

LECTURE 12

EMPLOYEE AND CUSTOMER THEFT

Lecturer: Emily M. Karanja

Content

Revenue control

Internal threats

External threats

Revenue Control

Revenue security systems safeguard the business against employee and customer fraud. Revenue control ascertains that all purchased and sold products contribute to the margin of revenue they were intended for. The system is hinged on: deposits, proof of payment such as receipts, mode of payment, inventory reports and issued items. These areas leave room for theft and should therefore be monitored (Dopson et al., 2008).

Internal Threats

Loss of product through theft may occur when operations fail to strictly implement control procedures. Although employees could be expected to take biting and bits of various products, excessive consumption contributes to increased cost of food and should therefore be prevented. While some employees might be honest in their ways, it is those who show no care for such values that should be prevented from their unscrupulous ways.

Some of the reasons why employees steal include:

- a. To meet their basic needs
- b. To revenge against a perceived offence
- c. Whatever they stole was tempting
- d. Lack of a reinforcing work culture
- e. Internal inefficiencies
- f. Lack of personal values

Food and Beverage Cost Control

- g. They had an opportunity to
- h. They felt entitled to what they stole
- i. Delayed compensation
- j. Out of bad influence
- k. Nature of the individual etc.

Product theft in the kitchen or bar sections of the operation is a common occurrence by employees which is observed through various ways inclusive of:

- a) Failure to record sales accompanied by pocketing the payment made.
 - A proper inventory list should be maintained and possibly linked to the point of sale system.
 - Receipts should be received before any products are served.
 - Close monitoring of activities.
- b) Selling personal stock. This is common at the bar where the bar tender sells their own personal stock retaining the profits while the official stock remains in store.
 - Bottles can be marked or stamped using a unique signage to indicate ownership.
 - Staff searches and controlled receiving procedures should be performed.
- c) Over-portioning to get tips or out of favor.
 - Insist that they serve the appropriate amount.
 - Provide relevant portioning equipment.
- d) Under-portioning to recover items given away for free, what was not rung up or simply pocket the extra monies.
 - Monitor to ensure they comply with portioning guidelines.
- e) Theft of product.
 - Limit access to storage areas.
 - Ensure alcoholic beverages are handled by authorized personnel.
- f) Substituting expensive for cheaper products and keeping the monetary difference.
 - Reinforce strict control measures.
- g) Inaccurate balance and inflation of the bill particularly for drunk guests.
 - Streamline the payment or billing procedures.

Food and Beverage Cost Control

Cashier Fraud

Food service operations decide on whether to have but one main cashier or have their waitstaff ring up the orders. Regardless of the arrangement, specific forms of fraud may occur at this point through various ways such as;

- a. Surcharging guests
- b. Destroying proof of payment and pocketing the money
- c. Altering the amounts paid and keeping the balance
- d. Inaccurately recording sales or underreporting
- e. Giving back less change
- f. Overpricing products

The operation should agree on a payment procedure that considers the best way to eliminate these kinds of fraud in its design and implementation.

External Threats

When guests steal from the business, they interfere with revenue. This mainly occurs when the guest skips the bill having consumed any of the operation's offerings. It mostly occurs when the guest is expected to pay after consuming the product such as in fine dining establishments.

Employees should pay attention in order to prevent this from happening particularly when they are busy with multiple guests. On the other hand, a guest may use trickery or counterfeit bills as opposed to out-rightly skipping the bill. The operation should take appropriate action and train their employees on how to identify such situations.

Ways of preventing this include:

- Ensure the cashier is within a line of sight and is available at all times
- Present the bill promptly
- Waitstaff should follow up with the guests for payment
- Impart the team with observational skills
- Ensure the management team is notified incase a guest skips a bills
- Politely approach any guest observed to have skipped a bill
- Note down details of any guests who insist to not pay the bill and notify local authorities

Food and Beverage Cost Control

Card Payments

Card payments are a common mode of payments today. Food service operations may have no option but to accept whatever mode of payment that is provided by a majority of their client base. Different types of cards used to make payment include:

Credit cards – banks offer their customers a loan on interest which may be used to pay for what the user wants.

Travel cards – use to collect payment from the user by the issuer.

Debit cards – links charges to the guest's bank account.

The use of cards employs certain procedures that ought to be implemented for security reasons.

- First, confirm that the name on the card matches the name of the issuant.
- Check the card for signs of any alterations.
- Check whether the card has expired.
- Produce a credit card receipt.
- Carefully handle the card to avoid misplacing it.
- Separate credit card bills from cash payments.
- Do not withdraw tips from the card.
- Confirm that credit card payments tally.

Bonding

To protect the business from extreme cases of fraud, bonding of employees ensures that the employer is reimbursed in the event that the operation loses its money among other assets to fraud. Depending on the agreement, bonding may cover the employer in:

- ❖ Larceny- property theft
- ❖ Stolen monies
- ❖ Misappropriation of funds
- ❖ Fraudulent activities etc.

Bonding is necessary especially for any employee authorized to handle money or other assets. Bonding may cover one employee; employees working in a specific job group e.g. cashiers or

Food and Beverage Cost Control

simply cover all employees. It is an ideal strategy since bonded employees require a background check hence reassuring the operation.

Although bonding is not a foolproof method against fraud, it ensures the operation is compensated in the event that it happens as long as they have the ability to prove that the bonded employee performed the act of defrauding the operation.

It is essential to recruit service personnel who indicate integrity as part of their value system and train them on ways to implement policies and specified procedures. Managers ought to be on the lookout for any potential signs of fraud. Additionally, the operation should utilize a variety of measures for supervision such as use of spotters, technology such as CCTV cameras, systematic record keeping etc.

Other security features include:

- a) Limiting access to and securing all storage facilities
- b) Issue items that are either authorized or approved
- c) Supervise utilization of items
- d) Use an inventory management system
- e) Forbid employees from taking items home without approval
- f) Frequently take physical inventory
- g) Ensure all internal and external purchases and sales respectively have accompanying receipts
- h) Implement all recommended procedures

Additional recommended procedures may include:

- a. Beginning a service cycle or day through activities such as confirming and recording bill pad number, amount of float, etc.
- b. Ending service by recording and reporting of the experience, sales etc.
- c. Establishing procedures for the action to take incase of an unusual event such as foreign currency, credit card fraud, vouchers, cheque payments etc.
- d. Establishing specific methods of processing payments.
- e. Specifying procedures for any complimentary offered.

Food and Beverage Cost Control

Revenue Security Systems

The revenue security system ensures that funds available or those that have been utilized have been consumed appropriately. Meaning that each item that was meant to be sold was sold and the monies expected from the sale are available or that the sum at the cashier's tallies up considering what was available, sold etc.

a) Verification of products

A record of any product issued from the bar or kitchen areas should be maintained as proof of sale. Guest checks and kitchen order tickets are but examples of these revenue control tools. Service personnel should be informed on these expectations for reinforcement. The documentation is essential in the verification of the utilization of products as well as their sale.

b) Verification of charges

Product verification documents support a follow up on guest charges. It is possible to match a documented order to an amount of payment that is then expected at the cashier's. Any such documents should also be numbered or coded to avoid duplication or misreporting.

c) Verification of receipts

Daily sales should be verified by at least two individuals who confirm that the purchases for the day can financially be accounted for. The bills should be available and accurately reflect what was consumed.

d) Verification of bank deposits

Ensure that a high ranking individual such as a manager is in charge of all deposits. Bank deposits should match actual sales figures. To prevent misappropriation of funds at this step:

- *Bond the individual making deposits
- *Ensure the amounts are deposited on a daily basis
- *Use deposit slips and bank statements to reconcile accounts
- *Frequently review the reconciliation reports
- *Perform audits by an external member

Food and Beverage Cost Control

e) Verification of accounts

Ascertain that the exact amount owed to suppliers is precisely what is withdrawn from the operation's account. The amount owed should be confirmed to be appropriate rather than inflated; similarly, no extra withdrawals or transfers ought to be made.

It should be noted that suppliers may also attempt to defraud the operation through the following ways: - inaccurate or inflated invoices

- using unauthorized purchasing personnel
- hidden charges e.g. by promising a gift but including charges in the invoice
- using bullying tactics by sending threats of legal action to get an operation to pay for unordered items
- charging for any returns
- Using sympathy for their mistakes to settle the operation

To avoid these tactics, it is paramount that you:

- *know your rights
- *Use purchasing documentation at all times
- *Assign specific tasks to individuals that may later be held accountable
- *Train employees on this
- *Reinforce receiving procedures

Food and Beverage Cost Control

Quiz

1. Outline some of the internal threats to revenue.
2. Mention so of the reasons why employees may steal from the business and suggest ways of safeguarding against them.
3. Explain ways of safeguarding a business from external threats to revenue.
4. Describe how bonding works and state your opinion on whether or not you think it is necessary in a food service operation.
5. State various procedures that may be used promote revenue security and provide relevant examples.

REFERENCES

Davis, B., Lockwood A., Alcott P. & Pantelidis I. S. (2008). Food and Beverage Management. 4th Edition. Routledge 299

Dopson L. R., Hayes D. K. & Miller J. E. (2008). Food and Beverage Cost Control. 4th Edition. John Wiley & Sons, Inc. 202-205