. Fast-forward to 2009 when a mind-boggling case of embezzlement hit a family-owned business in Milwaukee. A well-respected senior employee was indicated for embezzling $31.5 million over a five-year period. The firm's credit card company, American Express, was the first to identify the unauthorized transactions because it noticed that the employee was withdrawing large sums of company funds to pay off her personal credit card account.