PAPERWORK SNAGS A THIEF

INTRODUCTION:
A logger working on a mill’s purchased stumpage diverted some of the harvested logs for his own benefit. He accomplished this by misrepresenting the actual harvest location and submitting the logs as being his own.

SECURITY BREACH/DAMAGE:
A sawmill had recently introduced a timber security program consisting of a load report or load sheet, to be kept on the log landing by the loader operator, that detailed the production of the crew. Information on the load sheet included the time and date each load exited the tract, the product, the destination mill, the name of the truck driver, the scale ticket number of each load, the name of the tract, the tract ID number, logging crew name, and the signature of the person filling in the sheet.

As this system was introduced, the logger had significant issues complying with the request in the beginning, and he complained that he was losing production while he stopped operations to “fill in the paperwork.” In the beginning many of his load sheets were incomplete. After eight months, though, his complaints and errors had subsided.

However, even with the new load sheet program in place, the logger (who had contracted with this sawmill over the past eight years) decided to supplement his income by stealing wood from the tracts he was harvesting for the mill. To accomplish that, he would instruct his drivers to report a different tract name than the one where the load actually originated during the next delivery to a particular mill. The truck drivers complied, and the scaler at the receiving mill did not question that the truck driver was hauling wood from two different locations during the same week.

RECOGNITION:
While reconciling the load sheets and scale tickets provided by the logger prior to his settlement being processed, a clerk couldn’t reconcile the two pieces of information. In fact, there were 47 scale tickets but only 44 loads noted on the load sheet. She immediately alerted the procurement manager to this discrepancy. Upon closer inspection, the three extra scale tickets all had the logger’s name in the landowner’s slot (or tract ID). (The three loads were delivered to a mill that was not owned by the company but was still a product and delivery destination authorized in the cut-and-haul contract.) The sawmill then launched an investigation.

ACTIONS TAKEN:
The procurement manager, the forester, and executive management discussed the options available to them, such as:

• performing a camera audit of the logger’s production in order to “catch him in the act,”
• contacting local law enforcement,
• asking the receiving mill to provide more information about this logger’s deliveries in the past quarter, or
• confronting the logger.

It was decided to contact the receiving mill and ask about the logger’s deliveries in the past quarter to determine the length of the payment diversion scheme.

The receiving mill readily agreed to provide the production details to the sawmill procurement manager, and it was determined that only the payments for the three loads in question plus another two loads had been diverted during the last quarter. With this knowledge, the procurement manager confronted the logger. The logger had little to say about the issue. He was told to finish the tract he was working on and that he would not be permitted to continue logging for the mill. The logger made restitution for the diverted loads.

COMMENTS:
This case highlights the importance of sticking with basic security system components. Many in the industry have commented that a load sheet is meaningless, because if the logger were going to steal, he would simply not put the stolen load on the load sheet. Yet in this case the logger’s administrative assistant forgot to keep the diverted load scale tickets separate from the normal production records.
RECOMMENDATIONS:
All timberland owners have an exposure to timber theft and fraud, which can have devastating effects on their bottom lines. By strengthening the business controls surrounding timber sales, these risks can be managed. Recommended controls are:

1) Companies can and do establish theft and fraud hotlines for all links in the supply chain. The hotline should allow for anonymous reporting to a neutral third party, so a truck driver who is under pressure to comply with criminal instructions has a means of reporting the situation to someone outside the normal chain of command.

2) Have a timber security system. Even a basic one of just load sheets can trip up would-be thieves. It also has been clearly demonstrated to assist in tracking down legitimate errors in the paperwork. In fact, many loggers have become supporters of the paperwork, as it has assisted them in finding missing scale tickets that a contract trucker did not turn in.

3) Once a load sheet is implemented (paper or electronic), have the foresters inspecting the harvest examine and sign the load sheet. This practice ensures that the original load sheet from the field actually makes it to the offices and at the same time communicates the importance of accurate production tracking.

4) Reconcile all scale tickets with the load sheets. If reconciliation is not performed, then don't require it with the paperwork, since an accurate reconciliation is the reason for the paperwork.

5) A falsified load sheet will quickly prove intent during a prosecution.

6) This case highlights the importance of changing the status quo occasionally. A key component of security is to keep the would-be thief on his toes, and changing the requirements of a timber security system every few years is a valuable practice.

7) Prosecute these cases, if at all possible. Yes, prosecution is expensive and will take months, if not years, to bring to conclusion. However, in discussing this case with several industry experts, all agreed that not prosecuting these small cases is very common—which unfortunately means that bad actors in the industry get passed down the line to others.

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