



How to Protect Your Restaurant From Theft & Fraud

Practical Ways to Prevent Losses & Safeguard Your Cash, Products & Profits

Presented By

Jim Laube



Jim Laube is the president of RestaurantOwner.com, an Internet-based business management and training resource center for independent restaurant operators.

Jim began his restaurant career at the age of 15 in a quick-service restaurant and earned his way through college as a server and bartender. After earning his degree, he worked in a regional restaurant chain and an independent fine dining restaurant. In these organizations he held positions in both the operational and financial areas as a restaurant manager, controller and CFO.

Jim is a contributor to Foodservice.com, Pizza Today, Nation's Restaurant News, Restaurant Hospitality, the Club Managers Association of America's "At Your Service" and the Society for Foodservice Management's "SFM Source." He is also a contributing author to the popular Hospitality Masters Series which includes the books "50 Proven Ways to Build Restaurant Sales & Profit", "50 Proven Ways to Build More Profitable Menus" and "50 Proven Ways to Enhance Customer Service."

As a speaker, Jim has conducted over 400 presentations to thousands of restaurant professionals in the United States, Canada and Europe. His clients include Church's Chicken, Papa John's International, Walt Disney, Vail Resorts, the National Restaurant Association and many state restaurant associations. He has also worked with hundreds of independent restaurant operators in the U.S. and Canada.



How to Protect Your Restaurant From Theft & Fraud

INTRODUCTION:

The only people who can steal from you are the ones
you _____

If you make it easy for your employees to _____,
they _____

Only do business with people you _____, and
then don't _____ them

Why independents are especially vulnerable -

Cash

Food & beverages

Many employees

Trusting owners

Lack of formal systems & controls

Typical profile of a person who steals from their employer –

CASE STUDY – Phantom Employees

CASE STUDY - Skimming

Why people steal –

Best deterrents –

Increase the risk of _____

Take steps to hire _____ people

Understand the importance of _____ of duties

ESSENTIAL CASH CONTROLS –

Never let anyone who keeps your books handle _____

Verify that your cash is being deposited _____

Conduct _____ cash counts

Don't allow employees to take a _____

Assign _____ cash drawer to _____ person only

Only _____ should void out over-rings & mistakes

Employees who consistently average a high number of voids and/or over-rings

Need _____

Not able to _____ the job

Trying to _____

A _____ must be generated for each sale

Use _____

FINANCIAL & ACCOUNTING CONTROLS –

Review your financial statements _____ & thoroughly

Use an industry standard _____

BAY STREET GRILL		
PROFIT AND LOSS STATEMENT		
For The Year Ended December 31		
SALES		
Food	\$1,302,156.00	
Beverage	298,407.00	
TOTAL		1,600,563.00
COST OF SALES		
Food	417,992.08	
Beverages	83,113.21	
TOTAL		501,105.28
GROSS PROFIT		1,099,457.72
EXPENSES		
Advertising	12,943.80	
Bank charges	458.80	
Building repairs	3,485.00	
Cash (over)/short	755.28	
Cleaning supplies	9,215.70	
Complimentary meals	10,574.82	
Coupon discounts	7,849.00	
Credit card charges	26,889.12	
Depreciation	29,761.90	
Electrical	28,101.60	
Equipment repairs	5,348.47	
Exterminating	1,258.47	
FICA & other taxes	40,824.91	
Gas	6,578.50	
Group insurance	9,474.00	
Interest	43,430.80	
Kitchenware	9,941.80	
Laundry	13,415.58	
Miscellaneous	5,949.60	
Music & entertainment	10,458.80	
Other operating expenses	9,463.68	
Paper supplies	15,215.74	
Payroll	420,875.40	
Postage	938.84	
Printing & office supplies	5,487.10	
Professional fees	11,582.60	
Promotions	3,689.40	
Property insurance	27,859.00	
Real estate taxes	48,258.80	
Rent	149,589.04	
Royalties to ASCAP	3,915.80	
Serviceware	7,305.69	
State franchise taxes	8,439.00	
Telephone & fax	5,881.80	
Trash removal	6,576.00	
Uniforms	5,124.80	
Workman's compensation	21,885.52	
TOTAL EXPENSES		1,028,804.17
NET INCOME BEFORE TAXES		\$ 70,653.54

Industry Standard P&L Format

BAY STREET GRILL

PROFIT & LOSS STATEMENT

For The Year Ended December 31

SALES

Food	\$ 1,302,156	81.4%
Beverage	298,407	18.6%
TOTAL SALES	1,600,563	100.0%

COST OF SALES

Food	417,992	32.1%
Beverage	83,113	27.9%
TOTAL COST OF SALES	501,105	31.3%

GROSS PROFIT

1,099,458 68.7%

CONTROLLABLE EXPENSES

Salaries & Wages	420,875	26.3%
Employee Benefits	72,184	4.5%
Direct Operating Expenses	70,941	4.4%
Music & Entertainment	14,375	0.9%
Marketing	35,057	2.2%
Utilities	41,256	2.6%
General & Administrative Expenses	57,943	3.6%
Repairs & Maintenance	8,833	0.6%
TOTAL CONTROLLABLE EXPENSES	721,466	45.1%

CONTROLLABLE INCOME

377,992.09 23.6%

OCCUPANCY COSTS

Rent	149,589	9.3%
Property Taxes	48,259	3.0%
Other Taxes	8,439	0.5%
Property Insurance	27,859	1.7%
TOTAL OCCUPANCY COSTS	234,146	14.6%

INCOME BEFORE INT. & DEP.

143,846.25 9.0%

Interest	43,431	2.7%
Depreciation	29,762	1.9%

INCOME BEFORE INCOME TAXES

\$ 70,654 4.4%

FINANCIAL & ACCOUNTING CONTROLS – (continued)

Get your financial statements completed _____

Monitor your costs & cost percentages & _____ to past periods

Review your _____ too!

Ask _____ if you don't understand ANYTHING your bookkeeper or accountant is telling you

Conduct regular _____ of key products & supplies

Relying on par levels or inventory averages will distort the cost of food and beverage. An accurate physical inventory is needed to accurately determine cost of sales. Accurate cost of sales figures are a prerequisite to controlling food and beverage costs.

	NO PHYSICAL INVENTORY		WITH PHYSICAL INVENTORY	
COST OF SALES CALCULATION				
Purchases	\$	10,000	\$	10,000
Add: Beginning Inventory		-		3,000
Deduct: Ending Inventory		-		(6,000)
Cost of Sales		<u>10,000</u>		<u>7,000</u>
PROFIT & LOSS STATEMENT				
Sales	\$	25,000	100.0%	\$ 25,000 100.0%
Cost of Sales		<u>10,000</u>	<u>40.0%</u>	<u>7,000</u> 28.0%
Gross Profit		<u>15,000</u>	<u>60.0%</u>	<u>18,000</u> 72.0%

Key Points:

- ❑ Fluctuations in inventory levels do not affect food cost, provided an accurate beginning and ending inventory is taken.
- ❑ An inaccurate ending inventory means a dollar for dollar misstatement of your true food cost

Simple ways to reduce time in conducting a physical inventory –

1. Prior to count, have storage areas organized and products in proper shelf areas.
2. Products should be listed on count sheets in the same order as they are on the shelf.
3. Count sheets should be page separated by storage locations (walk-in, freezer, dry storage room, other).
4. Count in teams of one (or two) people counting while one person records.

Keep a daily running inventory on key products

Maintain a “running inventory” on those 8 to 12 products that make up the largest share of your food cost -

BEEF PATTIES (EA)		
Opening Inventory	20	Yesterday's ACTUAL ending inventory
Purchases	100	Today's delivery
Total Available	120	
Less Sales	(40)	From the point of sale
Ending Inventory - IDEAL	80	
Ending Inventory - ACTUAL	78	From doing a physical count
Difference - over (short)	(2)	

Some operations do this once a day, some at the end of each shift.

FINANCIAL & ACCOUNTING CONTROLS – (continued)

Review your _____

Never sign a _____

Secure your _____

Separate the approval of _____ from AP & access to checks

Review the _____ for every check you sign

NEVER give any _____ check signing authority

Separate adding new employees & _____

Separate _____ & handing out checks

PURCHASING & RECEIVING

Have an approved _____ list

Separate purchasing & _____ functions

Use _____

Conduct the same _____ on EVERY delivery

ACKNOWLEDGEMENT OF RECEIVING PROCEDURES

All products purchased by this restaurant are to be received in accordance with the following procedures.

1. Count the products actually received, then verify that the counts correspond to the quantities on the purchase order or order sheet. Check quantity, brand, size, etc.
2. Weigh products that are purchased by weight and compare actual weight to weight shown on invoice.
3. Inspect for quality, condition and consistency with our standards and specifications.
4. Verify that the prices charged on the invoice agree with the prices quoted on the PO.
5. Bring any irregularities to the attention of the driver immediately. Resolve irregularities immediately and note adjustments, returns, etc. clearly on the invoice. Initial invoice changes along with driver.
6. Attach invoice to purchase order or order sheet and route to accounting.
7. Transfer boxed, perishable product into clear plastic food boxes.
8. Immediately place all products in the appropriate storage areas.

I understand and acknowledge the above procedures.

Employee Signature _____ Date

Signing an invoice legally obligates a company to pay that amount, which makes it equivalent to signing a check.

PURCHASING & RECEIVING – (continued)

Don't allow employees to receive _____ from vendors

GENERAL

Be alert & _____ in your business

Know what's going on with your _____

Investigate _____

If you suspect fraud . . .

Keep _____ !

Main goal is to get the _____ back

Build a _____ of people to help

Most employees will strike a deal to avoid _____



Internal Controls for Independent Restaurants

Controls to Implement in YOUR Business

1. _____
2. _____
3. _____
4. _____
5. _____