

U.S. DEPARTMENT OF COMMERCE
Domestic and International Business Administration
Bureau of Domestic Commerce
Office of Business Research and Analysis;
and, The Office of Field Operations

CRIMES AGAINST BUSINESS

Proceedings of a Seminar Held in Phoenix, Arizona
April 23, 1976

Co-sponsored by the U.S. Department of Commerce,
and the Phoenix Metropolitan Chamber of Commerce,
and Congressman John J. Rhodes,
Arizona 1st Congressional District

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Domestic and International Business Administration's Consumer
Goods and Services Division and Office of Field Operations,
Phoenix Metropolitan Chamber of Commerce, and
Congressman John J. Rhodes, Arizona 1st Congressional
District and House Minority Leader.

Participating Sponsors were Glendale, Arizona Chamber of
Commerce; Chandler, Arizona Chamber of Commerce;
Mesa, Arizona Chamber of Commerce; Tempe, Arizona
Chamber of Commerce; Scottsdale, Arizona Chamber of
Commerce; and the American Society for Industrial
Security.



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INTRODUCTION

The U.S. Department of Commerce through its Consumer Goods and Services Division and Phoenix, Arizona Office of Field Operations, in cooperation with the Phoenix Metropolitan Chamber of Commerce and Congressman John J. Rhodes, Arizona 1st Congressional District and House Minority Leader, hosted a seminar on The Prevention of Crimes Against Business in Phoenix, Arizona April 23, 1976. The site was the Hyatt Regency Phoenix.

The seminar provided a forum for discussion by Federal, local government and police officials and concerned business leaders of the Phoenix Community of issues and problems relating to the prevention of crimes against business. The area of discussion dealt with the total economic impact of business crimes on the community, discussions of the major white collar crimes, and the manner in which the Phoenix Community is attempting to reduce their impact.

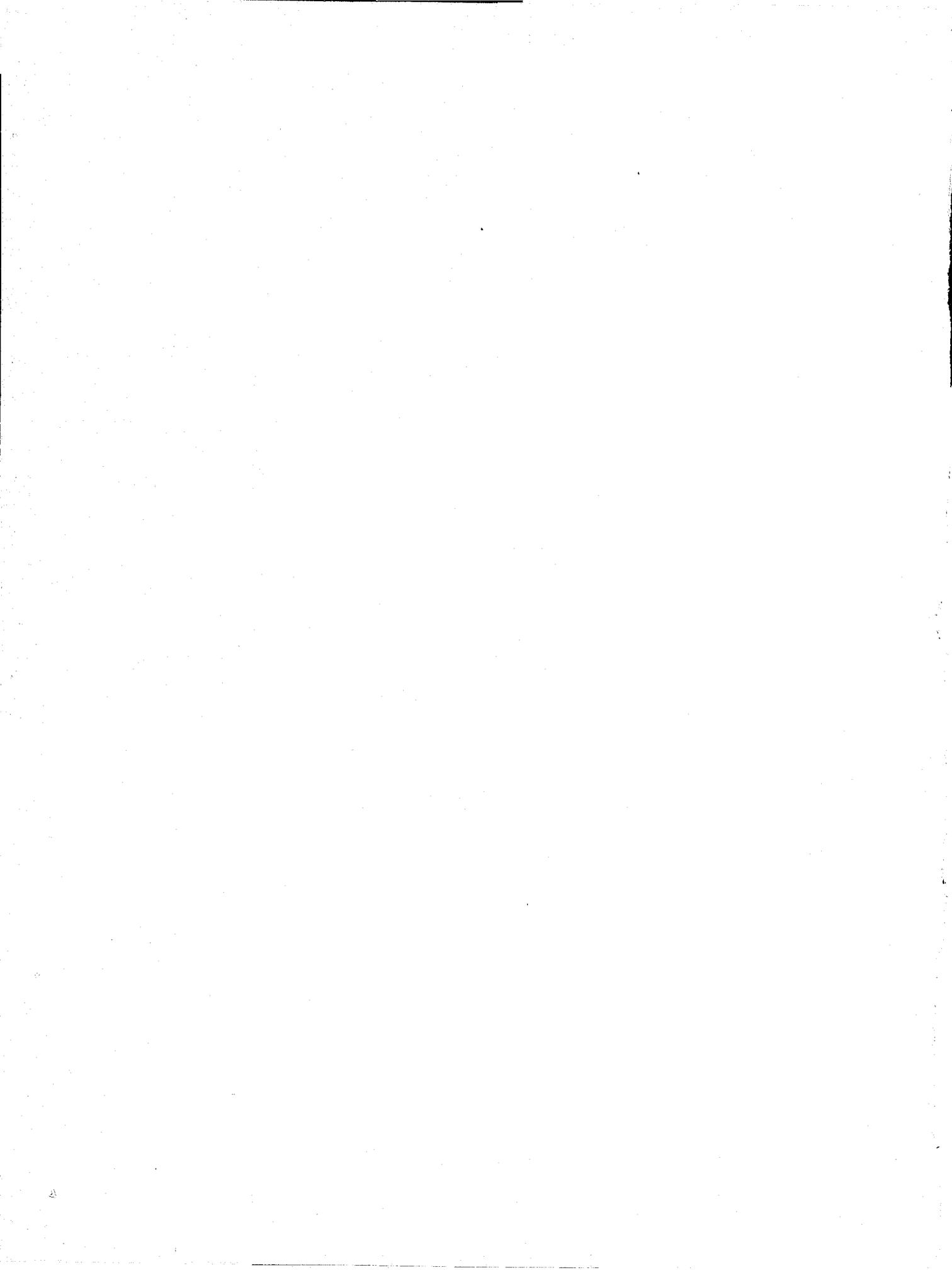
This volume is the proceedings of the conference and contains transcripts of papers presented by the speakers. In addition, the questions asked the various speakers and their responses are also recorded.

The Appendix contains a list of participants that attended the conference and a copy of the program.

The seminar was conducted by Joseph F. Lawless of the Consumer Goods and Services Division and Donald W. Fry of the Phoenix Office of Field Operations of the U.S. Department of Commerce, Austin E. Randall, Executive Vice President of the Phoenix Metropolitan Chamber of Commerce, and Robert Scanlon, Administrative Assistant, Office of Congressman John J. Rhodes, Phoenix, Arizona. The publication of the proceedings was conducted by Joseph F. Lawless, Program Manager, Consumer Goods and Services Division under the supervision of Norris A. Lynch, Director.

CHARLEY M. DENTON
Director
Office of Business Research and Analysis

MURRAY S. SCUREMAN
Deputy Assistant Secretary for
Domestic Commerce



CHAPTER I

INTRODUCTION AND WELCOME

Mr. Rod J. McMullin, President, Phoenix Metropolitan Chamber of Commerce

Good morning, and welcome to this important seminar--the Prevention of Crimes Against Business--sponsored by the Bureau of Domestic Commerce and the Office of Field Operations of the United States Department of Commerce, the Phoenix Metropolitan Chamber of Commerce and Congressman John J. Rhodes of the Arizona 1st Congressional District and the United States House of Representatives Minority Leader. Also, the Chambers of Commerce of Glendale--Chandler--MESA--Tempe and Scottsdale and the American Society for Industrial Security are participating sponsors in this timely and worthwhile project.

A considerable period of time has passed since the business community of Metropolitan Phoenix has gathered together to discuss the subject of crime--in particular--the Prevention of Crimes Against Business. Businessmen deal with many factors affecting profitability each year, and one of the more important factors is the effect that crime has in increasing his cost of doing business.

We, in the Phoenix Metropolitan Chamber of Commerce, want to thank the Bureau of Commerce of the United States Department of Commerce for assisting us in developing today's program. This program had its origin in Washington, D.C.--it was the recommendation of a Governmental Interagency Task Force for the Prevention of Crimes Against Business--that seminars such as this one--be conducted in various cities throughout the United States and report to the President--the Congress--and to the State and Local Governments how they can help the business community--legislatively or otherwise--reduce the rising burden of crimes against business.

Incidentally, we are most fortunate today to have Congressman John Rhodes discuss with you his reactions--as your representative in Congress--to the business communities' awesome crime problems.

The purpose of today's program is to present to you--concerned representatives of the business community--the problem--rapidly escalating crimes against business to an almost passive victim--the business community--what the Metropolitan Phoenix Community is doing to combat the problem--and finally--to discuss possible solutions to the problems,--

what can the Federal--State--and local legislative and enforcement officials--as well as you members of the business community--do to reduce the incidence and cost of crimes against business--how to awaken the victims of these crimes--you, the business community--to take affirmative action to reduce and to restrict the growth of this threat to businesses' profitability.

For the most part, this is a local program--the speakers are your neighbors--concerned members of our business community--knowledgeable in the detection and prevention of various crimes against business.

Most of you are familiar with crime control hardware and techniques--this seminar is not intended as a refresher course in these matters. The purpose of the seminar is to inform you about criminal justice issues important to the business community. The program is designed to give you the opportunity to express your views on these issues--or any other issues relating to crime against business--anything you feel is a crime problem--or your ideas on how to reduce the incidence and cost of crimes against business.

Our program will be successful only through your action and vocal participation--Speak up--tell us what you think of the problems--tell us how you would resolve it--the problem is yours--it affects your profits--your bottom line profitability--we are interested in what you have to say--don't hesitate to say it. That is why the microphones have been placed in the audience. Use them - we want to hear from you.

BIOGRAPHY

Rod J. McMullin was born in Redlands, California. He received a degree in Agricultural Engineering from University of California at Davis. He served three years overseas in World War II, in the U.S. Army, Corps of Engineers. He is a Colonel in the USAR (Ret.). While overseas, did graduate work in civil engineering at Brighton Tech College, Sussex, England.

In 1948, joined Salt River Project (a multi-purpose reclamation project) in Phoenix, Arizona as Manager of Irrigation. He became general manager of Salt River Project in 1957. In addition, Mr. McMullin served three assignments for U.S. State Department to the UN Commission on Electric Power, Economic Commission for Europe.

He has participated in countless civic, charitable, and educational organizations, and has received many awards locally and nationally for his work in the fields of agriculture and electric energy.

He is active in the environmental fields, having served on the President's Conference on Natural Beauty; participated as a task force member under chairmanship of Laurance Rockefeller, which developed beautification criteria for electrical facilities on a national scope; is past chairman of the Committee on the Environment of the American Public Power Association. He is a member of the Governor's Citizens Energy Task Force in Arizona.

He is the current president of the Phoenix Metropolitan Chamber of Commerce.

CHAPTER II

MANAGEMENT CONTROL - THE KEY TO WHITE COLLAR LOSS PREVENTION

Remarks by Samuel B. Sherwin, Deputy Assistant Secretary for Domestic Commerce, U.S. Department of Commerce

I want to talk to you this morning about one of the largest and most profitable enterprises in America. Last year it took in \$23.6 billion. What's more, virtually all of this was clear profit, since overhead was negligible and taxes nil.

The enterprise I'm referring to is crime -- Crime Against Business. We estimate this year that "ordinary" crimes against business should reap a staggering \$26.2 billion -- an 11 percent increase over last year.

To put this in perspective, 1975 sales for the Nation's three largest department store retailers were \$25 billion. Crime, in other words, makes more money than Sears, Wards, and Penney's combined.

It goes without saying that such crime is a major problem. Yet, firm data on the incidence and impact of crimes against business are sparse and sporadic. One reason is that most crimes against retail stores, and for that matter against all types of business, are not reported to the police, so they don't show up in published statistics.

Some crimes, such as shoplifting and employee pilferage, are not discovered until days or weeks after they are committed, when an inventory discloses the shortage. Moreover, many merchants fail to report small crime losses for fear of having their insurance premiums raised or their coverage cancelled. These are management problems too.

Crime also creates problems that go beyond dollar loss figures -- problems like excessive turnover in employees, scheduling of work hours, site location, and employee motivation. People don't like to work in dangerous environments; employee anxiety adversely affects productivity and, of course, that takes a toll of profits.

Another aspect of the problem is organized crime. Its insidious presence impacts on every business level and sector -- often where you would least suspect it. It may coerce legitimate operations to stock certain brand products, force companies to use certain service corporations, or make available "fenced" goods.

It is the obligation of each and every businessman to cooperate with law enforcement officials on local, state, and federal levels, so that this menace can be eliminated.

In the Bureau of Domestic Commerce, we feel strongly that firm data on the effects of crime against business are urgently needed for effective action.

For that reason, we have just published a revised edition of our in-depth analysis of the problem, titled, aptly enough, The Cost of Crime Against Business.

We also have available a new study focusing on crime in the retail sector. Called Crime in Retailing, this report discusses ways to reduce the incidence and impact of criminal activity. We regard it as a good primer to help make the business community aware of what it can do to trim crime-related losses.

Let me summarize the findings of this study to give you a clearer idea of the impact of crime on all business.

The per capita cost of business crime comes to \$123 per person, or, considering only the adult population, \$182 per person. As a ratio of corporate pre-tax profits in 1975, the cost of crime was a striking 15 percent.

What's worse, the long-term increase in crime against property is alarming.

Between 1960-1974, nonresidential daytime burglary rose 155 percent; robberies of banks rose 409 percent; robberies of retail food chain stores rose 389 percent; robberies of gas stations rose 230 percent; and robberies of all other commercial establishments rose 144 percent. And in the decade 1964-1974, the number of shoplifting offenses rose 221 percent.

Remember these figures cover only crimes reported to the police. It would be fair to say that reported crime represents only one-half of the crimes committed.

The rates at which retail stores are victimized are startling. In Detroit, for example, the rate for burglary of retail stores was 72 percent and for robbery of retail stores, 37 percent. The rates in other large cities ranged downward from these highs.

Our estimates indicate that in 1975, retailers lost \$6.5 billion due to ordinary crime. This is an increase of 12 percent from 1974 and 60 percent above the losses in 1970. Expectations are that it will top \$7.2 billion in 1976.

The bulk of these losses was borne by general merchandise and apparel stores. This is to be expected, due to the nature of their merchandise, their marketing methods, and the large volume of their sales. In 1975, losses of department and apparel stores approximated \$4 billion, which is over 60 percent of all retail losses. This may top \$4.4 billion by the end of 1976.

Stores in central city areas suffer the most severe losses, although no area is immune. Studies show that crimes against business are not solely an urban problem, but are prevalent in suburban and rural areas as well. However, businesses in central cities, particularly in the low-income sections, have the highest rate of burglaries, robberies and vandalism.

The losses of retailers are out of proportion to their place in the economy. While retailers contribute only about 10 percent of the GNP, their crime-related losses are about one-fourth of the losses for all business.

Small firms suffer more from crime than do larger businesses. In fact, small business is the criminal's major commercial target. The incidence of crimes against small firms is 35 times greater than that against firms with receipts of \$5 million or more. Unfortunately, the small firm's limited financial resources make it less able to weather the onslaughts of criminals, and its limited management resources make it less able to develop protective measures.

Although shoplifting is the most highly publicized crime problem for retail stores, losses from theft by employees are substantially greater. Retailers in a major urban area recently reported that 3,128 employees had been prosecuted for theft or had been discharged after confessing theft in 1974. The value of confiscated stolen merchandise was \$857,000. Dishonest employees were detected in all departments, including management, engineering, and personnel, but the majority of thefts, 80 percent on dollar basis, occurred in sales, stock, and the cashroom.

Eighty-one of the discharged or prosecuted employees held positions in security, which illustrates the scope of the problem and the difficulty in combating employee theft. In any event, inventory shortages result almost entirely from shoplifting and employee theft.

Losses from inventory shortages on the order of 3 percent of sales are not uncommon in the retail industry, and in some stores theft reaches 10 percent of sales. Inventory shrinkage resulting from theft is a recognized factor in the downturn of profits, branch store closings and in bankruptcies.

In a test conducted in one New York store, 500 shoppers, chosen at random, were observed closely and covertly. Forty-two, one in twelve, stole something.

All these rather awesome statistics point up the need for a much greater emphasis by business on preventive security. We estimate business spent \$4.5 billion in 1975 on crime prevention programs. But in light of current economic losses, I wonder if this is enough or whether the money is going for the right things.

Though there is no one solution to the rising crime rate, a well-designed program of advanced prevention and security techniques, coupled with preventive management procedures, could significantly reduce the economic loss. But such a program needs the support of top management to ensure overall effectiveness.

As you know, the bulk of crime prevention funds goes for the purpose of services, such as special police and in-house guard forces. Also included are private contract guards, central alarm systems, armored car services, security mirrors, TV-devices, special construction and lighting.

The use of these protective measures is often the result of insistence by insurance carriers, backed up by the threat of cancellation of protection, or the granting of premium discounts when they are implemented.

Nevertheless, there are indications that these efforts may be too passive. For example, insurance representatives claim that businessmen often take minimal precautions against robbery and burglary once they have obtained insurance.

Also, our sources indicate that businessmen generally suffer from a lack of interest in either the extent of the problem or the protective measures presently available.

Businessmen may tend to view rising crime rates as "society's" problem. Unlike individuals, who take stringent measures to protect themselves from criminal acts out of fear of bodily harm, businessmen tend to think of crime as something they have no control and from which they should be protected by others.

This is an attitude that can only lead to ever-increasing losses to crime. And that's why we are holding this seminar program -- to stress that combating crime is the businessman's fight as much, or more than, anyone else's.

The crime problem has become so urgent and important that businessmen have to look at it the same way they do any excessive operating expense. It's a cost that effects the bottom line, and if a businessman isn't interested in the bottom line, I'll show you a bankrupt business. Efforts to combat crime can only be regarded as a profit center type activity. They involve costs but also generate a return that can significantly improve the bottom line.

Cutting crime losses warrants the same sort of constant, aggressive attention you give to cutting labor costs, facility costs or any other costs that sap profits. This involves careful review of such things as the adequacy of present protective efforts and techniques, prosecution practices, and employee selection and training.

If you're as serious about crime as you should be, you will:

- Make security a major management objective.
- Adopt more professional approaches to property protection.
- In many cases, present knowledge is not being applied.
- Pay more attention to what industry associations are doing to develop awareness of the problem and find new techniques to limit crime losses. This is very important for the "little guy" who bears a disproportionate share of the crime burden but does not have the resources to develop techniques of his own.
- Make greater efforts to follow through on prosecuting people apprehended.
- Take an interest in and actively support improvements in prosecuting and court processing systems.
- Report any "fencing" of stolen merchandise to the police.

- Do all you can to assist appropriate public and private units working for crime prevention.
- Disseminate information on ways to reduce the problem.

Businessmen have a tendency to relax their efforts after they think they have the problem under control. But they lose sight of the fact that thieves are ingenious and are always devising new ways to rip off the merchant. So it is not surprising for a store to reduce its inventory loss to an "acceptable" 1.5 percent only to see it rise to 4-5 percent the next year.

Crime requires constant surveillance. Unfortunately, however, there are usually three sets of security procedures: What they really are, what management thinks they are, and what is done by those who are supposed to apply them.

This points up a need for constant dialogue between security personnel, top management and employees as to responsibilities and techniques to combat crime.

The real question to be settled here is whether (1) business wants to bear the cost of subsidizing crime by treating it with kid gloves, or (2) wants to invest in a gloves-off strategy, one which will cost some money but promises a much higher return over the long run.

I don't believe anyone wants the first alternative. In a competitive free enterprise system, the private sector must take the initiative to remove crime losses from the list of "regular" operating expenses.

I feel confident that the American business community will respond constructively and competitively to the challenge of crime. But the challenge must be met now, without delay. There is simply no acceptable alternative to an all-out, immediate effort.

Thank you for the opportunity of speaking to you.

BIOGRAPHY

Mr. Sherwin was born in New York City, and received his MS from New York University in 1940.

Mr. Sherwin is currently Deputy Assistant Secretary for Domestic Commerce at the U.S. Department of Commerce.

His background includes 30 years of executive level experience in the private sector including serving as Technology Utilization Manager for the Valley Forge Space Center of General Electric Corporation, and as a Consultant on corporate planning and operations for the Piasecki Aircraft Corporation. Prior experience includes service as a Member of the Board of Directors and Consultant to Gray Manufacturing Corporation, and numerous private contracts for management consultation services to private industry through Lehman Brothers and The Loeb-Rhoades Companies. Mr. Sherwin started his career with United Aircraft Corporation and served for eighteen years as Divisional General Manager.

At General Electric, Mr. Sherwin was responsible for technology transfer and business development for the commercial sector of the company. He was instrumental in the development of inter-corporate ventures and acquisitions, and initiated and carried out a significant program of company support to minority business development.

Questions Directed to Mr. Sherwin Relating Management Control:
The Key to White Collar Loss Prevention

Question: Does the Department of Commerce have an office which might be called upon for advise when a particular type of criminal activity is indicated in a company?

MR. SHERWIN: The Commerce Department is not a regulatory organization. We're there to support the businessman. We do have an office of the Ombudsman, and, of course, the Commerce Department also has 43 Field Offices throughout the country, including one here in Phoenix.

The businessman can obtain assistance and guidance to any problem he has from the local field office in his area or the Office of the Ombudsman in Washington. The director of that office is Jack Kearney.

If the businessman seeking general business related information, certainly, if we have it we will furnish it. If not, we'll find the right agency within government, be it the Justice Department, the FBI or someone, to give him the information or get him the information that is available.

CHAPTER III

WHITE COLLAR CRIME - A MULTIFACTED PROBLEM

Frauds and Embezzlements - Remarks by Thomas Crowe, First Assistant U.S. Attorney, District of Arizona, United States Department of Justice, Phoenix, Arizona.

There is a rule of evidence in both State and Federal courts, that while evidence of a prior felony conviction against a defendant is not normally admissible in Federal or State courts. In other words, the prosecuting attorney cannot submit testimony that the defendant has been previously convicted of a felony or any other testimony to indicate that the defendant's character is not too desirable. However, if the defendant takes the witness stand in his own behalf, the prosecuting attorney may then be able to produce such evidence on the basis that it impairs the defendant's creditability.

Many defense counsel's are aware of this rule, in the event they decide to put their client on the stand, attempt to "draw the sting" by asking the defendant whether he has been convicted of felony - this sometimes has the effect of mitigating the prosecutor's cross examination.

Morris Udall, our second district Congressman, wrote a very distinguished legal treatise on the Arizona law of evidence. He recounts an incident that happened in Pima County Superior Court, a few years back. It involved a defense attorney by the name of Lawrence Olsen. It was a very closely fought case, and the transcript in the case, on the "draw the sting" attempt reads as follows from the defense attorney to the defendant: Question: "Have you ever been convicted of a felony? Answer: "Yes." Question: "How many times?" Answer: "This one will be my third."

It was. Like Mr. Olsen, I am going to "draw the sting" because some questions in the area of fraud and embezzlement, I quite candidly don't have answers to. It was suggested that in my topic, I address myself to three areas. First, the steps businessmen can take to reduce the risk of being a victim of these types of offenses. Second, what businessmen should do after he has detected crimes of this type. And, third, how the United States Attorney's Office can assist him in this regard.

I think it's a temptation to speakers to resort to either definitions or statistics. In the area of fraud and embezzlement, I think definitions are useful because the area is indeed a broad one and definitions will help keep these crimes in the proper perspective.

What do we mean by fraud and embezzlement? As mentioned in earlier remarks, we're talking mainly about employee theft, occurring because of temptation, opportunity, and motive. Embezzlement and fraud, in many businesses, accounts for the major business losses. From minor pilferage -- helping oneself to government pens and pencils which cumulatively can be substantial -- to large scale, organized inside cargo theft operations of multi-million dollar magnitude.

The range of illegal activities that may be classified under the general label of fraud and embezzlement are legion. Among them are bankruptcy fraud, plain fraud, securities fraud, insurance fraud, bank violations, frauds by computer, check kiting, and your more immediate problems, writing bad checks or shoplifting.

All of these activities definitionally fit into one or more of the definitions that have been applied to the general label of white collar crime. One definition I found helpful is. The offender intends to commit a wrongful act, or to achieve a purpose inconsistent with the law, or with public policy. You have to have purpose or intent to commit the crime. You have reliance by the perpetrator on the ignorance or the carelessness of the victim. You have acquiescence by the victim of the conditions in what he is operating -- what he thinks are the true circumstances and content of the transaction. You have concealment of the crime, first of all, by preventing the victim from realizing he's actually been victimized. The criminal has to rely on the fact that only a small percentage of victims will react and take steps to handle the problem. Finally, you have the creation of the deceptive paper, organization or transactional facade to disguise what has actually occurred.

That's all very weighty. The Justice Department has simply defined white collar crime as being non-violent, and involving deceit, corruption, and breach of trust. Shorter yet, it involves lying, cheating, and stealing by misrepresentation but not at the point of a gun.

While the term "white collar crime" relates to the social status of the offender, the characteristics of the act are important. The bank loan officer who fraudulently approves a \$5,000.00 loan to a friend is in the same category as the driver of a security truck who helps himself to some of its cash cargo.

What should be the federal role in responding to some of the serious questions of white collar crime? First it should be a limited role. We are not a general law enforcement agency, whether it be FBI, the Postal Inspectors, the Secret Service, the IRS, Alcohol, Tobacco, and Firearms, etc. Notwithstanding

the rather broad area of Federal government interest, in the area of law enforcement, our role is and should be directed and limited.

We are operating within the framework of the statutes that Congress has provided, and we can only enforce only those statutes over which the Congress and the Constitution have given us authority to administer. The State and local agencies are the first line of law enforcement.

The so-called street crimes cannot be ignored in the context of white collar crime because of the fear that it generates, and this type of crime is best handled by local authorities. There are, of course, areas in which the Federal government, does become involved -- bank robbery, kidnapping hi-jacking, extortion --, but primarily street crime is a responsibility of the local enforcement authorities.

Congress has, nevertheless, given us a number of statutes to enforce, and we must make value judgments as to how we should concentrate our very limited prosecutor resources. Let me illustrate my point. There are 94 Federal Judiciary Districts in the United States, each has a United States Attorney and a United States Marshall. The entire state of Arizona is one Federal Judiciary District my boss, Bill Smitherman, is the United States Attorney. His offices are located down in Tuscan.

In my District, we have the third or fourth, depending on the season of the year, the highest criminal case load of any Judiciary District in the United States. We closed over 2,000 criminal cases last year. We serve as District Attorney to every reservation Indian in the State, similar to the role that a County Attorney would play. We have to enforce everything from overpower CB radios, to threats against President Ford.

To do our job, in Phoenix, we have six criminal lawyers. Then, as we did some time back, a land fraud case has to be investigated. This case involves over \$40 million in fraud, and 9,000 victims. That's a difficult task, it takes a tremendous amount of time but I am optimistic, and I do think we're making progress because some significant changes have happened in the Justice Department.

First, the Department of Justice has encouraged the United States Attorneys and the FBI to redirect their priorities. Now we are doing that actively. Deputy Attorney General Tyler recently stated that we want to refocus our assets, money, and people on higher quality cases, and get away from the old statistical games that have haunted law enforcement at all levels.

An example of those statistical games, Congressman Dyer authored a piece of legislation making it a federal offense to take a stolen car across state lines. As a result, a few years ago, it got to the point where 60 percent of all federal criminal prosecutions were Dyer Act violations and statistics were, in fact, the name of the game.

The decision has been made, and I think it's an important one, that white collar crime, and fraud and embezzlements in particular, are areas in which the Federal Government is assuming an expanding role. In our office we have lawyers from our staff working in connection with lawyers on loan to us from the Department of Justice, and a special team of FBI agents and Postal Inspectors working on a number of cases that would have been unheard of in years gone by.

These cases are predictably complicated and sophisticated, and require a high degree of investigation and prosecution expertise.

In the past, our efforts were directed toward fraud and embezzlement too little, too late, and too ineffective. There were several reasons for this misdirection. Resources is one reason already mentioned. When you have limited resources, it's much easier to prosecute the high profile violent crimes that are simpler to prove, simpler to investigate, than to become involved in a mammoth fraud prosecution.

Another problem has been coordination of resources. We would receive a complaint of an alleged violation. That same alleged violation was also received by the County Attorney, the Attorney General, the consumer fraud section, and the Federal Trade Commission. Then our resources would be scattered rather than directed. Now we are all coordinating and working together to get the job done.

The nature of fraud and embezzlement is one that I've previously mentioned. The victims don't know that they have been swindled until long after the fact. When they find out that not only is Shady Acres under water, but it's been sold 18 times before they bought it, a long time has passed.

Another factor is sentencing. When the United States Attorney has to be critical of sentencing then it is time to take a good look at the sentencing practices of the judges. There are mitigating circumstances sometimes and in some cases those circumstances are not present. In my opinion it's bad enough to steal when you're unemployed, you're uneducated, and you're poor. It is far worse if you're intelligent, you're educated, and you steal with premeditation and sophistication. These factors should be considered in sentencing.

You make an analysis of the profits to be received, and the risks, and you choose the given course of action. I don't profess to be an expert on sentencing, but I think it is unconscionable when there is a disparity between white collar sentencing and street crime sentencing. The double standard raises questions in the minds of the public as to whether Justice is being properly administered.

While sentencing white collar defendants may not have a deterrent effect on the particular individual, the loss of status in the community and the embarrassment suffered may be sufficient in itself. I think it would serve as a deterrent if the word is put out that the price fixers, the embezzlers, the defrauders are going to be treated just the same as the robber who walks into the local convenience mart with a gun in his hand.

I have not had the time to answer the question of what the businessman can do, and what the U.S. Attorney can do to prevent white collar crimes. I think as for the businessman, he can help us in the investigation. He can provide to the United States Attorney, and he can communicate to us as soon as possible, of a violation or suspicion of a violation.

The reluctance to report crimes by businesses is incredible. They're afraid of embarrassing themselves. It's costly to become involved in court litigation, and because of the sentencing, sometimes businessmen feel it is unproductive.

If there is any indication of fraud in your organization, I would encourage you to contact us. We'll get together with the FBI, if they have jurisdiction in the case, and try and anticipate what the problems are.

I appreciate the opportunity to talk to you here today, and I would encourage you to contact the United States Attorney whenever you have a legal problem. Thank you.

BIOGRAPHY

Mr. Thomas Crowe is the First Assistant U.S. Attorney, District of Arizona, U.S. Department of Justice, Phoenix.

Previously was the Legislative Assistant to Congressman John J. Rhodes. He served as Special Deputy County Attorney, Yuma County.

He has had the opportunity to handle personally hundreds of criminal cases including an estimated 70 trials involving almost every type of federal violation. Mr. Crowe is truly well seasoned in the prosecution of white collar crimes.

He is a graduate of Pomona College, Claremont, California with a B.A. degree and he is a graduate of the University of Arizona Law School (College of Law).

QUESTIONS DIRECTED TO MR. CROWE
RELATING TO FRAUDS AND EMBEZZLEMENTS

Question: Would you care to comment on the proposal in the Congress to further limit access to income tax returns?

Mr. Crowe: From the prosecutor's standpoint, you sometimes wonder who are your friends and who are your enemies. You have to make the presumption that the prosecutor, the Congress, and the courts, at least in their attempt to help ensure the fair administration of justice, are all on the same side of the aisle.

Congress has passed some statutes which, quite frankly, give me pause to reflect. For example, in the last two years several questionable statutes have been passed. The Juvenile Delinquency Control Act prohibits us from arresting, photographing fingerprinting juveniles regardless of what they've done. You must hope he'll come back, and that you can identify him.

The Freedom of Information Act, requires the employment of something like 300 agents of the FBI in Washington doing nothing but processing Freedom of Information Act requests.

On the other hand, there is the Privacy Act which says we can't give information to you and the Freedom of Information Act says we have to. The Privacy Act says we can't even though we may be aware of an on-going fraud.

The same thing applies to the Speedy Trial Act. There's no one that I am aware of that doesn't think bringing the criminal process to a rapid conclusion is a desirable goal. But sanctions imposed by Congress state that if process is not concluded within a given time, the criminal goes free.

The latest in a series of proposals is one to further restrict access to income tax returns as an investigative tool. I am opposed to it.

I think that the need for access to income tax returns in criminal prosecutions is critical. Also, there are presently adequate safeguards to ensure that tax returns are only obtained by law enforcement agencies in the Federal Government on a restrictive basis.

Thirdly, the information contained in those tax returns will not be disseminated. I think it's foolhardy in our battle against white collar crime, to restrict one of our most important sources of information, not to use in a fishing expedition, but to use as an identified, targeted area in the battle against white collar crime. Tax returns should not be denied to us.

Question: What can the business community do to express and remedy situations relating to the judiciary?

Mr. Crowe: Some efforts that appear to be productive, such as communicating your concern to the judiciary, sometimes are not productive.

I think one way to bring problems to their attention is for groups, such as this, to invite members of the judiciary to appear, maybe even in smaller groups would be more effective where there could be more of a mutual exchange of information, and some of your concerns could be communicated.

The business community can accomplish, I believe a fair amount of understanding by this type of effort. Until now, I believe, the business community has generally been passive. Passive in the sense that you estimate your losses in this area, use it as an overhead item, and pass it right back to the consumer.

You haven't been reporting these crimes as properly and as effectively as you should. I think once this surfaces as a problem of measured scope, I am confident the judiciary will become far more conscious of it.

How many of us have turned jury duty down? How many of us have failed to perform that obligation? How many of us have said, "Oh, let the culprit go or the alleged perpetrator go. I can't be bothered going to court for a couple of days."

These are the things we can do as a business community to do our duty to society, do our part in society, to help the judiciary and the judicial process.

As an example, I went through the aircraft hijacking problem from 1969 to 1972. The first hijackers were sort of treated as Robin Hoods. Then they were given suspended sentences.

But all of a sudden it dawned on people, this is for real and it's serious. Several security factors entered into the hijacking and these have resulted in the sharp decline in aircraft hijacking.

One of them was the speedy trial and the sentences of 40 to 45 years. When the hijackers found they were going to be jailed, they thought twice. I think the same thing would apply here.

Question: Is it a violation of any statute or privacy act to require a fingerprint impression as part of an endorsement on a check?

Mr. Crowe: No.

Question: This is a domestic problem. There is legislation before the Arizona legislature allowing retail security personnel to search customers' packages when there is reasonable cause to suspect shoplifting.

Do you believe this legislation will be passed and, if so, will it be upheld by the Federal courts?

Mr. Crowe: I hate to show my ignorance but that's the first I've heard of the legislation. My, off the top of the head, Constitutional opinion is that the retail merchant stands in shoes much different than that of the law enforcement agency.

He may, for instance, interrogate an employee with regard to missing inventory, without the necessity of Meranda warnings, so also, I think, he could search employees or customers. The Fourth Amendment does not apply to private persons. Secondly, the customer if he were properly apprised of what he was subjecting himself to, could then make a conscious selection as to whether, knowing he was subject to search, he wanted to go into the store.

If having been informed of the possibility of search he did, I wouldn't see any constitutional problems with that kind of a statute.

Question: Sometimes I wonder exactly where the sentiment lies as far as persons who are influential and are of high social status in the business community. Is there a united feeling that this type person should be subject to the same sanctions as your average street criminals?

Mr. Crowe: There is no question that all persons regardless of their status - high or low - should be treated equally under the law. I think, on the question of whether the person who is a respected member of the community, who is a member of the country club, who is represented in law suits by the best legal counsel available; he's acting within the scope of his employment and he is acquitted of a crime, is one which is best answered by the courts - the jury of his peers really makes that decision. There are a lot of people that think those people shouldn't go to jail regardless of what they do. I'm not one of them.

Mr. Gallagher: I'd like to say something along that same line. That's true especially in bank fraud and embezzlement cases, this feeling that maybe the subject should be treated a little different.

They are pillars in the community. They sponsor the soft-ball teams and so forth. But unless you face up to the problem and attack it head on, it just keeps getting worse and worse.

I agree with Tom that those people should be treated really just the same as a bank robber. As far as getting the judiciary involved, if the problem can be made known to them, I'm sure that the courts will act.

Question: Can you advise on the legality of pre-employment polygraph readings and background checks with local law enforcement agencies? Specifically in the case of banks.

I think the bank has a perfectly legitimate concern about prior criminal history of a prospective employee. The bank may be subject to suit if it does not take adequate steps to screen prospective employees. The question of polygraph reading is complicated. Its legal implications are not clear.

COMPUTER RELATED CRIME

Remarks by Jerome Lobel, Manager, Computer Security, Phoenix Computer Operations, Honeywell Corporation, Phoenix, Arizona

I am very happy to be here with you gentlemen today to discuss my favorite subject: Computer Related Crimes. For the most part I will cover the work that we've been doing at Honeywell to reduce the problem of computer crime.

First, however, I would like to clear up some of the confusion that surrounds the terminology "computer related crimes" and point out how easily much of this type of crime can be controlled or at least minimized.

My theory is that most abuses which we describe as computer crime could happen even if no computer had been involved. On the other hand, there is a rather limited group of abuses, and costly ones too, which can be realistically defined as "computer crimes". These warrant our special attention.

As example, as part of my preparation for a series of workshops sponsored by my company on computer crime, I selected eight landmark cases of actual computer crimes and abuses for discussion purposes. These eight cases covered such criminal activity as bomb threats, physical theft of computer programs, the theft of computer software via the telephone or data communications network, a major fraud that did directly involved the computer itself as well as programs, likewise a major embezzlement, theft of a great deal of physical property involving manipulation of computer stored records, the unauthorized use of a computer to exchange data stored in a government operated computer center--actually it was in a University--and a case involving the violation of an individual's privacy.

I consider all of these cases to be examples of an increasingly important area of criminal activity in the United States. Before discussing more fully the scope of this new type of criminal activity and proposed solutions, I'd like to point out that we could well take an entirely different approach to this problem area today. It has been said, that there is a new type of arms race going on today. There is evidence that computer technology itself not just the theft of data or the manipulation of programs-but computer technology or know-how is becoming as interesting to criminals as it is to criminal justice agencies.

Fortunately, the latter have the advantage of using the new technology first. The result is that computers and related information systems technology appear to be one of the finest crime prevention and crime fighting tools ever developed.

Unfortunately, it may be a double edged sword, in that systems can be abused if proper safe-guards are not provided.

The goals of the public and criminal justice agencies, I feel, must follow two paths at the same time. First, the criminal justice community must be encouraged to understand and apply new automation tools as rapidly as possible. Secondly, computer users and equipment manufacturers need to join hands in a coordinated effort to manufacture, implement, and operate more secure information and data communications systems.

As an example, in the Thursday issue of the Arizona Republic there was an interesting article that emphasizes what I have been discussing. It's entitled "FBI's Computers Combat White Collar Crime in State". I'd like to quote a part of it to you: "Land fraud and other types of white collar crime in Arizona are so complicated that the Federal Bureau of Investigation is resorting to computers to help solve cases. Because of the high degree of sophistication in land fraud, the FBI was not geared up to adequately investigate the crimes in past years. Now with current technology, these crimes can be readily detected, investigated and prosecuted."

This is just one of literally dozens, if not hundreds, of uses of computer technology that is being applied by various criminal justice agencies in their enforcement activities. Earlier this morning, Secretary Sherwin mentioned an important publication that has been produced by the Department of Commerce entitled "The Cost of Crimes Against Business". I recommend this publication to all of you. It contains a very brief summary of the estimated cost of computer crime in the United States business community today. I'd like to discuss this article with you for just a minute.

It says that there are more than 110,000 computers in use today, excluding remote terminals, and only 225 cases of computer crime are documented. This relatively low ratio exists because for every detected computer crime there are 100 undetected crimes.

The annual dollar loss attributed to computer assisted crimes is therefore difficult to ascertain with any degree of accuracy. It has been estimated, however, that the loss resulting from average computer assisted embezzlement is ten times higher than the average \$100,000 loss from traditional embezzlement. The dollar loss for one computer incident reported by the U.S. Chamber of Commerce has been as high as \$5 million, I know of one computer crime incident that will probably run as high as \$2 billion.

A computer assisted crime can take the form of any traditional crime, such as embezzlement, inventory theft or fraud,

as well as complex schemes involving misappropriation of computer time, theft of programs, and illegal acquisition of proprietary information.

Computer crime has proved relatively easy for perpetration for a number of reasons. First top management tends to disassociate themselves from computer systems due to problems of understanding or simply not taking the time to understand it. Second, certain computer records and transactions can be easily manipulated. Third, there often is no paper trail or trace that a crime has been committed. Fourth, there may be a generally lax attitude concerning all phases of computer security. And, finally, not enough caution is exercised in the hiring and training of computer personnel.

The next area I would like to discuss with you will involve a few slides. I call this presentation "A New Look At Data Security". What I'm going to discuss is some of the results of Honeywell's research in the area of computer crime and computer abuse. We call a research study performed at Honeywell a short time ago "The Systems Approach to Computer Security."

What we did was analyze a large number of computer crimes and buses to determine if it was possible to classify these incidents and, therefore, get a better handle on the solution to the problems associated with these abuses. The results, in some respects were unusual. We found for instance, that there were three major categories of computer crimes in the area of data security.

The first involved straight forward crimes such as fraud or theft. The second involved sabotage or malicious damage to the computer system. The third involved accidents and disasters where the system, itself, was prone to a problem which exposed up the system to form of crime or abuse. We then began to look at the environment in which computers are used. We found, without exception, that almost every segment of the environment offered some form of exposure. This included the hardware, software programs, data communication network, the physical system itself, and, finally, the people associated with the data processing.

Any type of crime could be performed in almost any part of the computer environment. To help us analyze and get a still better handle on the problem, we put together a format for a report in which we identified the source of the information, and the class of computer crime, the date that we received the information, and the organizations affected. Then we tried to determine the magnitude of the crime in dollars, (if we could associate a dollar loss with it). We also described the method used to compromise the system, the source of

the problem, finally we classified each incident as a result of accident, sabotage, fraud, or theft. We also cross-referenced part of the system environment that was affected by the crime, such as the computer itself, the personnel, the communications network, or the physical part of the system. Finally, we attempted to identify the type of preventative measure that could have been taken to avoid the problem originally. The headings of the report would appear as follows:

DATA SOURCE MEDIA DATE	AFFECTED ORGANIZATION(S)	PROBLEM DESCRIPTION & DOLLAR LOSS IF IDENTIFIED	TECHNIQUE USED	PROBLEM SOURCE
		PART(S) OF INFORMATION SYSTEMS AFFECTED	COUNTER MEASURE	
	PROBLEM CLASSIFICATION A/S/FT	C/CM/P/PE		

We reviewed dozens of examples of proven abuses of computer systems. Through analyses of police incident reports, investigative reports and media articles, we found that there were a substantial number of abuses that could be verified. Toward the end of the study we were able to focus on four important findings. First, almost all of these crimes could have been prevented with better manual procedures and internal controls. Second, most computer crimes, were discovered by accident. Third, the cost of a computer crime in a particular area appeared to run much higher than if there had been no computer involved. (Computer crimes do cost more.) Fourth, most computer crime is not reported and, therefore, we may only be looking at the tip of the iceberg.

Before concluding the study we tried to identify the most important problem causes. Altogether we developed a list of seven contributing factors.

First, there seems to be insufficient management participation in the design, development, and implementation of new information systems. The executives, of most organizations do not know for instance how much new exposure or hazard is going to be introduced into their operation by a new system. If they did participate in the development or implementation of the system and knew more about the system, I am sure they could suggest ways to reduce the risk and exposure to the system. Second, most systems have inadequate backup programs

and files. Third, there's generally inadequate backup of system documentation, Fourth, there are often poor input and output control procedures in the data center or remote terminal areas. Fifth, there's generally inadequate fire protection for most systems. Sixth, there are generally poor physical access controls. Finally, too few systems have a usable disaster recovery procedure in the event of major destruction or sabotage.

Our study indicated that there are five steps to the development of a secure information system.

First, the executives, the managers, need to become involved before a system is installed to make sure that the risks are minimized. Second, every system should have a systems security officer, regardless of whether he is a full time or part time employee in that position. You need one person that is really responsible for looking at system's security. Third, there are too many examples of people who have been caught in the commission of a computer crime but were not prosecuted. As long as that is the case, I can assure you that people are going to continue doing the same kind of things that they have been doing. It is simply common sense to enforce the law and the administrative regulations of the organization. (People who are suspected of violating the system should be removed from sensitive positions as soon as possible.) Fourth, we do not believe that even "minor" infractions should be buried. And, fifth, if you will organize a "cooperative systems security effort", you will go a long way toward protecting your system.

By a "cooperative systems security effort", I'm referring to: the development of some form of a security team in your organization: preparation of a written systems security plan; providing special training for people that need it, such as auditors, and your physical security guards and officers; implementing the plan; and finally and implementing test procedures so that you can make certain that the controls that you have instituted are always operable.

In addition, we would recommend a documented system disaster recovery in case the worst does happen.

I mentioned the need for a systems security officer and I'd like to re-emphasize this point. Yes, high technology sometimes presents us with difficult problems, particularly where the level of sophistication is very high and you need specialists. That's why we recommend that you have a systems security officer. He can be consulted, for instance, on new systems features and applications. He can recommend new security safeguards. He can help to implement these safeguards. He can review and test the operability of internal controls, and he can review deviations and infractions and call them to the attention of the proper officials within your company and to the law enforcement agencies.

Finally, I'd like to point out that I believe the computer industry is doing its part to provide safeguards in computer systems, even though the problem itself is certainly much larger than our industry. It involves the government, it involves all computer users, and of course, it involves the security industry. Our future objective, therefore, should be to work together to both reduce and control all forms of computer crime and abuse.

QUESTIONS DIRECTED TO JEROME LOBEL RELATING TO COMPUTER RELATED
CRIMES

Question: What measures can be taken to protect against computer crime related to inventory theft?

MR. LOBEL: First of all, by the nature of the crime, the inference is that the person perpetrating the crime may know a great deal about the inventory control system. And that tells you something in itself.

Most of the major crimes that I can think of that involved computers and inventories, of any real consequence, (outside of the areas that could be handled by better physical inventory control procedures), have been situations where outsiders or insiders knew exactly how the inventory control system worked, how the computer programs worked, the layout of the contents of the files, and the manual procedures associated with putting input into the inventory control system for updating the inventory records, and so forth.

What this tells me is that in such cases, is that the physical or manual part of the system and the internal controls are not really working.

Too many people, in such cases, have too much knowledge about the details of how the system works. So the solution, obviously, is to limit those people that need to have access to the system for updating inventories or other purposes. The system itself, in other words should be controlled and protected like any other valuable asset or resource in the business.

Biography

Jerry Lobel as Manager-Data Security is responsible for guiding the research activity designed to enhance the security of Honeywell information systems hardware and software products.

His data processing background since 1958 includes working with computer manufacturers and computer users in both hardware and software development assignments. At one time, Mr. Lobel was the Manager of Information Systems for a Multi-Plant Electronics Manufacturer, and also the General Manager of an Independent Computer Security consulting firm.

Mr. Lobel has a national reputation as an authority on computer security and privacy. He has served as a consultant on these matters to numerous government and commercial organizations. As an example, he was selected as the technical consultant on computer security to project SEARCH, the law enforcement assistance administration's (LEAA) nationwide Criminal Justice Information Systems Study.

Mr. Lobel received his B.S. and M.B.A. degrees from UCLA and is a member of BETA GAMMA SIGMA, A National Honorary Society. He has had many Data Processing articles published in professional trade publications and is a member of the Association for Computing Machinery, the American Management Association, and the Data Processing Management Association. He is listed in "Who's Who In the West" as a result of his numerous articles and educational seminars on the subject of Data Security. He was also the Chairman of the 1969 Fall Joint Computer Conference Session on Computer Security and Privacy.

EXTORTION AND OTHER CRIMES:
A GROWING THREAT TO THE BUSINESS COMMUNITY

Remarks by Richard J. Gallagher, Assistant Director, General Investigative Division, Federal Bureau of Investigation, Washington, D.C.

I am very pleased to be a part of the Department of Commerce's fourth seminar aimed at prevention of crimes against business.

What is business crime? To me business crime, economic crime, and white collar crime are synonymous. Business crime consists of offenses that are characteristically non-violent in nature and principally involve such elements as deceit, deception, corruption, concealment, breach of trust and subterfuge. Not only do such offenses frequently expose businesses to ruinous losses, they collectively subvert the public's trust and confidence in our economic and political institutions.

Business crime is different from common crime. When a common crime is committed, the victim immediately knows something has been done to him. When a bank is robbed, the customer or the victim teller sees the robber take the money. He or she can do something immediately, such as call the police or sound the alarm.

In business crime or white collar crime in which a teller is embezzling money, or a bank manager is falsifying accounts, he takes great care to conceal his crime. There may be no immediate way of knowing a crime has been committed. In white collar crime, especially where computers are involved, and the victim may be in Phoenix and the subject in New York City, the victim may never learn he has been victimized or the realization may come too late to be of any assistance to law enforcement authorities.

Many white collar offenses go unreported because business and/or individual victims are embarrassed or otherwise apprehensive to the point that they do not want competitors or relatives to know they have been victimized until it is too late to do anything about it.

Today I am going to talk about common crime which is aimed at the business community.

The most important property a business has is you, the corporate official. We hear about business leaders being kidnaped all over the world. Kidnaping is a heinous crime, one in which human life is in jeopardy.

As you know, the FBI has investigative jurisdiction over the Federal kidnaping statute. It might be helpful to you to know what constitutes a violation of this statute. This law has three main elements: (1) there must be an abduction, (2) there must be interstate transportation, and (3) a holding for ransom, reward or otherwise. I have over-simplified the provisions of the statute. But those are the three main elements. The statute also has a "presumptive clause" which provides that if a person who has been abducted is not released within 24 hours, there is presumption interstate transportation of the victim has occurred. If it is later determined that the victim has not been transported interstate or in foreign commerce, the presumption is rebutted.

There are three other statutes that give the FBI jurisdiction in violent crimes against business.

The first is the Hobbs Act. This Act was initially passed by Congress on July 3, 1946, and was designed to protect interstate commerce from interference by acts of robbery and extortion.

This Act basically prohibits extortions induced by violence or fear of financial loss when interstate commerce is affected; it may be applied to several different types of violations such as the following:

1. Payoffs demanded by labor union representatives.
2. Payoffs sought by extremists.
3. Payoffs connected with organized crime rackets.
4. Payoffs extorted from banks or other forms of business enterprises.
5. Payoffs obtained by state or local authorities from contractors or other businesses in order to assure favorable action by local authorities for benefit of such contractors or businesses.

This Act also provides that demands alone (without actual payoff) may be prosecuted, and the Act makes it a substantive violation to conspire to make such demands.

The second Act also investigated by the FBI is the Federal Extortion Statute. In simple terms this Act provides that any person who deposits in the U.S. mail a message containing a demand or request for ransom for the release of a kidnaped person or a message with intent to extort money or something of value or a threat to kidnap a person is a federal violation.

The third statute involving violent crimes against businesses pertains to interstate transportation in aid of racketeering. This statute provides that whoever travels in or uses any facility in interstate or foreign commerce, including the mail, with intent to distribute the proceeds of any unlawful activity or commit a crime of violence to further unlawful activity or to otherwise promote any unlawful activity is in violation of the Federal law.

I would like to refer once more to the Hobbs Act, because during the calendar year 1975 the FBI investigated 205 cases involving extortionate demands against commercial business establishments. In 114 instances, the demands for payoff were accompanied by a bomb threat. In 74 instances, there were threats of death or of bodily harm to the victim. Hostages were taken in six instances and amounts demanded for payoff ranged from a high of \$3 million to a low of \$100. Some 72 subjects have been identified. The targets of these crimes included airlines, amusement parks, department stores, hotels, manufacturers, railroads, refineries, and restaurants.

Many Hobbs Act cases involve banks. Perhaps two of these cases we investigated in 1974 will clearly illustrate the application of the Hobbs Act:

In March, the wife of the President of a bank in St. Paul, Minnesota, was abducted from the drive-way of her residence by two armed, masked individuals. The same afternoon the banker received a telephone call from his wife's abductors. He was told his wife was being held hostage and for her release they demanded all of the money in the bank. Other calls were received concerning the payoff and it was agreed \$200,000 would be delivered to insure the safe release of the banker's wife. The payoff was made and the victim was released unharmed. Subsequent investigation resulted in the recovery of all but \$80 of the payoff money and the arrest of the two subjects. Although there was no interstate transportation involving the Federal kidnaping statute, there was a violation of the Hobbs Act, and the two subjects were tried under the Hobbs Act.

Later in 1974, Disneyland in California received a telephone call to the effect that a mine was located in a bus terminal locker. Investigation located not a mine but a handprinted note which stated that seven more mines were concealed in various areas of Disneyland and Disneyworld in Florida, and that if a \$3 million payoff was not made, these mines would be detonated. The note also indicated that if the demands were not met, a copy of the note and complete details as to the exact location and times of detonation would be sent to the news wire services which would be "bad for advertising."

Through investigation by the FBI and the Santa Barbara, California, police department the subject was arrested at the payoff site. Under questioning, he admitted that there actually were no mines at either Disneyland or Disneyworld.

Everybody in this room has undoubtedly heard of Lynette "Squeaky" Fromme, who on September 5, 1975, attempted to kill the President. She was convicted and sentenced to life imprisonment on September 17, 1975. Her friend and former roommate, Sandra Goode, you may recall, threatened the lives of several prominent people including many in the business community. In fact, some in this room may fall in that category. By mailing threatening communications, Goode violated the Federal extortion statute. She was tried, found guilty, and on April 13, 1976, Goode was sentenced to 15 years.

Earlier I mentioned that the most valuable property a business has is the corporate official. It may be well for those of you who are security officers or in charge of security to give thought to the protection of corporate officials. I would like to pass along a few simple suggestions. They are not all inclusive but they are something that you could do to reduce your chances of being kidnaped in this era when kidnap insurance and the bodyguard businesses are booming.

1. Instruct your family and business associates not to provide information concerning you or your family to strangers.
2. Avoid giving unessential personal details in response to inquiries from information collectors that would be used in such publications as business directories, social registers, or community directories.
3. Review your organization's security plans to determine their effectiveness. Make certain all employees are aware of these plans.
4. Establish simple, effective signal systems which, when activated, will alert your business associates or family members that you are in danger.
5. Be alert to strangers who are on business property for no apparent reason. Prompt reporting to law enforcement authorities of suspicious activities of persons or vehicles in your residence neighborhood may successfully thwart a robbery or hostage situation.
6. Vary your daily routines to avoid habitual patterns which kidnapers look for. Fluctuate your travel as to times and routes to and from the office.

7. Refuse to meet with strangers at secluded or unknown locations.
8. Always advise a business associate or family member of your destination when leaving the office or home and what time you intend to return.
9. Lock all doors and roll up windows of your automobile while traveling to and from work.
10. You may even consider the installation of a separate and unlisted telephone line at your residence or even an alarm system.
11. Maintain in a convenient place the telephone number of your local police and the nearest FBI office. Both will be listed in the front of your telephone directories.

By practicing good crime safety habits and maintaining good rapport with your law enforcement agencies you will most certainly reduce your chances of being victimized.

Director Kelley is most interested in marshaling citizen involvement in a national resistance to crime -- citizen action programs we hope will have a significant impact on crime.

You can be assured the FBI is always ready, willing and able to help you in such crime resistance efforts as well as to provide you with prompt, professional service when Federal crimes occur.

BIOGRAPHY

Richard J. Gallagher is the Assistant Director in charge of the General Investigation Division at FBI Headquarters, Washington, D.C.

He entered the FBI on August 25, 1941, as a Special Agent, Mr. Gallagher served in Cleveland, New York, and the Boston Field Offices. He served as Senior Resident Agent at Providence, Rhode Island. He was transferred to FBI Headquarters, Washington, D.C., in April 1953, to perform supervisory duties in the Investigative Division, later the General Investigative Division. While assigned to FBI Headquarters, he served as a Supervisor of the Bank Robbery Desk and the Kidnaping Desk, was Supervisor in Charge of the General Crimes Unit, later served as Assistant to the Section Chief in the Criminal Section and as Section Chief, Criminal Section, General Investigative Division.

In June 1972, he was made Inspector-Deputy Assistant Director of the General Investigative Division. He has served during 1973-1974 as the Vice Chairman of the Vehicle Theft Committee of the International Association of Chiefs of Police and has served as a member of the Vehicle Security Committee of the Society of Automotive Engineers. In December 1974, he participated in a Symposium on International Automobile Theft held at the headquarters of the International Police Organization (Interpol) in St. Cloud, France. In January, Mr. Gallagher was named Assistant Director in charge of the FBI's office of Planning and Evaluation.

Mr. Gallagher received his early education in Providence, Rhode Island. He was awarded a Bachelor of Philosophy degree by Holy Cross College, Worcester, Massachusetts. In 1940, he was awarded his Law degree from Harvard University, Cambridge, Massachusetts. In 1969, he was awarded a Master of Laws degree by the George Washington University Law Center, Washington, D.C. Mr. Gallagher is a member of the New York State Bar, the Rhode Island State Bar and has been admitted to practice before the Supreme Court of the United States.

Questions Directed to Mr. Gallagher Relating to Extortion, and
Other Crimes - A Growing Threat to the Business Community

Question: Is the local law enforcement agency the first line of communication for kidnapping or should the FBI be called at the same time, even though the chances of interstate transportation is highly unlikely?

MR. GALLAGHER: Time is of the essence in these cases and I would suggest that you call both. We will work together on this particular thing. I didn't get the end of the question about the unlikely part. Nothing is unlikely. Everything is possible.

I think what you're saying is that the chances of interstate transportation were unlikely? Is that what you said? Most of the big cases we've had lately have turned out to be strictly local in nature. But we'll go into that thing and stay with it until it's solved.

Question: This is in reference to FBI jurisdiction in an investigation. The questioner says, "I have heard frequently that even though the crime or theft comes under FBI jurisdiction, that you won't or don't have the manpower to investigate unless it's a serious crime or the value exceeds a certain number of dollars. What is your present policy or guidelines in this regard?"

MR. GALLAGHER: You have heard Tom Crowe make reference to quality cases, target areas and Dyer Act cases.

One thing you must bear in mind is that the FBI has roughly 8,500 agents. We could fit our whole organization inside the New York City Police Department.

It's a question of priorities and it isn't just the FBI, it's everybody. Even the Phoenix Police Department must establish priorities.

Regarding Dyer Act cases, I think the statement was made that 60 percent of prosecutions were Dyer Cases Act. We can't do that anymore. The U.S. Attorney, he hasn't got the manpower. We don't have the manpower. We are trying to have the local authorities assume greater investigative input into a lot of these crimes.

Now to rob a bank is a local crime. It's a federal crime. To steal an automobile, it's a local crime immediately. It's a federal crime after it goes over state lines.

And so what we're doing now is we're trying, along with the United States Attorneys office, to establish priorities on how we use our manpower. That's the best answer I can give you.

Incidentally, in the back of the room is the agent in charge of our Phoenix office, Dick Long. He's the fellow in the brown suit, the handsome fellow, and it might be well for all of you to get to know him.

Question: This also has to do with enforcement priorities. Can the business community help with their own security provided you give us some assistance?

MR. GALLAGHER: Absolutely. The business community by tightening up security, by taking all precaution, and as Mr. Lobel pointed out in his presentation, by establishing strict guidelines to cut down on theft in the first place, can assist. If the theft doesn't occur, you're way ahead.

MR. CROWE: May I comment just very briefly on that? I have two examples.

Number one, Phoenix Savings and Loan Association. Two officers had embezzled a substantial amount. We received phone calls on behalf of the law firm representing the Savings and Loan Association, not to prosecute these people even though the amount was substantial, because it would be embarrassing.

On the other hand, just last month, we successfully prosecuted an individual who was a salesman for a New York life insurance company and had milked the company out of \$110,000 dollars through issuance of bogus policies etc.

I've never seen such cooperation in my life. They flew out three auditors from New York. We would ask for records and they would be there immediately.

CREDIT CARDS AND CHECK FRAUDS

Remarks by Theodore S. Cherekos, Executive Vice President
and General Manager, Western Regional Operations
Center for the Card Division, American Express
Company, Phoenix, Arizona, on the Subject of
On Keeping What's Yours

Thank you, Mr. Chairman.

I'm pleased to be here with you today to discuss a topic that has been among those foremost in the minds of Americans for several years now: Crime.

It is a topic that is as interesting as it is dreadful, and I know that everyone here wishes that sessions like the one we are participating in today were not necessary.

But they are.

Crime has become so important that in New York they've announced plans to publish a daily newspaper dedicated to just reporting crimes in the city. And I only learned this week about the issuance of the world's first newsletter--twice monthly distribution--written for the average citizen telling him how to combat crime. Entitled Crime and Protection, the newsletter's promotional copy proclaims:

If you haven't been victimized by crime recently, statistics are working against you because, law enforcement agencies admit our nation is fighting a losing battle to control it.

FBI figures indicate crime this year may take the largest leap in 46 years...up 18 percent last year. Ten out of every 100,000 Americans were murdered last year.

The newsletter reminds us that white-collar crime in America rose 313 percent over the past ten years.

It claims there's even been a recently-published "Embezzler's Guide to the Computer." A crime textbook for crooks with a technical bent. There are chapters that tell by category how to commit data processing crime: Larceny, Embezzlement, Collusion, and Fraud...take your choice!

The 1976 edition of the U.S. Department of Commerce's Handbook, "The Cost of Crimes Against Business" tells us that businessmen like yourselves often mistakenly assume that most inventory losses are caused by shoplifters when actually employees account for the major portion of inventory shrinkage.

A survey of convenience stores revealed that 75 to 85 percent of all inventory shrinkage could be attributed to employees.

It's enough to make you paranoid. One doesn't know whether to get out of business altogether, or start studying to be a crook. It seems to be a growth industry.

But there is hope. Where there's shared concern--a good example is the meeting here today--action usually results, and corrective action can be effective.

In a study conducted by a major security service firm, 500 shoppers were followed at random in a New York City department store. Forty-two, or one of every twelve, were observed stealing some item during their visit to the store.

One major Washington, D.C., department store increased its security budget to over 1.5 million dollars in 1974 and expanded its security force to 175 people. Merchandise shrinkage was reduced significantly.

Get tough policies aren't the only answer. A store in Columbus, Ohio, reported that their new, tougher policy toward shoplifters had reduced losses from outside theft, but that internal theft remained high--about \$2,000 per day. And that a New York department store, trying to operate with a small security staff, had been using men to keep an eye on the women's dressing room through a two-way mirror. The court made them stop doing it. Presumably, the male security agents got a pay increase, since they had lost a fringe benefit.

While crime seemingly is rampant throughout the nation, I'm happy to be able to report that at American Express we've been able to reduce losses due to fraud in every area we've tackled. This has been possible for many reasons, but in particular, because as a highly computerized firm, we've been able to monitor results closely and because we have attacked high priority problem areas with vigor and a readiness to devise new policies to fit the situation.

The opportunity to commit fraud against our Travelers Cheque and Charge Card operations ranges everywhere from the lowest, most brutal underworld type operation to the most ethereal, starched white collar, kind of operation requiring great intelligence and finesse.

Our Travelers Cheques and Cards are stolen by muggers who trammel good citizens and wrest away their valuables. Meanwhile, sly technicriminals plot ways to fool our computers, hoping to jam a security system or "Hot-Wire" a payment code.

We fight crime on every front, and I hope that what we have learned can be of help to you in your business.

Today, our special agents ride shotgun on jet planes with a cargo of credit card blanks beneath their feet, much as American Express agents rode atop stage coaches 100 years ago with a strongbox beneath their boots.

They cover pretty much the same trail too, from New York to Phoenix, only today they're served a hot lunch, and the Mississippi is 30,000 feet below.

The title of my talk today is "On Keeping What's Yours." At American Express we're interested in protecting our interests, of course. But as it so happens, our interests are directly aligned with the interests of honest people everywhere, private citizen and businessman alike.

When a pocket is picked we--who issue travelers checks with a refund service--are the loser. When a con artist tricks a merchant into accepting a stolen charge card for the purchase of a color TV set, two expensive cameras and a copy of the book "How to Make a Million Without Really Trying" then its going to be a loss for both of us, before everything is straightened out.

If we could all learn how to keep what is ours, through preparation, education, and precaution, then I think those crime statistics that we're bemoaning today would start dropping with the velocity that water pours over Niagara.

Let's face it. Sometimes those crooks make fools of us. When they asked Willie Sutton why he robbed banks, he replied, "Because that's where the money is!" But today there's also lots of money in the hands of everyone who does business with the public, and I think, despite Willie Sutton, the banks have a better record of guarding it.

The late J. Edgar Hoover liked to tell the story from the files of the FBI, about a car dealer in Georgia, who accepted a check drawn on the East Bank of the Mississippi -- and the check was actually signed "U.R. Stuk."

He also told about checks coming for analysis to the FBI laboratory signed by "John Bogus, N.O. Good, and Harold Hoax."

Then there was the bogus check passer arrested in Mobile, Alabama. When asked if he owned a gun, he shook his head and pulled out of his pocket a silver plated ball-point pen.

"That's my gun," he said, "it gets me all the money I need."

With laughingly little training, a store clerk or cashier can protect you against embarrassing losses such as these.

Over and over again our travelers cheques are accepted with poor and obvious fake signatures, because the sales person did not take the time to save his or her boss from the loss.

Invented in 1891 by American Express employee Marcellus Fleming Berry, the American Express Travelers Cheque is, next to the introduction of the scheduled ocean liner, perhaps the single most responsible item for the opening of travel to the world.

Accepting it is the simplest thing in the world. You just do two things: Watch and compare. Watch your customer countersign the cheque in the lower left corner. Then compare the signature you have just witnessed with the signature already in the upper left corner.

If they are the same, the cheque may be accepted without further identification.

If you aren't sure, you ask the customer to sign the check again, on the back, then compare the signatures.

Marcellus Berry's invention made it possible to go practically anywhere secure in the knowledge that their money was "protected" and would be accepted. As travelers cheque sales increased, money belt stock went down dramatically.

A cashier who insists on watching and comparing can only be fooled by the one forger in a thousand who is really good. In that case we take the loss.

But crooks have discovered ways to make you think you are watching and comparing, when in reality you are only participating in a wool pulling contest. The crook, who is pulling the wool over your eyes, is invariably the winner.

Here are tricks to watch for:

-- The crook uses one hand as a cover while he pretends to countersign the check. Actually, the check has been forged in the quiet of his hotel room before he came through your doors.

-- He lets you watch the signing of the top check then, blocking your view with the rest of the checks, he fakes signing the rest. Make sure your cashier actually sees the countersigning of each and every check. Ask that they be ripped out of the folder as each is signed.

-- He tries to "switch" checks during the signing procedures, sometimes by "accidentally dropping them on the floor." If at anytime during the encashment procedure checks "disappear" from view, have them re-signed on the reverse side, then compare.

-- Sometimes the perpetrator will erase or cover the original signature on a stolen travelers cheque with a broad nib felt-tip pen. Watch for erasures or new signatures covering old ones.

We believe Marcellus Berry had a good idea when he invented the traveler's cheque. And a lot of people must agree with us too, because every year sales go up. Our cheques were even used by the U.S. Ping Pong team when it made its historic visit to China several years ago. They've withstood the test of time, and they'll continue to do so, as long as we all continue to watch and compare when we accept them.

The American Express Card is a more recent service, and one we can't take credit for. Teutonic Knights, clanking about medieval Europe searching for damsels to rescue from dragons, used special signet rings that could be pressed into wax on an innkeeper's bill, "signifying" a promise to pay by the King's treasurer. So, whether it was plastic or parchment, the more sophisticated traveler's at least have been able to get credit away from home for many hundreds of years.

We see then that the concept is not new. But, with the introduction of the American Express Card in 1958 we have been attempting to do two things, simultaneously and with great zeal: We've searched for ways to improve services to our card members and the establishments that accept the card. And we've fought to cut our losses against unscrupulous operators who are intent on defrauding us.

Our fight to keep what belongs to us, and to our cardmembers and to our service establishments reminds me in a way of life in Holland. The Dutch must constantly build and maintain dikes to keep the ocean from overrunning their country, and no dike is ever considered too strong.

We currently have an electronic dike that reaches around the world to help us contain and control fraud against the American Express Card, the cardmember and the businesses that honor the card. Our dike is strong, but sometimes there are leaks, then it is up to people like yourselves -- and I consider everyone in this room, not only our police, Federal and county professionals, to be active crimefighters -- to sound the alarm and hold the water back until help arrives.

Several months ago we had a restaurant on the West Coast complain that we were being too strict in withholding payment for meals which had been paid for with American Express Cards. The charges were made with phony signatures.

We said their staff was falling down on the job of watching and comparing the signatures on the charge records with the signatures on the charge records with the signature on the back of the American Express Card. Of course they said we were crazy.

Our chief inspector for the Card Division happened to be in that city during one of these altercations, so he dropped by, unannounced, the restaurant for lunch -- which, incidentally, was delicious.

On receipt of the bill, he signed for it, paying with his American Express Card, but, instead of signing his name, he signed it Mickey Mouse.

The waiter accepted the charge slip, took it to the cashier. The cashier rang up the charge, and returned the receipt.

Our chief inspector left the restaurant toothpick in hand, content. His only thought, he told me later, was how the bookkeepers at Disney World were going to explain the charge.

A man of impeccable manners, the inspector had a cheese souffle.

Actually, he did pay the bill. Later, but not before he had made his point: The staff at that restaurant, despite the managers best intentions, was not watching and comparing.

I'm sure that "Mickey Mouse" couldn't possibly get past the sales staff of the businessman who are attending today's seminar. But as a reminder, for them to tell their friends who didn't attend, of course, I would urge them to call our authorization number whenever a charge is over the floor limit, when a card listed as stolen, or cancelled, or lost...or when the signature is odd. Calls should also be made when the dates on the card indicate it is invalid because it has expired, or invalid because it has not yet gone into effect.

They should call when the person presenting the card seems suspicious. There are some clear-cut signs:

If you have a customer who can only speak Chinese but the name on his card is John Smith, then you should perhaps call us for a check.

If the account has been in effect for ten years, and the girl presenting the card is clearly of the flower child generation; you should give us a call.

And, if the person presenting the card can't spell his name correctly, then I suggest you give us a call.

Such a thing happened, recently, by the way.

A man traveling on the shuttle flight from Boston to New York was paying for his ticket on the plane, as is the custom, when the steward noticed that he misspelled the name L-E-W-I-S on the charge slip. The steward asked him to try again, and the passenger "missed a second time.

Suspicious, the steward alerted the pilot who radioed ahead to LaGuardia. The police were waiting when the plane landed. They collared the guy, searched him, and found enough stolen credit cards to fill a shoe box. No wonder he couldn't remember which name to spell. He's in prison now.

Another trick is "splitting the ticket". This is when the card shark makes one purchase, say, an electronic calculator, then comes back later to buy another one. His object is to stay under the limit that is set for the store by the credit card company. He knows there is no requirement that the store make an authorization call for charges under a certain amount.

Alert cashiers earn extra bucks by picking up listed cards, by the way. We pay up to \$200 to the person who confiscates a card which has been identified as lost, stolen, or in collection.

Many cashiers are quite aware of this and do their crime-stopper homework.

One cause for suspicion can be a person who insists that he or she is in a hurry.

I recall an instance where an airline ticket agent in Atlanta was greeted by a customer who said he was in a great hurry and needed two tickets to Chicago in order to catch a flight that was boarding at that moment. The agent hurriedly wrote up the tickets and was nearly finished when the customer said, "while you're at it, make up two open ended round trip tickets from Chicago to Miami."

The agent wrote out those tickets as well, and the man, thanking her, dashed off, coattails flying.

The agent said to herself: "Wait a minute, why would someone who was in such a great hurry stop to buy tickets in advance?"

She checked the numbers from the card. It was stolen. Our inspectors and the police were at the gate waiting for the man and a lady accomplice when the plane touched down in Chicago.

Thanks to our marvelous computer system, humming away, helping us catch crooks even as we talk here today, and thanks to the alertness of cardmembers who report their card missing as soon as they discover it. And thanks to the clerks, the salespeople, waiters, cashiers, accountants and management of the businesses we serve around the world, there are a lot of stories we at American Express can tell that end the same as the two I have told: The police were waiting for them.

It is through this kind of great teamwork and conscious effort to nip crookedness in the bud, that I believe we, all of us, can: "Keep What is Ours."

Thank you.

BIOGRAPHY

Theodore S. Cherekos is Vice President, Western Regional Operations Center for the Card Division of American Express Company.

He joined American Express as Manager of Corporate Data Processing in July 1965 and in October 1966 became Director of Data Processing Operations for the Card Division. Previously, he was associated with Allstate Insurance Company.

Mr. Cherekos was part of the team designated to select a site for the Card Division's first decentralized operations center, and was instrumental in the choice of Phoenix.

Mr. Cherekos is a member of the Arizona Academy, the Dean's Advisory Council of the College of Business Administration of Arizona State University and the Phoenix Executive Club. He is also Vice Chairman of the Board of Directors of the Phoenix Mail Users Council.

He is a graduate of Northwestern University.

He is one of greater Phoenix's most active civic leaders. He is a member of the Arizona Club, Junior Achievement of Central Arizona, Inc., and the Phoenix Chamber of Commerce Economic

Development Division Council. A past member of Dean's Advisory Committee, ASU, past Board of Director, United Way. Ted is also a member of the Board of Directors of several of the areas important civic associations, such as, Phoenix Chamber of Commerce, OIC, Phoenix Executive Club, Arizona Tax Research Association, Phoenix 40 Crime Committee, American Heart Association, Arizona Heart Institute, and several others. He is truly a dedicated member of the Phoenix community.

CHAPTER IV

CAN BUSINESS AND CONGRESS COOPERATE ON CRIME?

Remarks by the Honorable John J. Rhodes, Arizona 1st
Congressional District and House Minority Leader

I am most pleased to have this opportunity to take part in this Crimes Against Business seminar--which addresses itself to a problem of increasing seriousness to our economy--and of great concern for our entire society.

I believe it could be said accurately that the 1970's are an era of crime. The media carries a daily recital of criminal assaults on our people and businesses. There is lamentation that more is not being done to curb the march of crime. I saw a cartoon the other day that illustrated an ironic point. It showed a stick-up man--and his victim--who had his hands in the air. The masked individual was saying: "Try--sir--not to regard this as crime--but rather look upon it as your participation in income redistribution."

For those in the business community today--involuntary income redistribution has become a serious challenge. Large or small--our business firms find themselves victimized by a bewildering assortment of larcenous attacks. They seem to multiply--as the electronic age ushers in computerized operations--which offer greater opportunity for white collar crime.

I note that your program has an array of experts on various aspects of crime--and its prevention--so I am not going to delve deeply into statistics--or try to suggest a sure-fire remedy for crimes against commerce. I would like to make a few observations on crime--the status of today's anti-crime efforts--and a few suggestions for the future.

One of the reasons that crimes against business cost some \$40 billion last year--is that stores--offices--and plants are targets of more kinds of crime than any other institution. From the blue box phone freak--to the housewife who misuses credit cards--from the white collar payroll manipulator--to the blue-collar heister of tools and inventory--business organizations must deal with theft--at every step--from the factory to the sales counter--from hoods outside the firm--to dishonest employees within. Then--when goods are sold--there is the problem of counterfeit bills--and bogus checks. Vandalism is a mounting challenge as more and more examples of wanton destruction of goods and facilities are reported.

There is the threat of arson--crime on the parking lot--and holdups of the firm itself. Then--in the bookkeeping process--there is the threat of embezzlement--and now computer crime with its phoney payrolls and other larcenies. All in all--there are very many opportunities for the criminal to hit business--from start to finish--from the factory to the consumer.

This seminar is welcome indication that business is getting tired of being ripped off. For many years--the economic community had an ostrich attitude--stuck its head in the sand--and silently absorbed the cost of crime. Today--that cost has become a significant factor--one that often can mean the difference between profit and loss. Crime has begun to show up on the bottom line.

In our highly competitive free enterprise system--the cost of crime can no longer be swallowed--or regarded as an unwelcome--but unavoidable cost of doing business. Consumers are resisting higher prices with vigor. Crime adds to costs--and raises prices. A graphic example of this is the closing down by the A and P Company of many of its urban markets--where rising crime simply made it unprofitable to operate.

It seems that every technological advance is also an invitation to crime. Banks have opened late-service windows--where a punch card produces cash in the event of an emergency. It has been a boon to depositors--and a positive gold mine for criminals. They simply lurk around until some hapless victim extracts the cash--and then they relieve him or her of it--sort of a one-stop shop for the mugger fraternity.

I noted the other day that the airlines reported they are suffering millions in losses from illicit tickets that are regarded as good as cash. They are stolen from travel agents. By the time the computers catch the error--it is too late. This puts upward pressure on airline costs. In case after case--crime is occupying a worrisome place on the business balance sheet.

There is a growing militancy among consumer organizations that make efforts to absorb the costs of crime very difficult. Especially in urban areas--price differentials--the attempt to crank crime costs into prices in selected areas--are being attacked--and labeled as profiteering. Government agencies--always casting around for something to do--are ever ready to participate with enthusiasm if business is the punching bag. Obviously it is becoming uneconomic--and anti-social--to meekly accept the cost of crime--and try to pass it along to the consumer. For business crime--it is time to stop writing it off--and start rooting it out.

I believe there are three areas in which business must launch a spirited attack on crime. First--organize--put together a hard-hitting united front on a nationwide basis. Second--find out where Congress can help--and get the message to Capitol Hill. Third--help reform the court system--stop turnstyle justice that compounds the problem of reducing crime.

To some extent--business had made its own bed in becoming the target of crime. Although some \$4.5 billion was spent for security measures and other crime-fighting techniques by businesses last year--you really haven't gotten past the Model-T stage of any comprehensive--allout drive against economic crime.

Disorganized business can never whip organized crime. Individual efforts are not as effective as intensive cooperation between businesses of all kinds. This seminar is a good first step--but it is only a beginning. For instance--there should be a National Advisory Committee on crimes against business--appointed by the President. Other groups have them--and you should get into the game.

You most-needed ally in fighting crime is concerned people. During the 1960's--the rip-off society was tolerated by a confused public. Shoplifting became a way of life for hippies and yippies. Crimes against business spread to epidemic proportions. There was talk of a new era--when those who refused to work for a living could liberate whatever they wanted from the offerings of business.

Obviously--there is a tremendous need for public awareness that crime is crime--that theft cannot be justified on philosophical grounds--that there is an irrefutable concept of right and wrong. I think the climate today is right for such a campaign--to remind the people that they have not only an economic stake in cutting down crime--but also an obligation and definite responsibilities as citizens--to work toward shaping a law-abiding society.

There is need for more coordinated effort between businesses and law enforcement agencies. Business must be in the forefront of pushing law enforcement into new fields. One common failing is that business crimes are complex--and their detection and prosecution require skilled people--versed in business operations. Most District Attorney offices do not have that kind of specialized people aboard. They do not have accountants who can follow the trail of ledger-sheet crimes. Computer crime--the latest and most rapidly growing segment of business larceny--requires expert personnel. The Federal Government has taken a great interest in upgrading local

enforcement agencies--through LEAA--and it is up to you to make sure that a fair share of these Federal funds are directed into areas that will produce results in the battle against business crimes.

I know that the U.S. Chamber of Commerce objected strenuously to a recent Justice Department ruling that would have prevented employers from receiving certain information about the criminal background of prospective employees. The Department reversed its position after the Chamber protest. This is a good example of how organized--concentrated effort pays off. It should be expanded--through an effective--efficient--broad-scale business organization dedicated to wiping out business crime as a major source of revenue for criminals in our Country.

In short business crime must be regarded as a serious threat to our economic future. It is time for business to get into the fray. The fight against business crime cannot be just another campaign--it must become a full-fledged crusade.

Congress--so far--has not done much in the area of fighting business crime. Mainly--this is because business simply hasn't gotten its act together to make practical recommendations for anti-crime legislation.

There are areas--I am sure--where the Federal Government can be of great help. A large percentage of commercial crime today involves interstate activities. It is in this area that Uncle Sam has a legitimate role to play in helping curb crime. Now--I have consistently opposed Federal intervention into the affairs of business--in areas that I believe business can handle better for itself.

Abraham Lincoln once said that the role of government should be to do what people cannot do--or do as well for themselves. I feel that helping combat crime is an area that falls under this guideline for government.

Organized resistance by business to crime in all its guises is more or less in its formative stages. When you are launched into a full-scale program--I am certain that you will get cooperation from the Congress--and the Executive Branch--in your war against larceny at all levels of business.

I know that many of you have had disheartening experiences in dealing with Federal agencies in other areas--and that you maintain a justifiably healthy suspicion of the idea of inviting Uncle Sam to be a partner in any venture. Since cooperation is

the most effective weapon against crime of all kinds--a united front--with business and Federal--State and local governments working together--offers the best hope of success in stamping out your costly crime problem.

The late Will Rogers once said: "We don't seem to be able to check crime--so why not legalize it--and then tax it out of business." That was a novel--if impractical--approach. However--today we face the problem that crime seems to be losing some of its illegality--at least that is what less severe penalties would seem to indicate. You all have seen the figures which show that recidivists commit the greater percentage of all crimes. In a recent sweep of illegal fencing operations in the Washington area--100 out of 188 involved were out on bail--or on parole. There is a definite need for reform in our court system--and its treatment of the hardened criminal. President Ford talked about this problem in his State of the Union message--when he urged more penal facilities.

I believe that here in the mid-seventies--we are on the verge of emerging from what might be called the sob sister era. People no longer placidly accept pitty pat treatment of the criminal as an exalted class. Ernest van den Haag wrote a book recently entitled "Punishing Criminals."

It flies in the face of the recent vogue--of blaming society for crime--and of painting the criminal as the hapless victim of unmanageable circumstances. He notes that the cliches about poverty and social sickness cannot mask the fact that the state has legal and moral obligations to its citizens to deter--contain and prevent crime--regardless of speculation about its causes. Protecting the security of its people is the most basic function of Government.

We are getting away from the idea that we must tolerate a high level of crime--while we exert social effort to remove its alleged root causes. Blithe attribution of crime to poverty works at cross purposes with Federal policy. Uncle Sam is spending more billions every year to provide income sustaining programs for the poor. Yet--we have more welfare--and more crime all the time--which proves that the big spending welfare approach alone--has really been a failure. Now people seem ready to turn toward making crime a more chancy proposition for the criminal.

Some very prestigious organizations--including the Committee For The Study Of Incarceration--which is chaired by former Senator Charles Goodell--have come up with the recommendation that mandatory sentences are a necessity--if we are to deter crime through effective penalties. These groups also now

question the popular idea that all criminals can be rehabilitated. They are facing up to the hard realization that there is such a thing as an unregenerate--unreachable--incorrigible criminal--who rejects any and all attempts at reform. They recognize that release of these case-hardened career criminals--poses unwarranted dangers to the security of society.

This new regard for punishment of criminal activity has a long way to go. Business can serve in this area by promoting education--programs to inform the public about the costs of crime--and the dangers inherent in the legal revolving door policy that puts criminals back on the street. It has been said that crimes will continue to be committed--as long as those who commit them are not. This truism can be brought to public attention--and a real move toward firmer administration of penalties can be generated by that unstoppable force--public opinion.

Along with an awakening awareness that crime must be punished--there is an increasing demand that business crime be regarded as a serious offense. Here again--business has neglected its duty--and now has an opportunity to get out in front. For many years--punishment for so-called white collar crime was negligible. Such crimes were hushed up. They were kept as internal affairs. Many cases were not reported to enforcement authorities. Businesses quietly absorbed the cost. Embezzlement--fraud--and internal theft were considered aberrations--deeds performed by black sheep who had somehow crept into the business fold.

You often have heard it said that you can get one to 10 years for stealing \$5 from a gas station--but a slap on the wrist for swindling a firm out of a half million dollars.

Leaders in business must assume responsibility--to see to it that a stern view is taken of business crime--that equality of effort goes into reporting it--taking part in prosecutions--and the demand for proper penalties. Nothing undermines public support of our system of justice more than the idea of preferential treatment. We cannot have even-handed justice under a class system that treats crime with varying degrees of condemnation and punishment.

Another major way business can help itself is to back court reforms--especially the need for more judges. Case backloads in many areas have themselves become a kind of crime against society. There is an old saying that justice delayed is justice denied. It also is much less effective as a crime deterrent. Concurrent sentencing--along with easy bail--have unleashed repeaters on the community--and given them incentive to commit more crime. When a criminal realizes he is

unlikely to serve any more time for a series than a single crime--he returns to the only occupation he knows with a vengeance--and tends to run wild between the time of arrest and release--and the time of trial. Another abused legal maneuver is plea bargaining--which enables a serious offender to get off with a minimum sentence by pleading guilty to a lesser charge. The 1960's was a decade in which America went soft on crime. Now it is time to face reality.

BIOGRAPHY

Congressman John Rhodes is a native of Council Groves, Kansas, and got his first introduction to the State of Arizona during World War II, when he was stationed at Williams Air Force Base.

Following his separation from the Air Force, he and his family settled in Mesa where he started a law practice. Being a civic-minded individual, he became active in veterans activities and the Mesa Chamber of Commerce. He was elected to several offices in these areas, then decided to seek higher office.

In 1952, he became the Republican candidate for Congress from the First Congressional District. He won that election and has served the first district as its congressman every since. He is now completing his 24th year in that post.

He has become one of the most powerful men in our nation's capitol and was elected the House Republican Leader in December 1973.

He was the first Republican in Arizona to be elected to the House and he has served in that body longer than any other Arizonan. He is the dean of Arizona's congressional delegation.

CHAPTER V

CONTROLLING INTERNAL AND EXTERNAL LOSSES - MANUFACTURING COMPANIES

Remarks by John McCauley, Manager of Security, Motorola Government Electronics Division, Phoenix, Arizona

Thank you for that kind invitation, whatever humility I had when I arrived here this morning, has now disappeared.

I think that the greatest thing about my being called upon to talk on security in manufacturing companies today was not anything affecting me personally - its a recognition that our profession exists in the community. Whatever you come across in crime in the community, I assure you, we have the same crime in-house as well.

Think for a moment. You have 3,000 to 10,000 people in an organization. You have the same cross section of people that you have out in town. So crimes very much parallel what the metropolitan police, the state police and the FBI have to contend with.

Our job in the world of industrial security is to protect the physical, intellectual and human resources against the hazards of an industrial environment. In other words, we are concerned with plant, product and employee protection. We're concerned with executive protection, a subject which was touched upon a little while ago. We're involved in protecting proprietary information of vital concern to every business house. Unbelievable statistics tell us of the assault upon business by every kind of theft known and by some unknown to our police organizations. I'm afraid, as I go on, you're going to hear things that you've heard earlier today, but that can't be helped because we're in the same business, we have the same problems and the same concerns.

Theft prevention is not our only interest. Our activities include, but are not limited to, fire protection, employee safety, as well as indoctrination of all levels of company personnel, including executives. Executive indoctrination calls for a first class merchandising job, without which the security director could not function effectively. The prime secret for success in this business of asset protection is winning total support of management. That includes a very firm written policy of pressing charges against those criminals attacking us. You've heard that appeal. You'll hear it again, I'm sure, from the police community.

Let us examine some of the things that can happen to destroy a business. High on my list of hazards is arson. Measure, if you will, arson as against grand theft. Consider the prospect of a million dollar theft at a large, thriving business facility. The prospects of survival after such an event are considerable. The immediate effect upon production, employees and management would be minimal. As a matter of fact, it is not unusual for news of such an incident to remain within the security community.

Now let us consider the prospect of a million dollar fire loss at the same plant. The impact on production and employment will most certainly be critical. Authoritative insurance sources tell us that 70 percent of all businesses hit by a major fire loss never open their doors again. The cases of arson have risen remarkably in recent years.

A more sophisticated hazard has to do with the loss of property information to competition. Activities of this nature result from actions of unscrupulous competitors or dissatisfied personnel. Embezzlement of developmental secrets or business plans has been on the increase. People sell both intelligence and themselves to the competition. As long as black markets exist in the business world, this traffic will continue.

On a subject already well covered, the Computer Monster--we've heard from Mr. Lobel on this subject--has turned into just that for the security group. Computer systems have become a tool for a thief to obtain information and dollars from a company. These are the whiz kids who prostitute their expertise in computer science to embark on get-rich-quick escapades. That handy dandy little gadget known as the remote terminal, tied in with time sharing, makes a computer system a fair target for any crooked computer oriented person in the country. As in the field of weapons, there are countermeasures and counter countermeasures. Fortunately, the computer industry is constantly upgrading its protective methods.

I've talked about the problem areas. Let's look at some solutions to these problems. Our situation in industry is very little different from the residential neighborhood being cased by burglars. We share a common denominator. We're under the constant surveillance of those who find working for a living rather distasteful. The house burglar, hearing the snarl of a big dog, or spotting the evidence of an alarm system, would much prefer to cope with the broom handle in the track of a sliding glass door down the street. Following this same line of thought, an industrial facility unattended, poorly lighted, flimsily locked, is begging to be taken not only by thieves, but by mentally sick arsonists or vandals. There's no more revolting sight than that of a building's interior destroyed by perverted mischief makers.

All of this, I suppose, sounds very hopeless and helpless for us, but, of course, that is not the case. There are a vast number of countermeasures available to us-but each must be used effectively. The enemy is too thoroughly professional. Countermeasures have to be equally so. It is most unfortunate that too often in constructing an industrial plant security is the last consideration. That's too bad because the least expensive and most effective route to attack the problem is at the drawing board stage.

The flow of traffic, visitor control, employee entrances, alarm systems, all these and more have to be part of advance building planning. Remember Alan Shepphard, the pioneer astronaut, he started his journey with apprehension when mulling over the fact that his spaceship was built by the lowest bidder. I rather shudder at the thought of security hardware being bought and installed by the lowest bidder. Where is the economy in replacing an alarm or lock system after one or two years or after the first successful break-in?

In the early planning stage, a decision has to be made whether the building or buildings will be openly accessible to the public. To my knowledge-and I suggest that you mull this one over no building under control of a security force has ever been bombed. The typical victims have been wide open to the public, whether it has been a University laboratory, New York City Police Headquarters or the Capitol.

Now about guards--you know there are no cheap, good engineers--and I know that there are no cheap, good security guards. This holds true whether they are your own or contract personnel. The threats that face us today preclude the time honored practice of placing disabled employees in the security department. They're no match for a rapist in your parking lot. I quake at the concept of hiring a contract guard service that is the lowest bidder. Competition is good for every industry, but in this situation we have to look at quality far more than price.

Good security guards are people with the capacity to make judgments, and then act on them in your best interest. Let us talk about people and their jobs. A friend of mine in the security field contends that the day you first open your doors and hire your first employee, you have become involved with your first security threat. Sounds awfully cynical, but who can prove him wrong? Where are the risk areas? A study of crimes reported in the industrial security media, has the simple answer. A crook is a crook, no matter where he works. They are janitors with access to the entire plant. They are Vice Presidents. They're marketeers, purchasing agents and accountants. They are seldom people engaged in security.

The largest theft of gold in Arizona took place in a plating shop. Would you believe \$750,000.00 worth of precious metal was never recovered? In a recent effort by X company to hire three platers' helpers, eight out of 11 applicants failed to pass a polygraph examination. The examination was conducted, in this instance, because of precious metal involvement. The young men who flunked admitted to previous thefts or to the use of hard drugs.

There is absolutely no substitute for pre-employment screening. This recourse is still available to you with a signed consent on the application form performed by a professional, a background check definitely develops a pattern of good or bad.

In closing, let me draw you a picture of people living in a dream world. A major division of a large corporation that manufactures automotive products, the whole scope of automotive products. One of its plants is in New York State. The operation has absolutely no security program, but it does have 14 unattended entrances all open during the working hours. Management at this facility has for years on a monthly basis, reported to corporate headquarters that they have zero product loss experience. Now, these people deserve a rich reward, and I would suggest a bale of hay. Thank you.

BIOGRAPHY

John McCauley has for the past 12 years been Manager of Security for Motorola Government Electronics Division in Scottsdale. For an equal period of time he had the same title with G.E. Divisions in New York, Massachusetts and Phoenix.

His security career started with the Office of Naval Intelligence as a Special Agent in the Third Naval District.

A native of New York, John obtained his Bachelors Degree in Education at Mount St. Marys' College in Maryland.

He is the co-founder of the Phoenix Chapter of the American Society for Industrial Security, and he presently fills the office of Western Regional Vice-President with the national body of that Society.

QUESTIONS RELATING TO CONTROLLING INTERNAL AND EXTERNAL
- MANUFACTURING COMPANIES

QUESTION: Do you recommend arming security guards or is the liability too great?

MR. MC CAULEY: We've never been without them. The men feel a greater sense of responsibility as long as they have the background, the training, and know their full responsibility. They assume a larger role, a larger personal role in fulfilling their obligations to the overall security project. I know all the pros and the cons of the story. We all introduce a little of our personality into our jobs, into our projects, and wherever I've been the guards have been armed, and will continue to be until I'm told otherwise.

I also might point out that we have recently or are now posting new parking lots. The signs indicate "The Area Patrolled by Armed Security offices." We have high hopes that this will turn some of the thieves away.

QUESTION: You made reference to polygraph tests. Are you an advocate of polygraph tests, and if so, how effective do you think the tests are in your company.

MR. MC CAULEY: On very rare occasions do we resort to polygraph. I mentioned earlier the exposure to precious metals, where perhaps millions of dollars in gold are crossing through the tanks of a plating shop. Under these conditions, of course, we received the consent of the applicant to test. This consent is in a very formal document that is signed at the examiner's facility. Rarely do we resort to it, but we've been stung a number of times in the area that I've mentioned and we will continue to resort to the test under that condition.

Generally, no, we do not feel that it's necessary or wanted. It's not good relations with our employees or potential employees.

Effectiveness? Depends on the examiner. I mentioned before going to the lowest bidder. That's no way to go. We happen to have some of the finest polygraph technicians in the country located in this valley and we constantly refer our friends in the business to them. They're expert and they're good. But everything has to do with that examiner. We have great ones here and they are available to you.

QUESTION: Experience indicates that it is difficult for a large corporation to prosecute for a small theft or embezzle-

ment. The corporation appears to be taking advantage of a little person. How can a large corporation prosecute for a small theft and yet maintain an image of respectability?

MR. MC CAULEY: I'm one of those who fail to believe that they're losing any sense of respectability in the eyes of community, or elsewhere. I rather think it's the opposite, there'd be more respect for them for protecting their goods. I would say, call the cops.

Here's the chain of events that results when we let the bad guy go. His worst penalty would be that he's fired. It's even become a habit on the part of some managements to accept resignations rather than have it on the record that the employee was fired for cause. Then he goes next door and applies for a job. They hire him, and perhaps a farsighted personnel man will call another personnel man and say, I understand that Joe Whoosis worked for you. Why did he leave, he quit. So, now, he has him. You know, and it goes on and on this way. The older he gets the braver he becomes and he starts taking more and more. We're not doing anybody any favors, least of all ourselves because what we do to the other guy, they'll do to us and it's an unending thing. Call the cops.

CONTROLLING INTERNAL AND EXTERNAL LOSSES - SERVICE COMPANIES

Remarks by Donald E. Stephenson, General Counsel, Del E. Webb Corporation, Phoenix, Arizona.

It is a great pleasure for me to be here. I've been given a staggering job today. The subject of service companies is one that, first of all, staggers me, when I think about airlines, banks, savings and loan associations, realty companies, construction companies, each represented by someone here today.

As I approach this topic and try to be meaningful in the short time that I have, I have divided the subject into several parts. A Risk Management Approach to controlling external and internal losses; some suggestions for controlling; preventing and minimizing internal and external fraud, theft and embezzlement; and some suggestions for your development of controls and plans.

I'd like to consider the subject of "pre" and "post" employment screening, a very important topic, and the effect on employment applications of a Fair Credit Reporting Act. I have taken some license with my subject assignment since I was told I could expand the topic to any subject that I thought might be important. You will note as I go along that I'm dealing with the overall perspective of security and safety.

I would also like to discuss available aids to you, places where you can go for additional help. I will then give a little wrap-up, a summary of some of these guidelines that I'd like to try to discuss in the short time that I have.

Let's first discuss a Risk Management Approach to determine how to solve our security problem. I'd say the number one problem is inventory. That is the area of greatest exposure to loss applicable to the business operation. Let me show you an example. Here's one page of direct exposure that you can analyze for your particular business, and you can determine what this kind of exposure means to you in terms of loss.

The table happens to be 37 items long and includes all kinds of categories. With respect to crime, it goes into employee dishonesty, forgery, embezzlement, larceny, theft, explosions, implosions, fire, fraud, forgery, theft, burglary, robbery, inventory shortages, riots, civil disorders and strikes, vandalism, and so on. That's just a few of them. There's a lot of other items that represent exposure to loss, that don't necessarily relate to crime. As we approach this subject in terms of an analysis, let's consider the overall subject.

As you look at direct exposures, consider those direct exposures as they affect certain elements of your business - suppliers and creditors, customers, utilities, transportation, employees. The first step is to try to take an inventory of exposure to loss of your particular business operation. You can do that. Just sit down some day and try to analyze those particular items.

Next, evaluate and analyze the degree of exposure through daily collection of data. You can do this in house or through your insurance people. Here's an example of a monthly reporting sheet that we put together for our own company. It's a very simple kind of sheet. All you do is indicate across the top - interior and exterior. Then list the particular area within your company where the loss occurs. Down the side you can put the type of incident, the incident nature and the incident factors that were involved. If you do that for a period of time, you will know where losses are occurring. The next step is the development of security measures that are necessary to reduce or eliminate the loss areas.

One of the most important functions is assignment of responsibility. I think that when people approach security they don't give it the degree of attention that it needs. Responsibility has to start at the top. The person who is assigned responsibility must be in a position and must have the authority to impress upon management that security is an important subject. Our own particular company is blessed with a full time safety director. Many of you, of course, are in companies where perhaps you don't have that particular need. If that's the case, still give the assignment to somebody who can make himself felt in the organization.

I think that along with the assignment of responsibility to an outstanding person, you must develop a very strong, internal auditing team. This is something that each of you has, if you're any kind of a large organization. Often the team doesn't deal effectively, with problems. An effective team is a very important part of the development of a security program and its maintenance. From these assignments must come a consciousness in all employees of safety, security. This consciousness is a must and an integral part of his job.

The recognition and reporting of circumstances that could lead to loss is really your first line of defense. Such recognition comes from an awareness in-bred in all parts of your company and in each employee. I've done a little work with our internal auditor in preparation for this talk. I've had him develop some suggestions that I might pass along to you for controlling, for preventing, minimizing internal and external

fraud, theft and embezzlement. You'll see that these go really a little bit beyond these subjects. Let's consider some of these suggestions.

Number one - break up the duties. Assign job responsibilities so that one person doesn't have sole control of the accounting for an entire business transaction. For example, cashiers operating cash registers should not be responsible for reading out the cash registers at the end of a shift.

Number two - establish access controls. Designate off limit areas for particular people. They must not go into certain areas. Require all employees to enter and exit the premises at monitored locations. Closed circuit television has worked very well for many companies. It does in our company in various areas such as bar locations. We have a number of gaming casinos. This equipment works very well in gaming casino areas. Television cameras also work well on receiving docks, employee entrances and exits and so on.

Number three - assign the sole responsibility for custody of various assets to one employee. It's interesting to note that specific assets of the company are simply not assigned for custody or responsibility to a specific employer. I think that's very important. Each cashier has his own cash fund. A person is responsible for a certain number of tools. This is what is meant by assignment of responsibility.

Number four - hire employees to monitor and review other employees' work. Many times these employees are members of outside security firms. They include bar spotters, checkers and so on. Employ security personnel, both uniformed and plainclothes; make sure they're well trained; make sure they're well equipped. Two way mirrors many times can be helpful, depending again on the type of business that you happen to be in.

Number five - prescreen personnel before hiring. Require a careful reference check, especially for people who are going to occupy sensitive locations.

Number six - bonding insurance - management should perform surprise audits. This can be done on a periodic or on an unannounced basis. Make a payroll payoff. Count the cash funds. Such steps are very important on a continuing basis.

Number seven - establish a sound reporting system. Reports should be prepared and issued on a timely basis. They should be prepared in a manner so that a historical perspective is available. Charts and graphs can be utilized very nicely in making this report. Establish a sound signature approval system. More than one employee should sign certain documents, checks, vendor receipts, and invoices. Approval of certain

transactions above a certain amount should be required of top management. These include purchase orders, customer checks, and granting of credit.

Storeroom locks should be changed periodically as well as locks to vaults and safes.

There is something my company does every year. I think it's very important. I've seen it work very well on a number of occasions. I refer to a requirement for conflict of interest statements. In general such a statement says: "Tell us the names of the companies in which you have an interest, for whom do you work, other than us?" You might find it fairly interesting in terms of where he's buying supplies. What kinds of people are performing services for your company. I think it's an absolute requirement for management to have that kind of input from your key personnel, on an annual basis.

Employee morale again is a very important subject. This is your first line of defense. Study your fringe benefits. See what kinds of employees you have. Are they performing in a way you want them to perform? If not at a problem of morale.

I mention these techniques as just some an internal auditor might look at in terms of checking your business. Also there are certain kinds of areas that I think you might want to take a look at. Develop a bomb threat procedure. I can make material of this nature available to you through the Chamber of Commerce if you don't have it. Your local police can help you. But if you have office buildings, or if you have any other kind of a business, a bomb threat manual should be available in advance so that everybody knows what to do when it happens.

Fire -- a very important problem. It's always a possibility. Develop a fire safety program. Assign teams. Let people know what their assignment is in a fire situation. Map out evacuation procedures. Where do you want people to go. This can all be done in advance, and without any great difficulty.

Pre and post employment screening. We mentioned this earlier. This is very important. With the passage of the Fair Credit Reporting Act, it's important how you advise the job applicant. The Act provides that the applicant must be aware of the fact that you are going to obtain an investigative consumer report with respect to him. This is the report that the Act defines as required if you seek employment information on a potential employee.

You are required to indicate in writing the scope of the information you seek. The applicant must be given a copy of the report. He must get a copy of that application. There are three aspects to that notice that I think are important.

First, the notice states that an investigative consumer report may be requested. Secondly, the term must be defined to the employee. What does that mean, will the interview be with friends, associates, former employers, and so on. The applicant has a right to receive, upon written request, a statement as to the kind of information that you will request. If he requests, you must respond within five days and indicate the information you're going to be seeking.

The FTC has approved a proper kind of notification to be included on separate paper or in your application, the applicant must receive. The text of the notice is as: "This is to inform you that as part of our procedure for processing your application for employment, an investigative consumer report may be prepared whereby information is obtained through personal interviews with your neighbors, friends, associates or others with whom you are acquainted. This inquiry includes information as to your character, general reputation, personal characteristics, and mode of living. You have the right to make a written request within a reasonable period of time to receive additional detailed information about the nature and scope of this investigation."

That wording has been approved by the FTC. If you shorten the length of this statement you should consult with your counsel.

Now another note of caution with respect to this particular item. These notices of disclosure are not required with respect to all situations. It is required with respect to one who applies for employment or for reassignment in your company. However, you cause an investigation to take place of an employee employed by you, there is no prenotice required. However, if you find as a result of an investigation, adverse information, and take steps that adversely affect your employee he must be advised of the adverse information found and, of course, the identity of the reporting agency from whom you obtained the information.

There are penalties with respect to the non-use of this particular area of the Fair Credit Reporting Act. It covers a host of other responsibilities even if you are called with respect to your employer applying for employment outside your company. I just caution you to discuss this Act with your counsel, so you'll know the procedures to follow.

The problem of the invitee to the business premises. You all remember the Howard Johnson case in New Orleans where the sniper murdered seven people in broad daylight. Howard Johnson was held responsible. They had a night security force, but they didn't have a day security force. The jury in New Orleans held them responsible. The case is on appeal. It was held that there was not an adequate security force.

There is a great deal of legal precedent for cases of this type. There was a case in New York involving a first class hotel where an employee raped a 15 year old guest. The hotel was responsible for that crime. Another, a lady in her apartment building in a common hallway in the building -- was assaulted and robbed. The courts found that the building owner had security measures, which had been curtailed. The court found that this was improper, and held the owner responsible for the crime against the lady.

There are a number of instances of such crimes in our own city. I think that all of you here today know of instances of inadequate lighting or unlocked doors, or situations of that type might have been corrected, but it was not fixed, and a crime occurred. Inadequate lighting in a high crime district has been found to be a cause to foresee criminal conduct, and you are held in many cases responsible to foresee certain kinds of criminal conduct. So I caution you with respect to that particular area, and to be particularly careful in an analyses of your own problems, these crimes are on the increase, not only in the parking lot, but in the hallways of your apartment buildings, in your office buildings, in your hotels, and in your manufacturing plant.

After you leave here today, what kind of help can you get. Your auditors, your attorneys, your local police can help you. You may obtain the services of a security firm to help you. Publications -- Security Letter put out a directory of security and security related organizations. This is a three page list of organizations specializing in certain security areas. I urge you to get this kind of directory. I can make it available to you through the Chamber of Commerce but you can obtain the Security Letter yourself.

Business insurance. Security Industry and Product News. The Internal Auditor is a good magazine for your auditing personnel. I would urge each of you to take that particular magazine for your accounting force. United States Government. In the folder given to you today, you will find a pamphlet entitled Federal Government Sources on Crime Against Business. This is good source of information. There are a host of these crime prevention publications available, but the important thing to remember is the ongoing educational process that each of us has to constantly undergo.

To summarize these guidelines. One, inventory exposures to loss applicable to a particular operation. Two, evaluate and analyze the degree of exposure through data collection. Three, develop the security measures necessary to either prevent, minimize or eliminate these loss areas. Four, assign responsibility. Five, develop a strong internal auditing team. Make the safety security program a continuing ongoing part of your

company's entire plan of operation. Order security program magazines. Get in touch with organizations that are available to help you, which have a wealth of information and can be of assistance to you.

Thank you.

BIOGRAPHY

Mr.. Stephenson Received his B.S. from the University of Kansas School of Business and his L.L.B. from the University of Kansas School of Law.

Mr. Stephenson is a member of a large number of professional, civic, and fraternal organizations. Some of these are the American Bar Association, Kansas Bar Association; Arizona Bar Association, Maricopa County Bar Association, Supreme Court of the United States. He is also on the Board of Directors, Y.M.C.A. of Phoenix and Valley of the Sun, a member of the Special Committee on Corporate Law Departments of the State Bar of Arizona, American Society of Corporate Secretaries, the Arizona Advisory Council of American Arbitration Association, and many others.

He was the recipient of the Chamber of Commerce Outstanding Service Award as Chairman of Education Task Force of Phoenix Metropolitan Area Chamber of Commerce, the recipient of Phi Delta Kappa Outstanding Contribution to Education Award. He is also listed in Who's Who in America.

Mr. Stephenson is currently the Vice President, Secretary and General Counsel of Del E. Webb Corporation.

QUESTIONS RELATING TO CONTROLLING INTERNAL AND EXTERNAL
LOSSES - SERVICE COMPANIES

Question: Where is the line drawn between the right of an individual to personal privacy, and to an employer's rights to investigate if he feels that an illegal act has been committed?

MR. STEPHENSON: The person who asked that question must be aware that there is a very fine line drawn in the invasion of privacy issue. The problem is often where a person is taken into a private room. He is surrounded, all of a sudden by security officers, and the investigation proceeds. The next voice you hear is from this person's attorney, claiming invasion of privacy. Now where is the line that can be drawn?

There should be no coercion with respect to an individual, in the sense of forcing him to supply evidence, when he may not want to supply such evidence. The person is going to probably claim, in any event, that he has been coerced. If you take a person into a private room, make sure that you have a witness. Make sure that you record what goes on in the hearing room. Establish procedures to be followed by each member of your security staff.

I think there has to be a very well defined set of rules and regulations when you're trying to obtain information concerning what occurred, and yet, not try to invade the person's right to privacy, which he will later claim. I believe that rules and procedures properly established would handle the invasion of privacy issue.

Question: May an employer, under appropriate circumstances, search or inspect an employee, his locker, a contractor owned vehicle, etc., what restrictions, if any, apply?

MR. STEPHENSON: Under certain circumstances the answer to that question is, yes. Under certain circumstances the answer to that question is, no.

It's a tough question. You all know the problems with respect to search and seizure. Our courts have been filled with the problems with respect to searches and seizures of people, property, homes and so on. I think my answer is accurate. I would say that by and large you have the right, on your premises, to determine whether or not there are stolen goods. I think there's many things you can do on your premises. With respect to lockers, with respect to a person who has something on his person. Lunch boxes. I think you can establish a procedure. There is no doubt, in my mind, that you can make a inspection

as the person goes out the gate. Open lunch boxes. Open other boxes and bags they are carrying, I don't have any problem at all with that. But let's make it a good continuing kind of program, where you make the people aware of that fact, that you can do these kinds of things. When you give him a locker, advise him - it is not his property. You ought to tell him, that you have a right to search that locker. I think you can establish procedures with respect to your own plant. Where you get into a problem, is where somebody has been inconsistent with respect to usual procedures, or there's been no policy at all.

Question: Would you say, Don, that the employee search policy is a highly individualized situation within a company or a plant. All companies have their own peculiar situations with security of that kind and how to approach it would probably be a management decision.

MR. STEPHENSON: I think that's right. I think that you have to be very careful about your personnel. Some type of personnel simply won't stand for searches. On the other hand, there are strategic plants that under no circumstances should a person leave without a proper check of everything on his person. Take airplanes, for example. There's very good example of everybody being searched. Their baggage being searched with respect to items that may harm somebody. Employers have legitimate rights with respect to that. But, again, establish your procedures. I don't have any problem with the rights of an employer to protect his premises.

CONTROLLING INTERNAL AND EXTERNAL LOSSES - RETAIL
COMPANIES

Remarks by Malcolm Straus, President, Leonard's Luggage, Phoenix
Arizona

At the outset, I would like to say two things. First, that any one of the facets of the subject that I have been asked to speak upon could take hours to do justice, let alone the 15 to 20 minutes allotted to me. Secondly, I'm not a professional nor an expert in this field. I am small retailer with many years of experience, a good ear to listen to others, and a good many friends who are more involved in this particular area than I am, and who gave me some advice and information.

Of all of the areas of our economy involved with crimes against business, retailing is the hardest hit. Total dollars estimated in crimes against all business last year was about \$23.6 billion, and this included manufacturing, wholesaling, transportation services, etc. Crimes against establishments are estimated at \$6.5 billions or over 25 percent of the estimated total. In the state of Arizona in 1975, it was estimated that about \$104 million was lost by retailers. Of that sum, about 25 percent would fall into the shoplifting category, 40 percent would be attributed to crimes by employees, and 35 percent to miscellaneous crimes like burglaries, holdups and arson.

The important thing to remember here is that in Arizona with a population of about 2 million people, we lost \$104 million. That averages about \$52.00 per person, including every man, woman, and child. In a family of four, the loss is \$208.00. This is a considerable sum and the consumer, in the final analysis, pays the bill.

Years ago it was a very hush hush thing to talk about inventory shortages, shoplifting, embezzlement, and most crimes against business. It was sort of like "does Gimbel's tell Macy" Stores in Phoenix do discuss this problem with one another. These problems, when discussed and shared, provide experiences for newer and more modern methods of combating crime. It is only because of this sharing of experiences that internal and external security have become commonplace in business.

Shoplifting is something that cannot be explained easily, with the exception of the Kleptomaniac, and the Kleptomaniacs amount to only 1 percent of the total shoplifting picture. Kleptomaniacs should be thought of and treated like drug addicts or alcoholics.

Today, shoplifting seems to be a way of life. It seems to be the thing to do. Most people who are caught shoplifting have more than enough money to pay for the article they stole. Shoplifters cannot be categorized, except to say that 50 percent or more are in the teenage category, and the other segment of shoplifters are like any other plain John or Jane Doe. Included could be a housewife, a doctor, a minister--just plain every day average folks. The edge would seem to be more female than male. Black or white makes no difference.

Over 4 million shoplifters are caught each year. Estimates are that for every one caught, 35 get away. Most are amateurs. Professional are the exception. There are clubs, fraternities, and sororities which include in their prerequisites for membership that something must be shoplifted before you can get in.

Retailers are not unique to shoplifting. Hospitals, hotels, and airlines are hard hit and face this problem daily. In 1974, over 4500 Bibles were stolen from hotels in New York City alone. There are, of course, precautionary measures which retailers can take which will aid in diminishing their losses. Some of these are as follows:

Have regular meetings with employees to discuss the problem. Make them aware of the seriousness of the problem, and that management is aware of the losses whether due to shoplifting, employee error, or embezzlement. Maintain orderly and planned displays. Watch self-service areas to make sure they are out in the open and not hidden in an out-of-the-way location, such as under a stairwell type of thing where no one can see.

Customer service--wait on customers promptly. Shoplifters do not need or want the attention of clerks. Clerks must be aggressive and alert. The congregating of employees to avoid waiting on a customer should not be tolerated. Watch for customers with big coats and large shopping bags. Be alert when juveniles enter the store, and prevent children from loitering and handling the merchandise.

Installation of electronic merchandise tags. If these electronic tags are not removed by a sales person, the alarm is triggered. Chaining down of fur coats and expensive dresses. Do not display expensive or high cost items near entrances or exits to prevent scooping of large quantities of these dresses and running. The alternating of the hangers prevents this.

Prosecute shoplifters. Most believe the best remedy is total ruthlessness. Anyone caught stealing should be prosecuted. Threat of a record or prison term is the greatest deterrent.

STEM is a program that originated in Philadelphia. "STEM" means Shoplifters Takes Everyone's Money. It was started because it was apparent that the best way to attack the shoplifting problem was through a massive public relations campaign. With the cooperation of the media, newspaper ads and TV commercials were produced in professional manner showing the public how, in the long run, they pay for the shortages. Also shown is what happens to a person who is prosecuted for shoplifting. It conveys the thought that a person's life can be ruined for something trivial. A shoplifting conviction could be a black mark on a person for life.

Arizona has had the STEM program for the past two or three years. It is funded by retailers throughout the state. Interior counter cards and displays are given to all who participate, and the cards clearly state that shoplifters will be prosecuted. It identifies the store as being on the alert against shoplifters. Officials of the STEM program in Arizona have been encouraged by a slowdown in shoplifting as indicated in 1975 police statistics released in Phoenix and Tucson.

Tucson statistics indicate the rate of increase in shoplifting arrests dropped to 9.6 in 1975 compared to 13.6 the year previous. In Phoenix, the statistics reveal a drop to 18.3 percent when compared to 21.3 increase in 1974. The STEM Chairman stated that his group is encouraged by the slowdown.

Switching of price tickets in the store is a common thing today. Customers will take a lower price ticket from a piece of merchandise, affix it to a more expensive item, removing the more expensive price ticket, then presenting it to the clerk for payment. This is usually done in groups of twos. One keeps the clerk busy while the other one switches the tickets.

Deliberate register under-rings by cashiers is another great contribution to inventory shortage and the difference in cash is pocketed by the cashier. While a great deal has been said against shoplifting, most losses in the stores are in crimes by employees against the business. Crimes by employees against business are approximately 40 percent of total business crimes. Many of the losses in stores are caused by honest bookkeeping errors, and in not recording mark-downs properly. When a store reduces an item from \$25 to \$20 to put on sale, that transaction must be shown on books. If it is not done, then at the end of the year, the inventory will be valued greater than actual. The difference between the physical inventory and the book inventory could be attributed to shoplifting when in reality it was an honest bookkeeping error.

In addition to this type of error, employees stealing is on the par with shoplifting and has reached epidemic pro-

portions. Businessmen mistakenly assume that most inventory losses are caused by shoplifters, when actually employees account for the major portion. This ripoff by employees must be stopped.

To guard against employee theft, more stringent screening of potential employees is recommended. Pre-employment checks frequently turn up a history of drug abuse, alcoholism, or some other adverse information that would warn the businessmen of potentially dishonest applicants. A check of the applicant's credit in the community might also reveal vital information. Screening the applicant is the crucial point in reducing future losses from employees.

Check previous employment. Most businesses--most retail businesses -- do not use the polygraph test in hiring with the exception of jobs which call for dealing with expensive jewelry or money handling. At the time of hire, employees must be told in no uncertain words, that stealing or shortages in their departments will not be tolerated, and that if this should occur they will be under suspicion and investigated.

Certainly persons stealing from a company should be prosecuted the same as shoplifters. A company that does prosecute seems to deter those with ideas of stealing. It might sound like a cruel approach, but in the long run, those prosecuting are doing their other employees a favor. Prosecution of employees is not easy, in many cases, since retailers do have big hearts, despite those who think differently.

When employees are actually caught in a crime against business, it would be wise when apprehended to document the crime, have it signed and witnessed. Some measures to follow in preventing employee losses include provision that all employees leave and enter through the same door. There should be no unauthorized entries during closing hours. There should be someone to check lunch boxes, clothing bags, etc.

As the use of checks in place of cash grows, losses from bad checks may also be expected to increase. Businessmen should be alert to the dangers of bad checks and adopt standard procedures for cashing checks. This should require a suitable and specified identification from the check giver. Stores that have good check acceptance procedures rarely have any problems.

The professional bad check artist falls into a special category of crime against business. It is a most difficult area to protect against, of course, this is why they are called "professionals." Stolen credit cards would be in the same category. The pros know what they are doing and do it. A

stolen card user, knowing the credit limitations a merchant has before he is required to phone for authorization, will keep his purchases under that limit. Be careful if you have a card user in your store that buys several items under the limit. Professionals seem to know when a store's guard is down. They have "cased" it properly. Either at night or when the manager is out. Strict adherence to credit card acceptance policy should always be maintained. Better to lose a sale than to make one for which you will never be paid.

New tricks are being played daily by daring con people. In a department store recently there was a huge display of hundred dollar mini-ovens. A customer purchased one and took it home. An hour later, an accomplice came in with a receipt, walked over to the display, and started to walk out with another oven. He showed his receipt, stole the second and he got away with it. This "Con Game" goes on continually until the department store starts using color receipt tapes. Of course they have to alternate the tapes and use several colors to make sure this type "Con" does not happen.

Internal security measures--uniformed and armed guards for retailers work in conjunction with plainclothes men to apprehend shoplifters and employees who steal. A small store that cannot afford guards, usually uses a patrol service for checking doors after hours. Larger businesses have elaborate closed circuit T.V. two way mirrors, and sound detectors. Small retail businesses have to rely on large convex mirrors which enable clerks to stand in one part of the store and see into the other parts of the store. Dummy T.V. cameras that rotate are used by smaller stores. The cameras do nothing but they look like the real thing and deter potential thieves.

Many businesses suffer losses at the back door. Merchandise never received in the inventory. This occurs from laxity on the part of the receiving clerk who signed in for 88 cartons but didn't notice that a few were missing when they were put away. This is caused by stealing, possibly by the original delivery man or by inside conniving between receiving and others. Carelessness in leaving the back door open tempts those who enter or leave the premises.

In closing, let me say that the largest losses usually occur in mass merchandise stores such as grocery stores, discount houses, variety stores. This is understandable because everything they have is out in the open. I'm sure that my comments have overlooked a lot of things. If I have, I've taken out a policy on errors and omissions to cover what I've not included.

Thank you for your kind attention.

BIOGRAPHY

Born, Toledo, Ohio, December 16, 1916. Mr. Straus has been President, Leonard's Luggage, Arizona and California for 17 years, formerly Daniels and Bliss Jewelers for which he was president for 24 years.

Mr. Straus is a past president of the: National Luggage Dealers Association, 1971; Arizona Retailers Association, 1970; Arizona Jewelers Association, 1950-1951. He is currently on the Advisory Board of the Small Business Administration, and is currently Treasurer of the Better Business Bureau, and a Board Member, Phoenix Chamber of Commerce.

He has been associated with a number of civic activities, and is currently so involved.

He has received a number of awards including the Keystone Medallion and the Boys Clubs of America Torch of Liberty Award.

Questions Relating to Controlling Internal and External Losses - Retail Companies

Question: Do you feel that parent's should be held responsible for shoplifting by their minor children? Is there any legislation in existence or being discussed in Arizona on this point?

MR. STRAUS: I've heard there has been legislation proposed. I don't think that it's being considered in Arizona, now. My own personal feeling is yes, I think parents are responsible for their children. However, children aren't children anymore at 18, they're adults. I believe parents are morally responsible, However, I think that a great many parents do not care whether Sally came home with a new sweater and didn't ask her where she got it, or Johnny came home with a new baseball glove and the parents thought it was fine. If they do question him he says, "Oh, I traded." They don't insist on getting down to whether he really did get that article from a friend or whether he stole it. But I think, morally, parents are responsible but I don't think legally you can do too much about it today.

Question: Does the retailer have a right, as a retailer, to inspect bags or packages of customers as they leave the premises?

MR. STRAUS: I hate that one. I don't think they have the right. I would say, that in my own business where the items are large, I would not do it. However, if the clerk calls attention to the store security or to the manager that he is suspicious of somebody that might have dropped something into a bag, then I would say we would be aggressive enough to very nicely say, "may we please examine your bag?" But I don't think that we have the right to just check a bag because it's a large bag.

CHAPTER VI

LOCAL SOLUTIONS TO LOCAL PROBLEMS, SUBURBAN PROBLEMS, AND SOLUTIONS

Remarks by Walter C. Nemetz, Chief of Police, Scottsdale, Arizona

Thank you very much, Don. Ladies and Gentlemen.

In addressing this problem of the Prevention of Crimes Against Business, we have to ask ourselves a major question.

Whose responsibility is it to prevent crimes against business?

Is it solely a police responsibility? Of course it is not - there are more humans bent upon violating the rules of society than there are police officers.

It is easy to say we pay taxes for police protection, but in reality, none of us would be able to afford the tax subscription necessary to employ the number of officers necessary to curtail just the crimes of burglary and robbery. And, what about the more subtle crimes of theft, theft by fraud, theft by embezzlement, shoplifting, bogus checks and counterfeiting - just to mention a few.

Prevention and deterrence can be accomplished only through the concerted, combined efforts of the businessman and the police.

To this end the businessman and the police have joined hands in preventing crimes and apprehending criminals, but along comes, the "bleeding hearts" The "Bleeding Hearts" have long claimed that institutional incarceration is not the humane way to rehabilitate the poor criminal who is really only a victim of a broken home, lack of early discipline and the opportunity to learn to respect the rights and property of others.

Let's face it, the criminal today has more rights than his victim. After his arrest, he is released on his own recognition or minimal bail and quickly returns to his chosen criminal activities.

The curing of these problems are beyond the capabilities of the police and the businessman, so let us look at some of the things in a positive sense that we can do together to lessen the opportunities for successful criminal activities.

Approximately one and one half years ago, the Scottsdale Police Department began "Team Policing" program, and by "Team Policing," I don't mean two officers in a car. The city was divided into three areas, each served by a team. Officers were assigned to each team on a permanent basis, with the objective of getting the officer and the populace, he specifically served, acquainted on a first-name basis. As a by-product, we anticipated a change in the public's attitude toward the police image. Developing team work toward a common goal and the development of public confidence and the confidentiality in their officers. Small neighborhood meetings were scheduled for the purpose of closing the gap, getting acquainted, and providing for the free flow of information in both directions on local problems.

In the business areas, ongoing seminars were established, with the cooperation of the Merchants Associations, to cover specific existing problems and the prevention of crimes in general.

Proprietors were told and shown: (1) How to protect their premises against burglars; (2) What to do when confronted by a robbery suspect; (3) How to prevent shoplifting; (4) Employee theft; (5) How to avoid being victimized by the check artists and the fraudulent credit cards users.

Recently Scottsdale was hit by a rash of hotel burglaries and this is bad, bad publicity for a city highly dependent upon tourism. The local press didn't help as they published a daily tabulation of the crime statistics. Ninety-eight percent of the burglaries involved no visible signs of forcible entry. Entry was gained through unlocked doors or by means of a key. In cooperation with the local Chamber of Commerce, the police met with the general managers of the hotels and everyone laid his cards on the table. As a result, most managers implemented new security procedures, along with more explicit explanations to guests of their responsibilities for the safe keeping of their property. The result during the following month, hotel burglaries were reduced by seventy percent.

Back to Team Policing Officers in the business area. They are instructed to leave their patrol cars and make personal contact with each of the proprietors in their business establishments. Officers can do this because they are equipped with portable radios and are able to receive urgent calls in their areas. It is the officer's free time that permits him to meet the business people on a one-to-one basis. We have found this individual personal contact to be far more fruitful than group meetings.

We have provided the officers with more free time through the use of para-professionals called Police Assistants who make

preliminary investigations of crimes and complete the necessary reports. They also investigate and report traffic accidents.

Another problem always confronting the police in burglary and robbery calls is the length of response and deployment time. Most business establishments are clearly identified on the front, however this is not always true at the rear, and the officer deployed to cover the rear has a difficult time locating the proper address. To solve this problem, we had our Youth Patrol - kids 14 to 17 years of age - paint the establishment's address on the rear of the premises.

When we have a gang passing counterfeit money, stolen checks, money orders, etc., we utilize the news media to spread the word. But more important, we have obtained the co-operation of the merchants themselves in telephonic participation. Department personnel will call several key merchants who in turn, by prearrangement, will telephone a given number of other merchants and this notification is perpetuated ad infinitum. Until the entire business community has been personally notified. This is a grapevine that really works and works fast. Many intended victims were not victimized and, as a matter of fact, through their assistance, we were able to apprehend a number of suspects passing counterfeit money and others utilizing stolen credit cards.

This is what the Scottsdale Police are doing to help our merchants. Now what can they do to help us?

1. Report all crimes immediately to the police with the best possible description of the suspects.
2. Be prepared to testify as a witness after an arrest is made. The Police Department is not a collection agency.
3. Be willing to spend a few dollars to provide improved physical security to your premises.
4. Provide adequate lighting for both interior and exterior areas.
5. Don't leave expensive items in display windows after closing hours.
6. Don't leave expensive items in display cases that are readily accessible to customers when employees are not around.
7. Don't be greedy - demand adequate identification. Remember - criminals don't necessarily look like criminals.
8. When accepting credit cards, don't return the card to the customer before comparing signatures.

9. Don't be a participant in "crying wolf" by permitting faulty alarm equipment on your premises, or lack of adequate instructions to employees as to what to do when first entering the premises or when last to leave.

The police have far more important things to do than repeatedly responding to false burglary and robbery alarms. Besides, after repeated non-productive alarm responses, being human beings, the officers become careless and this could become disastrous.

Remember, a lot of your tax dollars is invested in the training and professionalizing of each individual officer. Be sure you utilize it wisely. There are many, many other do's and don'ts, but time does not permit covering all. Perhaps we will cover some other more specific areas during the question period.

Thank you.

Biography

Chief Nemetz is a graduate of the University of Southern California, 1959, Bachelor of Science, Public Administration, Majoring in Police Science.

He has been employed by the Los Angeles Police Department, July 1941 to March, 1963. Promoted through the ranks to Captain of Police, 1959. Retired 1963. Served in all functions including Executive Officer to the Chief of Police and Department of Advocate.

From March, 1963 to the present, he has been Chief of Police, Public Safety Director, Scottsdale, Arizona. His department has grown from 43 sworn and 4 civilians to 107 sworn and 52 civilians.

His experience in Law Enforcement covers a period of 35 years.

He served three years in the Office of Strategic Services during World War II with service in South America and the Interior of China.

He belongs to the International Association of Chiefs of Police, Inc.; has been past President, Arizona Association of Chiefs of Police; is a prime leader in developing legislation for minimum standards and mandatory training for Arizona Police Officers; Board of Directors, Scottsdale Rotary Club (3 years); past member (8 years) Board of Directors, Scottsdale Boys'

Club; past Commander, Scottsdale American Legion Post; Chairman, Law and Order Committee, American Legion, Department of Arizona; Member, Committee on Regional Training for Police in Maricopa County; member, American Society of Public Administrators; member, Health & Education Committee, Scottsdale Chamber of Commerce.

He has authored "How Trained Assistants Increase Effective Police Power," the Police Chief (Chief's Corner), January, 1973. He is presently compiling a text on "How to Increase Free Patrol Time at Reduced Costs."

Questions Relating to Local Solutions to Local Problems - Suburban Problems and Solutions .

Question: Has the jewelry "con artist", who got a lot of people to bring their valuable jewelry to him for auction and then disappeared with all the jewelry ever been apprehended?

Chief Nemetz: The answer is "no", but it is not a dead case. The FBI and the Scottsdale Police Department and many other departments around the country are continually working on various leads that come to our attention.

The last we heard was that he might possibly be in the State of Nevada. This is being checked out at this time.

Question: Is there any solution to stopping the courts from letting the suspect street to repeat the crime? Does the victim have any legal say-so in this area?

Chief Nemetz: The suspect is on his own recognizance. To answer the second part of the question first, the answer is "no". To answer the first part of the question, this is simply in the hands of the court. I'm sure all of you have read many cases where a suspect has been arrested for a serious crime and bail has been set at a very high figure by one judge. The judge has set a bail of \$10,000. His attorney will then go to another judge and plea and the bail can be reduced to \$1,500. This is strictly within the discretion of the judges.

Question: When a company has an open door policy in helping law enforcement agencies, supplying them with records which are necessary to a case or investigation, why is a "statement" -- that's in quotes -- from the record keeper, not adequate, rather than a personal court appearance?

Chief Nemetz: One of the primary rules of evidence is that the best evidence must be produced in court. While it's an inconvenience for your employee who may be your accountant, to appear there may be many other pertinent questions that not only the prosecutor but the defense counsel may wish to ask the accountant relative to records pertinent to the case. It's impossible to excuse the expert on the basis that a simple statement will be submitted.

CITY OF PHOENIX - PROBLEMS AND SOLUTIONS

Remarks by Lawrence M. Wetzel, Chief of Police, Phoenix, Arizona

Thank you. I heard you a minute ago, Don Fry asking for questions. If you have time you can send some solutions to me, I can use them. Walt Nemetz just got finished doing a good job saying exactly what I was going to say. That's the problem of being second on this kind of a program. You cover, basically the same facts, in terms of what's happening. There isn't that much difference in what's happening in Scottsdale and Phoenix, except possibly volume.

I'm going to cover the specifics as outlined to me in the invitation letter. One of these was the availability of police records to enable the employer to evaluate a prospective employee for a sensitive position. This is getting to be a tough situation, frankly with Security and Privacy Acts enacted by Federal and State Governments and all the threats inherent in these Acts. In addition we had a considerable problem just recently with some Law Enforcement Administration guidelines on this subject. Through the Arizona Police Chiefs Association, we were able to establish some state and local ideas on what privacy and security information be made available. I, personally, feel that there's a great need for people involved in this kind of work to do.

Especially, the business person in the community who literally makes the community go, supports policy, and makes it possible for the community to exist through job creation. I think it's important that you have access to information that allows you to hire a responsible person for a responsible position. The need for a general background overview of the individual is essential to determine that you know you're not hiring a kleptomaniac for a diamond sorting position.

There should be a way that you can check through available records. The Police Department in Phoenix has been operating with a system and we still do have it. Though it doesn't give you all the information you want, but there's no way we can change it at this particular time. If you want to obtain a clearance check on an employee, send him to the Police Department. We will fingerprint him, and make a local check on him. By referencing his fingerprints and name. The name alone is not a very good way to check a person, because you've got a lot of John Smith's and Mary Smith's in our community. We will give the results to the individual involved. He can't say that we went around to get information that was pertinent to his background. He is given a letter indicating the results of the background investigation. If there have been local arrests, the disposition of the arrests will be stated.

The cost of the investigation is \$5.00 and he can bring the report back to you. There are a number of business firms in our community using this procedure, on a daily basis. We regret that we can't give you a background check on a national basis, because we would be in new area of responsibility.

Phoenix is a big city and we're getting big city problems here. It seems that anytime you get over 500,000 people in a community and we're almost 700,000, there's a whole new ball-game in terms of kinds of crimes that crop up. Some are basically the same, but organized crime is one of the things that permeates a community and starts coming into visible image as far as the police department and the community are concerned.

We have attempted, in the past with the Chamber of Commerce's help, to notify the business community what organized crime is like. We have this pamphlet on organized crime operations if you would like copies sent to you, contact the Police Department. Community relations will send you copies. It identifies six signs in a community indicative organized crime is starting operations. I'll just briefly discuss a few. A new business operates near an old reliable business using almost the identical name. It's the Joe Blow and Joe Grow type of thing. They are next to each other, and you go into the wrong store. Pretty soon you're dealing with an organized crime type who actually is using the good name of the individual who has been in business a long time.

A business that's almost defunct suddenly becomes very prosperous, and then, just as suddenly, it becomes bankrupt. This is one of the systems of organized crime. They go into the community, pump a lot of money into an organization, get a lot of inventory built up. All of a sudden they go bankrupt, take the inventory and go away.

When you see these things happening in and around your business inform the group we have assigned to this type of problem. We have an organized crime group in our police department. It can get in the middle of these things and do the sophisticated investigation that's necessary to combat this situation.

Someone who might come in and offer you a lot of easy money, is another vital sign. He wants to help you in your business without a lot of strings attached. We've had a number of businesses right here, locally, that have actually got wiped out by this type of scheme. After they were loaned the money, they were asked to pay it back quickly. They couldn't do it, and the business was taken away from them. The business then went bankrupt and all the assets vanished and the inventory was disposed of in other places.

If you are aware of outright suspicious bookmaking situations operating within your business - betting on horses or athletic events. We'd like to know about these things.

It's very common to think of organized crime as the Mafia type, but in our Police Department, definition is any group of people who organize together to perpetuate a crime over a long period of time or devise a very sophisticated scheme to get monies or materials from other people. Those involved may be very nice looking people, not necessarily mean looking people with Mafia type names from the big city.

Another problem we have here, and it is a very big problem, deals with checks. We would like you to follow very stringent rules in your organization. Set a very stringent policy for employees to follow that relate to cashing of checks. This is a really big crime in Phoenix. It's a high volume crime and it's getting more and more sophisticated. We ask you to avoid cashing out of state checks and two party checks because they create great problems in terms of prosecution and the identification of the people that are involved.

Of course, Walt hit upon the importance of identification. I reiterate, try to get a picture of the person and signature identification. Stay away from the post-dated checks. This check probably won't be good forever, and all you are receiving is a promisory note.

Or, if you do take a check and you find that it's a bad check, and before calling the police you make a deal with the check passer that he will pay back if you don't prosecute, you jeopardize the possibility of a successful prosecution.

One of the other areas we were asked to discuss was in relation to false arrest. I want to be very deliberate in this area because each one of you represents a major business and have liabilities in this area. I will just give you some general ideas. I have some staff people in the audience who during the question session will be able to answer your question if you get beyond my ability in the sensitive legal area. I have a very qualified sergeant here who works the check detail, who knows all the problems, through maybe not all the solutions, but he comes pretty close. Also, I have one of my legal advisors, who's a police officer sergeant and happens to be a lawyer, who will also be able to provide answers to your questions.

But, generally, in this false arrest area, be sure you have a reasonable cause to believe that the person committed a crime. "I think he did" is not good enough. Obtain specifics indicating that he did this thing, he put this article in this

shopping bag before he walked out, and he did not in fact, pay for it, and he does, have it. Do this before you stop him and get involved.

Any actions you take to hold this person in your custody, should be reasonable. In other words, banging him over the head probably isn't reasonable. I would think that reasonable restraint to get him back into a custody is sufficient situation. Call the police, of course. That's what John McCauley was saying, "call the cops". You don't really have the right to use a deadly force in a situation the kind of crime situation we're normally talking about - the shoplifting type thing. Be very cautious about how you get involved in that apprehension aspect of it. It could be a very serious situation. I'm not talking about armed robberies. I'm talking about those petty thefts and those kinds of crimes that happen regularly to you in your business.

You can't hold this person for a long period of time. I would say long enough to get on the phone and until the police arrive. If your intentions are, in fact, to arrest this person. We frankly want you to arrest them when you catch them in the act because it's a great deterrent factor.

If all these people get turned loose, believe me, they'll keep doing it. We have found that the stores in the community who have the most aggressive policy in relation to shoplifting have the least shoplifting. The word gets around. We do have organizations in shoplifting, we have organizations in crime. We have organized crime in shoplifting too, people who literally do this for a living. They are operating through "fences", and the "fences" get rid of their material.

Try and move the person as quickly as possible out of your custody and into police custody. If you have made the arrest obtain all the information you possibly can that relates to the crime that you witnessed or someone had witnessed. In other words, document your testimony if you have a polaroid camera take a picture of the individual to refresh your memory later on in the prosecution. Many times we're talking about an extended time period before the case comes to court. You might have a problem of identification. The picture will help. We take a picture of the person, because it's very easy for the officer considering, the number of people that he deals with daily may forget exactly what Joe Blow looked like, particularly at the time he was arrested.

Defense attorneys are very specific. They try to get you even to describe what the guy was wearing at the time of arrest

and this is difficult. Trying to remember back to a given period of time, you could lose a case if you cannot accurately remember. Get written statements immediately from your employees who witnessed the incident - exactly what they saw.

Before I move to the next subject, I want to say something about the false alarm problem that Walt talked about. In Phoenix, we're answering from 1,800 to 2,000 false alarms a month. Now in each one of false alarms we use from two to three police officers - before you actually are able to wrap it up. I would think in most instances a half hour to an hour is spent. You multiply that one hour times the three men involved, times 2,000. You can see the tremendous waste of man hours that are involved in false alarms. At this time, we would solicit your help to have your employees be careful about your alarm systems and reduce the false alarms.

Criminal situations involve things like burglaries and robberies, checks, and thefts and now a new one, bomb problems. We're getting a lot of bomb scares in the city of Phoenix every month. We have a very good bomb squad, here, with a lot of good equipment. We're in the process right now of getting two bomb dogs and two narcotic dogs to assist us in these areas because it's becoming so frequent a problem.

To give you an example, when we had that big explosion at LaGuardia Air Field that killed all those people, three or four months ago. Evidence indicated that Phoenix was marked by the bombers to be the next one.

The problem in this LaGuardia bombing in the initial stages was that no one knew whether the bombs came in on a bag, being shipped in on an airplane or might be in the luggage department. We were able to get from the local people -- and that's one of the things we've been able to generate, very good rapport with the security people, locally - we were able to obtain a bomb dog from them to give us a hand. This is a little aside from my story, but that dog, probably did more good than all the bomb squad people we had out there.

That dog went around sniffing everybody and everything it had a good effect in fact, it looked like that dog was just like sliced bread, an American flag, and all that good stuff because everybody trusted that dog. They didn't pay too much attention to that policeman there with all his bomb equipment on. The dog was what made the difference, so we're going to get a couple of dogs that will start sniffing everything out there pretty quick.

But the point is we've got that new problem and it's a big one. Now when you have a problem - a bomb threat note or call, we will be able to really help with a minimum of

inconvenience. We've got our bomb squad who will come to your business, help train your people, and help check your business premises if you have a bomb scare type situation. All of these facilities are available to you on a local basis.

Remember the lighting around your institution, your buildings, these perimeter buildings, helps our officers check quickly to see if everything is all right. They don't have to get out of their car, they can do a visual check very much quicker.

Become familiar with the kinds of crimes that involve your business. If you don't know what they are, give us a call at the police department. We have people who will come and give a talk to any group of your people in your organization about any of these subjects.

If you've got safes or drop boxes, put them out in front where we can watch them as we patrol. Light them where other people can see them besides that guy we're trying to keep out of there.

When we become involved in an arrest situation, we apprehend somebody who did something in terms of a burglary or other crime in your establishment, we need you for prosecution. When we don't have your help this person gets off free and his career after that is a pretty easy one to follow.

Some other material we have available includes a bulletin on armed robbery and it tells your employees what to look for and how to react. We'll be glad to give copies to you. We have another one here, it's a Crime Stop pamphlet. It tells of one of the programs that deal with your kind of organization. We have people who will visit your place at no cost, and tell you how to secure your business where we obviously see problems. You pay your taxes and we're trying to do the job for you. We will tell you how to watch for bogus checks and how to handle them. Confidence games, those things to look for that relate to a confidence game situation that might be relevant to your business. We have a community radio watch in which we attempt to solicit those businesses that have radio communication with their people to help us when they see something, not necessarily suspicious, but unusual, to give us a call. By the way, in February, because of this kind of action, because of community involvement and business involvement, we have arrested around 300 to 400 burglars a month. Ninety were arrested as a direct result of a crime stop call-people calling us saying there's a bad thing happening. Sixty one were caught in the act by police officers because somebody called us and told us about it. This is a total problem. We're involved right now,

very deeply, with a FBI agents, here, who've been assigned to work with the police department in the crime resistance program. I'm attempting to get four sergeants promoted in each district, so that each district will have its own "Crime Watch" program. That's simply doing more of what we're doing already, getting community involvement because these problems are all our problems. We can't do it by ourself. To make our program work effectively, we need your eyes and your ears and your help.

The Chamber of Commerce is helping by identification numbers on top of buildings. Phoenix has seven helicopters and two airplanes in the police business and they have done a tremendous job. The average response time for the helicopter is one minute and 52 seconds, and they're doing a good job of catching a lot of these bad guys on top of your roofs and getting them before they get away.

We also have a patrol watch situation. If we identify a probable problem through our crime analysis unit that daily developes crime statistics, we'll put additional police out there to patrol that area. If you have a problem, we'd like to know about it. So we can try and help you.

I think I'll stop now, but I must let you know that there's a lost of things happening in police departments that are supportive of you. We want to help you and we're willing to talk to you any time. I would like to give you an idea of the crime volume we're talking about. In Phoenix in 1975, in commercial establishments, we had 20,643 crimes that involved everything from thefts to burglaries and robberies, which had a loss factor of \$4,500,000.00 or about \$221.00, per incident. We had a lot of action in this city and a lot of it involves the commercial segment of our community. Most of the burglaries in other city are residence gurglaries, but the businesses are having their fair share. We want to help you protect yourselves in the theft areas and any other area, because we're here to serve you, to support you. All we ask is that you give us a call, and give us direction in terms of what you want us to do for you. We also solicit your help in our doing our job a little bit better, in terms of the total community commitment to reducing the crime rate and making this a safer community in which to live.

Thank you very much.

BIOGRAPHY

Police Chief Lawrence M. Wetzel has been a member of the Phoenix Police Department for almost twenty-eight years. He is a resident of Phoenix, Arizona.

He has worked in all capacities within the Police Department and has been promoted through the ranks to his present position of Police Chief.

He has been involved in both line and staff functions, however, for the past fifteen years has been primarily concerned with supervision and administration. He was Assistant Police Chief for four and one-half years prior to his appointment as Police Chief. He has been Police Chief for seven and one-half years.

He has studied at Phoenix College, Arizona State University, Michigan State University, California Polytechnic College, and Northwestern University. He is a graduate of the Delinquency Control Institute and the Long Course at Northwestern Traffic Institute.

Chief Wetzel is a member of the International Association of Chiefs of Police, Arizona Police Chiefs' Association, the Fraternal Order of Police, a member of the Governor's Organized Crime Prevention Council, and several National and Local Law Enforcement Committees.

Questions Relating to Local Solutions to Local Problems - City
of Phoenix - Problems and Solutions

Question: Do you feel that prosecution of white collar crime is a deterrent?

Chief Wetzel: Yes, I do. That's a simple answer. I could stop right there but I think the prosecution of any of these crimes is a deterrent. Looking at what's happening in our society, at least as far as the professional criminal sees it, I really don't think it's exactly this bad.

The professional criminal has, in the past, gotten the idea that the only punishment he will suffer is that the policeman who may catch him will throw him in jail that night. We have to make the whole system, the prosecution and follow-up in the court a total package of the criminal justice system -- a system taking an effective position as far as representing society and eliminating the desire for crime.

There are two things that cause crime. One is opportunity, and the other is desire. Now if people have the desire this deterrent factor of strong punishment will be important in the prosecution.

Question: In view of the fact that the policies of the County Attorney determine the number of cases which are prosecuted, and also in view of the fact that a new county attorney will be selected this year, what are some questions that businessmen should ask candidates?

Chief Wetzel: I think they should make a general philosophy statement of what they may plan to do if they are elected. This should be evaluated in terms of their personal philosophy based upon their past actions. This is important because the County Attorney's philosophy will be reflected in what their subordinates do. If the County Attorney, as Walt said, is a "sob sister" or whatever, that's going to be reflected in the people that work for him. You try to please the boss.

I don't think a direct and absolute hard line is applicable to everybody. I think you have to evaluate the individual. You could say, "What is your basic philosophy?" and maybe identify the specific crimes you're talking about. In that manner you will find out what the attitude regarding prosecuting bad checks, shoplifting, homicide, thefts and other types of crime.

Question: Several years ago there was a bomb threat seminar in Phoenix for local businesses. Wouldn't another such seminar updating new procedures be of assistance to our local organizations?

Chief Wetzel: Yes, and I'd be pleased to be involved in it. I would think that the Chamber probably would be a good organization to organize it. I have very highly skilled people on board who can talk on the subject and give you good answers to your questions, and explain the equipment we have. We'd be glad to show you what we have available. You tell us when and where, and we'll be there.

Question: How do various crimes in Phoenix rank nationally? Burglary, armed robbery, shoplifting?

Chief Wetzel: Shoplifting has statistically been included in our FBI reporting as a theft, larceny. And in the other areas of burglary and larcenies. In all those crimes, Phoenix is relatively high on a national basis.

In the areas of crimes against people and violence against people, Phoenix is relatively low. In fact, in a survey made last year of 21 cities our size, Phoenix ranked around near the bottom. In larceny, we ranked number one the highest rate. Now one of the problems -- and I'm not trying to make excuses -- is that we encourage a high reporting ratio and we count every case reported.

The irony of the situation is that the theft of a garden hose from your front yard counts the same as a homicide in Detroit. The FBI statistics are not classified, as far as I'm concerned.

Another of the reasons that we have a high incidence in addition to a very high reporting ratio, is the fact that crimes can be committed here year round. You can steal that garden hose in December here. You're going to have to dig two feet of snow in Milwaukee to obtain it. Not only that, but a burglary from a carport, which is common here, is easier to accomplish than from the closed garages found in major cities in the United States. The opportunity for crime in this area is year round. As a result, numbers of certain kinds of crimes are far larger than in cold and inclement climates. The very mobile community we live in; just the fact that the area is a fast growing part of the United States encourages crime. All these factors and the lack of resources to keep up with it all, contribute to high statistics.

But keep in your mind the fact that the garden hose is considered in crime statistics as equal to a homicide. If you look at the violent crime statistics of other cities around the country in relation to Phoenix, there is very little difference.

Our problems are in larcenies, the thefts, the high reporting ratios of them, and burglaries. Home burglaries are high. Our homes are literally all brand new tract homes. If you can twist the doorknob off John's house, you can go to Mary's house next door and do the same thing because it's made the same way with the same door knob on it. In other words, in middle class America and in the residential areas which we have, if the burglar can't get into John's house because he's put double bolt locks on his door and he has a big dog, a burglary alarm, he's got project identification, and a shotgun hooked to the door-he gets discouraged. So he goes next door since that house also has a TV it's easier to get into. Our lifestyle contributes to our problem. We also have an integrity situation which I think that contributes to our problem.

Right now we have a very strong emphasis on crisis intervention -- the crisis -- rape. We literally are encouraging women to report rapes to us. As a result, we're finding that probably one out of ten rapes are reported to the police department. Well, right now we're asking them that rapes be reported. If the campaign is successful, the statistical incidence of rapes will rise. But that's how we operate, and that's how all the local jurisdictions operate here. We encourage people to tell us what's happening and for that reason we kind to get beat over the head. My philosophy on the crime rate is that the national crime rate is not all important. There is no place in the U.S. like Phoenix. Phoenix is unique, the same as Baltimore is unique and the people in it are unique. Relate Phoenix to Phoenix. See what we're doing locally. Are we going downhill in crime or up hill? Then, let's make adjustments accordingly.

Question: Why are private guard services held in such low regard by local police departments?

Chief Wetzel: As far as I'm concerned, that is not true. As a general rule, I welcome local guard services.

I think that the local guard people have contributed to any reduction in Phoenix crime. In fact, right now I'm working to attempt to get the guard services, and there are some rather large and very sophisticated ones here in the Valley, to be a part of our crime resistance program, to become a total involvement.

As I see, the private guards they're an extention to our eyes and ears out there. I welcome their involvement in securing of business to protect. It just gives me more time to provide services that I'm called upon to other areas of the community.

Question: In a facility equipped with hold-up alarm buttons, should we establish a plan in the event of a hold-up? Do your officers usually enter a facility that has transmitted a hold-up signal? And if they do doesn't this increase the risk of a harm to the people there?

Chief Wetzel: We have developed, and our department has had it for many years, a regular system for detecting hold-ups bank hold-ups in particular. Those are ones for which we have considerable sophistication.

In other words, if we have an indication that the crime is still happening -- in other words, the bad guy is still there -- we will not send any uniformed officers. We will send only plain clothes officers. Every bank in this city has a card on file in the police department which identifies our cars. As they move upon a target they're all given a position to maintain -- exit routes and so forth -- to watch the bank. The uniformed officer won't go into the bank.

Now, in tackling liquor stores and other types of commercial businesses, we do not have that degree of sophistication. Generally in our conversation with the man or the woman who calls us about a crime, we can make certain evaluations.

Occasionally a person will call and say, "Hey, I'm living across the street and Joe Blow is being held up right now." Well, we won't go roaring right in there and put that man in jeopardy. We'll wait till the robber comes out of the store and try to make the apprehension as he's leaving. If we have any idea at all, through our conversation with the people that the robbery is in progress and there is jeopardy to the people, we will not make the arrest in that situation. We'll wait till the thieves come out where we can eliminate the possibility of innocent people getting hurt. That's why when you do call in, stay on that line.

By the way, when you're calling in you're not only talking to the person at the "crime stopper" number but you're also talking directly to the dispatcher. It's an immediate contact. While you're talking, this information is being put on the air immediately to every police car in the city of Phoenix. Anybody will respond. A plain clothes officer, a community relations officer, it doesn't make any difference. They're all police officers. That's why we're able to keep our response time on emergencies down so low. We don't only count on the uniformed patrol officers to respond, we count on everybody to function on these high priority calls.

While you're talking and telling us details about what's really happening right now, he's still here; he's doing this or that; he's got a big gun, whatever; we're telling our people that too. They're not only more aware of what's happening but can be prepared for it. They can also protect you better. But we want all the information you can give us when you call. And stay on that line. We want you to. Many people will say, "I'm being held up." and then hang up. We don't want that, it's really tough to find you. Stay on that line and let us talk to you and find out what's happening. You may need support help in addition to us. You may need ambulances. You may need all kinds of things. Be as careful as you can while you're talking. All the information you're giving us is also being recorded.

We've had people give us information and say it so fast that you couldn't understand it. We had to play the recording back. We do want you to stay on the line. Particularly with armed robberies because they are very hazardous situations.

Maricopa County Problems and Solutions

Remarks by Paul E. Blubaum, Maricopa County, Arizona

Thank you, Don, for that kind introduction.

I will try not to repeat the remarks made by Chief Nemetz and Chief Wetzel and concentrate on an area of general development and give you some information on what's happening on the national level in this particular area. There's an old cliché or old phrase that has come into vogue recently called crime prevention. I can remember years ago when we had a unit in the Phoenix Police Department that we referred to by that name and it actually was the juvenile bureau.

Now there is a National Crime Prevention Institute at Louisville, and there have been some 3,000 police officers from around the country trained in this new field of endeavor. A natural follow-up, I suppose, of that particular school, was a business impetus or community impetus in the Crime Prevention Program.

There was formed, recently, an organization known as the National Crime Prevention Association. Maybe some of you are familiar with it. It's relatively new and to my knowledge there are only two law enforcement people in the country serving on the board, and I'm one of these two. I'm thankful to be involved, and have been travelling extensively lecturing on this subject around the country.

I must, repeat a little bit of what the Chief Wetzel said. We have a crime prevention or crime resistance bureau in our department, and we have most of the resources available that he referred to, also most of the programs. We conduct classes for businessmen, like yourselves. You can attend in at night and take a 40-hour course or 80-hour course in crime prevention techniques. We also have people qualified to go around and do premise surveys. If you're interested in this general area, we have the expertise to tell you about it.

I wanted to make you aware of the national program. There's actually two national organizations, but the one I referred to is primarily oriented to the business sector. It primarily deals primarily with people in the alarm business, the lock manufacturing business, and people in the insurance industry. I believe the thrust of the organization is that this segment of the business community will try to develop for the police community, a program similar to that of the National Fire Protection Association. The latter organization was

started in 1895, and has since been involved with standardization of fire-fighting techniques and equipment.

At the moment, the National Crime Prevention Association is off the ground, and has offices in Washington, D.C. We have an on-going public relations firm, an on-going legal firm, and a paid executive director. You should be receiving, before long, more specific information about this organization.

One of my men is in the back of the room and has some pamphlets on the National Crime Prevention Association, which he'll pass out.

There is also a National Crime Resistance Association. It focuses primarily on people in the law enforcement community who are performing crime prevention surveys and who involve themselves in the crime prevention programs of their community.

There are a couple of other new things that are in the wind. As most of you know, operation identification has been relatively successful. We haven't been able to quantify its progress, but we do know that it is working successfully. There is an organization nationally computerized, called Identify. I don't know whether any of you have received the promotional material on this particular program, but it's somewhat like the National Crime Information Center. Its major base is a computer available 24 hours a day, seven days a week, throughout the nation. The computer is programmed to develop an issue up to something like 180 million individualized numbers. The people that are operating this service are specialists in the computer field specializing in insurance. They are working to fill a void that exists in the operation identification program. We have no real good statistics or base to identify the number of people involved in operation. The Computer Program will help to quantify the effectiveness and the extent it's working.

The identify program will do a couple of things. One, it would let an officer know immediately where the stolen property came from, anywhere in the country. This information is similar to the kind of service available from the National Crime and Information Center.

It is different from operation identification, in that it uses an electrically operated pen. This pen comes with a template and a carbide tipped pen that you can use to put your number on your property. That number will be stored in the computer and will be yours and will not be duplicated by anyone else. It should be, I believe, of great assistance to our industry and your business.

There is in Kentucky a statewide crime prevention program. It's the only state that has such a program. It was developed after the Crime Prevention Institute was founded, and has since become a program within the state. If you're interested in this particular program, I can get information for you if you'll give me a note.

If you're located in the county area, we would be happy to hear from you and provide you services such as a premise survey either on your home or your business. We could also work with you on a program we call operation notification which is a little variation of some of these other programs.

We hope also that governmental agencies will participate in the other programs, in order that we can give you a balanced approach to doing a reasonable job of preventing and resisting crime.

Thank you.

BIOGRAPHY

Sheriff Paul E. Blubaum who, spent many years with the Phoenix Police Department and retired as Chief at the end of 1968.

After he retired, he went to Paterson, New Jersey for 1 1/2 years as Police Director. He returned to Phoenix and was a reporter for KOOL Radio-TV for the next year & One-Half. Most of his stories dealt with the police, the courts, the prison, the campus, and in general, those kinds of things that he was intimately familiar with. His news experience gave him a renewed interest in local Government, and in 1972 he campaigned for and was elected Sheriff of Maricopa County.

Since taking office, he has been active in, not only improving the quality of the Sheriff's Department, but in Law Enforcement on the National level. He is currently serving on committees of the International Association of Chiefs of Police and the National Sheriff's Association. He has served on the Detention and Corrections Sheriff's Committee, was Chairman of the Resolutions Committee at the last annual conference, and is currently on the Sheriff's Committee for Professionalization, Education and Ethics. He is on the Advisory Board of the National Sheriff's Institute at the University of Southern California. He is a consultant to the National Retired Teacher's Association and the American Association of Retired Persons on Crime and the Elderly and has lectured in several States, both on this subject and on the mobilization of Community Resources. During the first two years in Office, Sheriff Blubaum has developed the most innovative and active volunteer Law Enforcement Program of any agency in the Country.

He has received the National Law Enforcement Commendation Medal (1974) and the Community Involvement Medalion given by the Sons of the American Revolution (1974) and the J. Edgar Hoover Memorial Law Enforcement Medal (1975).

He was honored as man of the year by the National Asthma Center of Denver for his interest in this problem.

He serves on the Board of Directors of Rotary Club \$100 and has been active in their Youth Service Activities, servicing also on their safety & Drug & Alcohol Committees.

Questions Relating to Local Solutions of Local Problems - Maricopa County - Problems and Solutions

Question: In your opinion, are improperly prepared criminal cases a serious problem in failure to achieve conviction? If so, what is or could be done to improve the situation?

Sheriff Blubaum: I think there is a good possibility that many of the cases are lost on technicalities and/or poor preparation, because of the complexity of the law.

We do have a statewide training agency and counsel. They have something like \$2.3 million in the bank at the moment. There is no reason why the level of training in the state -- police officer training -- should not be increased or accelerated, particularly when there is already existing adequate funds.

Question: As a citizen and a businessman, what can we do to ensure that just punishment is needed out to convicted criminals?

Sheriff Blubaum: You're back to the court's area because, in the final analysis, the judge pretty much makes that decision. He does not do so in a vacuum, however. He gets advice from probation officers, and a number of other different sources. I think we had a little bit of a different with reference to election of judges, this year for the first time. Our judges are no longer elected under the old system. When you vote you can only vote "yes" or "no". If you vote "yes", that means you want to keep the candidate. If you don't want to keep him, vote "no" and he leaves the office. Then the governor appoints another judge to replace him. The judge serves at the pleasure of the people.

It's becoming more and more critical that you make your ideas and positions known--that you hold judges accountable for acting as you want them to act. If they don't so act, then I think you have the obligation to let the judge know about it on election day. That's the only way we can do it.

CHAPTER VII

SUMMATION AND RECOMMENDATIONS, SEMINAR SUMMATION

Remarks by Charles E. DeWall, Past Chairman Law and Justice Committee, Phoenix Chamber of Commerce, Phoenix, Arizona

Thank you, Don, for that kind introduction.

Since this morning, a couple of things struck me kind of hard. I was sitting at the back of the room and while Mr. Gallagher arose, I quietly removed the souvenir ash tray from my pocket.

The next thing that happened is embarrassing. I had prepared very fully for this little talk. It's very short. I had done a lot of research, and had gone back to a lot of my notes from the Law Enforcement Task Committee, of which I was a past Chairman. While we were at lunch, I lost my notes. So, basically, that is the summary of what's happened to me here today.

But in my business of advertising, I'd like to make five statements to you very quickly- "The ugly teller"; "take five"; we're not the largest bank in town"; "last but not least" and "that ain't no bull." Those five statements are accomplishing one thing and one thing only. To get a "share of mind." Just a "share of mind." The idea, if you want a Chevrolet, Lou Grub hopes you come out to see him. I don't know what Tex is selling this week; whether it's boots, bulls, or cars. But if you want one of the three, you'll find it at his establishment.

"Share of mind" is one word which Mr. Gallagher mentioned, "awareness". What you can do Monday morning and this weekend is be aware of what's happening around you. Just be aware. You've got all the tools today. You know where to report them. You know what to watch out for. Now it's up to you to be aware.

Here are some experiences on Crime Stop. I mean on the Law Enforcement Task Committee of which Crime Stop was one project, the Berger Convention booklet was another, Sky ID.; Block Watch. Those things are basically aimed at the street crime, as it was defined today. But the success of those programs was based on one thing: making the population or the citizens of Phoenix aware.

The minute they start becoming aware and making that phone call to Crime Stop and becoming involved, is the day, I hope, that the crime rate will be reduced. Hopefully, by nine

percent this first quarter.

The same things relate to business. In effect, we need a business block watch. How do you do it? When you go back to your respective businesses--you all should take a portion of the day to let your employees know that you're on the look-out for it.

In fact, involve them. As Chief Wetzel said about the stores that are very stringent on shoplifters, those businesses which are most stringent have the fewer amount of dollars of crime loss.

Four more things and this is "total involvement." These are: the action or the burglary and the report that you put in with it, is one. Number two, involves the arrest. Number three, the trial at which you appear as a witness. Number four, the sentence. All four of these actions need aid, not only in street crimes, but in business crimes. Until we get involved and do them, crimes are going to continue.

I thank you.

Biography

Mr. DeWall has over 13 years in sales, advertising, broadcasting, and marketing. He is well established in the media with wide base in selling and sales management. He has served as Marketing/Advertising Consultant on National, State and Local Affairs.

He is President, DeWall and Associates Advertising, Inc. Serves as Marketing Director and Management Head. Overseas all services of the Agency and Execution Supervisor.

From 1968-1971 he was Account Executive-Account Supervisor of Harwood Advertising. From 1966 to 1968 he was Account Executive - Lane and Bird Advertising. From 1964-1966 he was General Sales Manager - KUTF/KNIX Radio, Phoenix.

From 1961 through 1964 Mr. DeWall held responsible positions in Marketing.

FUTURE CHAMBER OF COMMERCE ACTIVITIES

Remarks by David Newman, Chairman, Law and Justice Committee,
Phoenix Metropolitan Chamber of Commerce, Phoenix, Arizona

Thank you, Don Fry.

When I came here today, I did not have a prepared speech and that is where Chuck's notes went.

But, frankly, I really did not know whether Chuck was going to cover a lot of areas that I had in mind as Chairman of the Law Enforcement Task Force. I suspect that many of you were not aware that the Chamber had such a Committee.

I felt that perhaps I should review with you what our charge is from the Executive Committee. It's basically to provide a better community in which to work and live by assisting those designated law enforcement agencies to protect and maintain law, order, and individual security.

In our work on the committee, incidentally, I've had a chance to be very close to Chief Wetzel and our other law enforcement officials. I'd like to say that we are fortunate to have such a very fine group of people heading the law enforcement agencies here in the City of Phoenix. They have my unqualified respect.

Some of the programs that we in the Chamber, have been involved were mentioned by Chuck. They are "Crime Stop", "Sky ID" a burglary campaign which was mainly a media campaign, the Radar Program which is a program involving local radio stations and attempting to apprehend stolen vehicles; and a whole group of media campaigns, some of which you may be aware of (Thieves Go Christmas Shopping Too; All Collars Go With Blue; Call a Friend, Call a Cop; Crime Stop).

These are all programs that your Chamber has been involved in. "Block Watch", a program aimed at organizing local, small groups and helping them to become involved in project identification; instructing them in better security in their homes; helping them to be aware of the movements of their neighbors and to report things. This is all part of Block Watch.

We've also become involved in the problem of the drunks on the streets. It may not seem that this is a business problem but if you have a business in the downtown area, it certainly is. We've had legislation that has caused a lot of questions as to the ability to detain a drunk. It is certainly not viewed as a

crime, but if you don't detain them and get them off the streets, they become the target of crime.

They're also a nuisance to a business. So we've become involved in trying to help get the proper legislation so that our law enforcement agencies and our social agencies can deal with this problem effectively.

There are many other things that the Chamber has done. This year we've particularly tried to zero-in on further pushing on the sky ID, further pushing on the burglary campaign, Block Watch, the drunk problem, and, frankly, in the last few meetings, we have spent a bulk of our time discussing how we can help our local law enforcement agencies get their budgets approved.

There are indications that we are making progress in the fight against crime. But if we don't provide the tools, we will pay a very high price if we allow this progress that we have commenced to see, to slip backwards. So we're very much involved in trying to gain support for the police budgets.

What about the future? Well I suspect that we will continue to work on the programs that I've already mentioned. Most of these don't seem to be too related to white collar crime which has been the major topic today.

But there is something that was very evident when they first asked me to participate. I really expected maybe we'd have 50-75 people turn up for this seminar. When I came in and found out there was an acknowledged problem in the business community of white collar crime. That you, the members of the Chamber, were very much interested in this problem. So I think that we better find some avenues in the Chamber to bring the business community together to help in solving some of your problems.

We welcome your suggestion I'm asking for them. Communicate them to the Chamber. Tell us what you want and we'll go to work on it. Chuck mentioned the one word that I felt I heard every single speaker mention and that's my summation: "be involved."

Thank you.

Biography

David Newman is presently the chairman of the Law Enforcement Committee of the Phoenix Chamber of Commerce.

Dave is a graduate of the United States Military Academy at West Point. He came to Arizona in 1946 as a pilot in the Air Force.

He has served over 20 years in retail merchandising and became a corporate president. He is past president of the Uptown Merchants' Association.

He's a former member of the Association of Business Executives. At present he is associated with the Russ Lyon Realty Company.

Questions Relating to Future Chamber of Commerce Activities

Question: Mr. McMullen said this morning that this seminar was designed to make known to all government levels what they can do to stop crimes against business. Who and how can the businessman influence individuals in the state legislature in order to get laws that would assist us? Laws such as access to records, that would allow the employer to make better decisions about who to hire, or to provide criminal sanctions for bribery or kick-backs within private industry? At present, as I understand the Arizona laws only government officials are covered in Arizona.

Mr. Newman: There are several ways that one can contact the legislature. If you have a question as to who the people are that represent you, the chamber, can give you that information.

The chamber also has a legislative committee and if you make your request known to that committee, the committee in turn can go to work on problems of this nature with you.

CHAPTER VIII

CLOSING REMARKS

Remarks by Thomas E. Murphy, Deputy Director, Consumer Goods and Services Division, U.S. Department of Commerce, Washington, D.C.

Thank you, Mr. Fry, for that kind and flattering introduction, but I would like to say something further about my background. I've had 33 years of Federal Service and my notes here indicate that in those years I have wandered down most paths in the wilderness of bureaucracy. And in that process, I think, I have met tigers and bears and some wolves but I have survived. I think that may have been my greatest accomplishment.

I would say that the Department of Commerce and the Bureau of Domestic Commerce will continue, of course, to sponsor sessions such as this throughout the United States, because we are convinced that crime against business is an ever growing problem.

Sometimes I think it's an ever growing problem because there's so much more to steal than there used to be. We co-sponsor these sessions because we believe that by bringing an audience and speakers together, an exchange of ideas takes place. And, as the gentleman here has suggested, an awareness that this problem and that something has to be done becomes a reality.

Now the government, which I represent, when we leave here has done, of course, about all we can do. It is true that we publish material but the guts of solving your problem, it seems to me, lies within the community of Phoenix itself because you are aware and you know your problems. It's only here that they can be solved.

I would like to point out that the Department not only sponsors seminars of this kind, but we also sponsor seminars in the field of productivity and on the subject of consumerism. As a matter of fact, we will always sponsor meetings of this kind on subjects which are terribly important and where we find a community is interest.

I would like to say just a little bit about what has happened today. Mr. Fry, may I possibly close on humorous note, because I think that this is the function of the speaker who is supposed to give the closing remarks.

I think it's been extremely successful. The audience has been large, attentive. The questions have been wonderful. The panel speakers have given their all. The logistics of this

thing frightens, frankly, the hell out of me because in putting something like this together, the details are just perfectly horrendous. Here, I would like to remind you, that we are terribly grateful to the Phoenix Metropolitan Chamber of Commerce who has helped us so much; to our field office here which Mr. Fry is in charge.

And Before I pass on, I want to tell you that within the United States we have 43 of these field offices and I've always looked upon them as minature departments of commerce. Without them, the Department of Commerce, in Washington, would find it very difficult to function. We in Washington, you might say, deal with the big picture. Mr. Fry and the other field officer's have their finger on the pulse of communities such as this. We are terribly dependent upon Mr. Fry and his field office.

I finally would like to say something about three people, individuals, who have contributed to today's success. Mr. Bob Scanlon, who is Mr. Rhodes' assistant, has been terribly helpful. Mr. Fry has mentioned Mr. Lawless. I think he has been a perfect giant in bringing this thing to a successful conclusion. He has even had to put up with me because I'm his boss and I have constantly been asking him, "Have you done this and have you done that?" He's had great patience.

Then the third person that I would like to say something about is myself. Now, what have I done? I'm kind of a person who is in the shadows and I am reminded of what Winston Churchill once said when the Battle of Britain was won. He reminded the world of the hardships endured by the people of England, and he said that he had only supplied for ROAR.

Now I am not certain whether what has happened here today will be recorded in the annals of history. But if this should come to pass, I would hope that there might be a small, perhaps tiny footnote which would say that a character named Tom Murphy supplied the SQUEEK.

Thank you so much.

Biography

Mr. Murphy is a graduate of New York University where he was awarded both his B.A. and M.A. degrees. He is also a graduate of the Industrial College of the Armed Forces.

Mr. Murphy has been the recipient of several Government awards, including the Silver Medal from the U.S. Department of Commerce.

He has held a variety of positions within the Department of Commerce, including Special Assistant to the Administrator of the Bureau of Domestic Commerce, and Chief Statistician, Bureau of Domestic Commerce.

He is presently the Deputy Director, Consumer Goods and Services Division, Bureau of Domestic Commerce, U.S. Department of Commerce

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B - AGENDA

THE PREVENTION OF CRIMES AGAINST BUSINESS

Phoenix, Arizona
April 23, 1976

Morning Session

Moderator - Donald W. Fry, Director,
Phoenix Office of Field
Operations, U.S. Department
of Commerce

8:30 - 8:35 a.m. Welcome - Rod J. McMullin, President,
Phoenix Metropolitan Chamber
of Commerce

8:35 - 9:00 a.m. Keynote Address - "Management Control:
The Key to White Collar Loss Prevention" -
Samuel B. Sherwin, Deputy Assistant
Secretary for Domestic Commerce, U.S.
Department of Commerce

WHITE COLLAR CRIMES - A MULTIFACETED
PROBLEM

- 9:00 - 9:20 a.m. ° "Frauds and Embezzlement - Assistant
U.S. Attorney Thomas Crowe, Phoenix,
Arizona
- 9:20 - 9:40 a.m. ° "Computer Related Crimes" - Jerome
Lobel, Director of Security, Honeywell
Corporation, Phoenix, Arizona
- 9:40 - 10:00 a.m. ° "Extortion and Other Crimes: A Growing
Threat to the Business Community" -
Richard J. Gallagher, Assistant
Director, Federal Bureau of Investi-
gation, Washington, D.C.
- 10:00 - 10:20 a.m. ° "Credit Cards and Check Frauds" -
Ted S. Cherekos, Executive Vice Presi-
dent and General Manager, American
Express Company, Phoenix, Arizona.
- 10:20 - 11:00 a.m. ° Audience Question Period with Panel
Members

11:00 - 12:10 p.m.

Luncheon

Master of Ceremonies - Rod J. McMullin,
President, Phoenix Metropolitan Chamber
of Commerce

Invocation - Rev. Kenneth Feske, First
Baptist Church, Phoenix, Arizona

12:15 - 12:20 p.m.

Presentation by John Buckley, Palo Alto,
California, President of American Society
of Industrial Security Foundation of the
annual scholarship award

12:20 - 1:00 p.m.

Luncheon Address - Honorable John J.
Rhodes, Arizona 1st Congressional
District and House Minority Leader, "Can
Business and Congress Cooperate on Crime"

Afternoon Session

Moderator - Austin E. Randall, Executive
Vice President and Manager,
Phoenix Metropolitan Chamber
of Commerce

CONTROLLING INTERNAL AND EXTERNAL LOSSES

1:00 - 1:20 p.m.

° "Manufacturing Companies" - John
McCauley, Director of Plant Security,
Motorola Corporation, Phoenix, Arizona

1:20 - 1:40 p.m.

° "Service Companies" - Donald E.
Stephenson, Del Webb Corporation,
Phoenix, Arizona

1:40 - 2:00 p.m.

° "Retail Companies" - Leonard Straus,
President, Leonard's Luggage, Phoenix,
Arizona

2:00 - 2:40 p.m.

° Audience Question Period with Panel
Members

LOCAL SOLUTIONS TO LOCAL PROBLEMS

2:40 - 3:00 p.m.

° "Suburban Problems and Solutions" -
Walter Nemetz, Chief of Police,
Scottsdale, Arizona

- 3:00 - 3:20 p.m. ° "City of Phoenix Problems and Solutions" - Lawrence Wetzell, Chief of Police, Phoenix, Arizona
- 3:20 - 3:30 p.m. ° "Maricopa County Problems and Solutions" - Paul E. Blubaum, Sheriff, Maricopa County, Arizona
- 3:30 - 4:00 p.m. ° Audience Question Period with Panel Members

SUMMATION AND RECOMMENDATIONS

- 4:00 - 4:10 p.m. ° "Summation" - Charles E. DeWall, Past Chairman, Phoenix Chamber of Commerce, Law Enforcement Committee
- 4:10 - 4:20 p.m. ° "Future Chamber Activities" - David Newman, Chairman, Law Enforcement Committee, Phoenix Metropolitan Chamber of Commerce
- 4:20 - 4:25 p.m. ° Closing Remarks - Thomas E. Murphy, Deputy Director, Consumer Goods and Services Division, U.S. Department of Commerce.

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END

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