Any loss control program should be continually inspected to ensure it is relevant to the current situation, and effectively achieves its goals. The inspection process should have a well-conceived structure in order to collect the specific data required to give the most accurate picture of the shrinkage situation. This inspection will also help judge the efforts that control shrinkage. This chapter demonstrates some of the tools available to retailers to help evaluate their loss control efforts.

It is important to note the fact that many people resist change. Because of this resistance, recommendations resulting from an inspection may be difficult to implement.

Another factor to consider when designing the company audit/inspection program is the natural defensive posture taken by anyone or any department that comes under close scrutiny. Any inspection program must be tempered with diplomacy and tact. No program that reflects a “gotcha” attitude will succeed. The plan, as well as those chosen to promote it, must reflect the true intent of the exercise – to gain an accurate picture of problems so that those problems can be fixed.

The purpose of an audit and follow-up plan is to determine the level of compliance to company policies and what would happen if changes are required to better achieve full compliance. The next step in the audit process is to design the changes. Finally, those changes must be implemented. The programs appear sound, but the individuals being inspected may be reluctant to cooperate in any or all of these phases. It then follows that senior corporate managers must understand and wholly endorse the program in order for it to succeed. It is the responsibility of the loss control manager to ensure that key members of company management are aware of the risks that exist if such a plan is not carried out. Once the top managers understand the cost-to-benefit ratio of this activity, they can make an educated decision about any phase of the loss control plan, including the audit and follow-up phase. The true support of senior management will be tested at some point – either an influential employee or a significant event will force the issue. By keeping
the lines of communication open between the loss control manager and senior management, misunderstandings can be kept a minimum.

Inspections

The audit/inspection program can take many different forms. It can be a formal, structured program; informal; unstructured; or a combination of all of these inspection programs should be continuous, as the organization and its problems are constantly changing, and new technology and procedures are being developed and made available periodically.

Perhaps the best design for the inspection program is a combination of formal and informal events. By asking senior managers to accompany the security specialist on announced inspections, the three following objectives can be reached:

1. Key company managers become personally familiar with normal supply chain and store operations, as well as loss control vulnerabilities and countermeasures.
2. When senior executives are seen actively inspecting current loss control initiatives, rank- and-file employees realize loss control is a priority issue with top management.
3. People, programs, and systems are reviewed and evaluated. If the program is proving successful, future security proposals tend to be easier to “sell” to senior management.

Informal or unannounced audits are just as important as formal inspections. These visits can be preplanned or purely spontaneous. Information inspections should be the norms, since it is imperative that the loss control manager gets a realistic view of normal routines and practices. As stated earlier, security personnel must go to great lengths to avoid turning company employees against them by using unannounced audits as weapons against selected or targeted individuals. All audits/inspections should be fairly and consistently applied. This does not mean, however, that high-loss locations or departments should not receive closer scrutiny or control activities. Sometimes, certain managers may be capable of covering shrinkage problems by “playing games” with merchandise or paperwork (such as temporarily changing prices to increase revenue). It is for this reason, as well, that audits should be conducted of all areas of the company.

Inspections and audits should be conducted by different people, depending on the data to be collected and/or objectives of the inspection. If the data to be collected are procedural and financial, internal auditors or specially trained loss control inspectors would be designated to conduct the audit. If, however, a strong message is to be sent to the managers and employees being visited, high-ranking managers are the appropriate personnel to carry out the inspection.