

Mystery Patron Program

Employee Theft in the Restaurant Industry

The restaurant industry is prone to employee theft of cash, food and drink. When cash is taken before it is entered into the cash register this is called skimming, and when taken afterwards, called larceny.

The primary method of protecting cash is to monitor the Z tape from cash registers, restrict access to cash drawers to one person at a time, and ensure that the following jobs are segregated so one person cannot perform more than one: cash out; bank deposit; bank reconciliation, cheque issuance and cheque signing.

Care also has to be taken to safeguard food and drink, to ensure it doesn't go out the back door, or into patrons (usually friends and/or family of staff, and sometimes off-duty employees) who do not pay for it.

Early Warning Signals of Internal Dishonesty Signals from Personal Behavior

1. Inconsistencies by a staff member explaining discrepancies or errors.
2. Bad temper or unpleasant behavior that tends to discourage questions.
3. Warning signs of substance abuse. An employee with a substance abuse problem will need extra money to a habit.
4. Habitual borrowing of store money or property without permission.
5. Expensive habits (drinking, extra marital affair, etc.)
6. Spending more money than earned or what salary can support. (Requests for advances on pay)
7. Disgruntled, belligerent attitude, complaining about management or job to others.
8. Admission of theft from prior employer.
9. Concealed family relationships or cohabitation among employees.

Signals From Employee Activities:

1. Secretive conversations among employees, phone conversations that stop abruptly when you approach. Any one engaged in sending or receiving cryptic messages.
2. Excessive loitering of around your business of off duty employees, ex-employees or friends.
3. Frequent "shortcuts" in security procedures to expedite deliveries. Rapid checking in of some deliveries while others take much longer for no legitimate reason.
4. Bringing large shopping bags or wearing unusually loose clothing to work regularly.
5. Attempting to distract or hold the attention of a supervisor for no good reason while another employee is in the work area or signaling by hand gestures, whistling, etc. when a supervisor approaches.

6. Repeated violations of such security regulations as use of unauthorized exits or keeping personal packages in the work area. Finding an employee in an area he/she has no legitimate business in.
7. Signing another employee's name or signing illegibly on invoices or packing sheets.
8. Habitually returning to the work area after others have left to retrieve something left behind.
9. Complaints by employees or customers that personal effects are being lost or stolen.
10. Frequent cash shortages on the same employee's shift. An unusual eagerness to "make up" the shortages rather than relinquish cash handling responsibilities.
11. Frequent cash overages on the same employee's shift. This may indicate that an employee is stealing cash at the register but not "light ringing" sales enough to totally cover it.
12. Unusually high number of "no sale" transactions registered on any one shift or by any one employee.
13. Excessive undocumented voids on any one shift or voids left unrecorded until the end of an employee's shift.
14. Numerous receipt slips held by an employee until the end of a shift or notes found in the trash indicating that the employee was keeping a secret count of transactions.
15. Unusually low sales factor on any one shift (shift sales divided by number of items sold).
16. Any employee who insists on ringing up his/her own employee meal after turning over cash handling responsibilities to another employee.
17. Make excuses for theft. Employees who steal, rather than believing theft is wrong, may condone the acts of dishonest employees as, "It's no big deal. It was only a few bucks."
18. Employees who violate restaurant policies and procedures should be watched.
20. Overzealous work habits. Employees who work through their lunch breaks, seldom take a breather and never ask for time off may be running a game with the cash register. Also, employees who refuse to go on vacation may be afraid that their substitute will discover their dishonesty.

Signals From Customers and outsiders:

1. Frequent customer complaints of shortages or substitutions in orders.
2. Unusually large or frequent **credits** or refunds by one employee.
3. Anonymous phone calls or letters concerning theft.
4. Unusually friendly relationships or loyalty between employees and outsiders.
5. Any Customer who insists that only a certain employee handle their sale.
6. Gifts or favors given to an employee from suppliers or customers.
7. Presence of delivery drivers, repairmen, etc. in restricted areas.
8. Frequent hang-up phone calls to a substitute employee working a shift normally handled solely by another employee.

9. Customers who visit your business an unusual number of times daily, or who loiter in your business for an excessive amount of time.
10. Customers who meet with employees regularly at unusual times, such as at closing.

Types of theft:

1. Under-ringing of sales and the tearing up order tickets are two longtime scams in the food and beverage industry. An employee serves a customer in the restaurant, and the customer pays the check at the meal's end, but instead of putting the money and ticket in the register, the employee tears up the order ticket and pockets the cash. (NOTE from PM: this will show up on the Z tape of the cash register) The restaurant owner has no record of that order or money tendered (note from PM: this is not necessarily true, depending on the automation involved). Or an employee sold something for "\$17.50," and rang in \$7.50. The employee put the \$17.50 in the register and at the end of the night, would pocket the extra \$10.00. Since the cash in the register drawer would match the transactions listed on the register tape, the theft would not be known.
2. Food theft or taking home supplies. (Note from PM: Sometimes this is specially ordered food that is not used at the restaurant i.e. cafeteria where fine steak and lobsters were routinely purchased but never showed up on the menu).
3. Leaving and coming in at a later time to clock out.
4. Ringing up a no-sale when a customer pays in cash.
5. Supersizing drinks at the bar for friends/off-duty employees.
6. Accounting employees who control too much of the process. (Note from PM: this is a back office fraud, maybe not part of this discussion, but I will go over it if you like)

What You Can Do :

1. Inform employees about internal security measures, e.g., surveillance and inventory checks, and the likelihood and consequences of being caught stealing. Many employees steal because they think they can easily get away with it. Limit employee access to the building to the hours that they are scheduled to work.
2. Provide a receipt for every transaction. Encourage customers to expect a receipt by posting signs at each register.
3. Put one employee in charge of setting up cash drawers. Have another double-check the cash count. Make each employee responsible for his/her own cash drawer. Issue one cash drawer per on-duty employee if possible. No other employee should at any time (during lunch, breaks, etc.) be allowed to open or use another's cash drawer. At the end of each shift each cash drawer should be balanced by the responsible employee and double-checked by another.
4. Require that the cash register drawer be closed after each transaction. Never leave a register unlocked when not attended. And never leave the register key with a register. Identify each over-ring and under-ring. Managers should sign off all voids and over-rings. Check signatures against those on file.
5. Limit the amount of accumulated cash in any register. Use a drop-safe. Check cash-to-sale ratios. These, along with unusually frequent refund transactions, can indicate employee theft.
6. Keep tendered bills on the register until the transaction is concluded. Short-change artists frequently use large bills to pay
7. Conduct only one transaction at a time. Do not be intimidated into rushing. Check for counterfeit currency. The look of the paper and its "feel" are usually the most obvious signs. A common counterfeiting practice is to "cut corners" off large bills and affix them to small-denomination bills. Inexpensive devices are available to aid detection of counterfeit bills.

Other Steps:

1. Get your employees involved - Offer rewards to employees who report theft. Ask your staff for their suggestions on how to eliminate theft.

2. Employee background Checks - Contact previous employers to find out if this person has a theft problem before you hire. When employees are not screened properly, you spend more time and money **training** new employees to replace dishonest ones.
3. **Secret Shoppers:** Secret shoppers or mystery shoppers pose as customers and watch employee behavior and situations that owners can't always observe. Secret shoppers are trained to look at how customers are treated, the type of service provided, efficiency, honesty, sales techniques as well as misbehavior.
4. Secret shoppers go to your restaurant, observe employees and customer service. They gather information, which may take several visits, record their observations and rate your employees.
5. They look for speed of service, friendliness, suggestive **selling**, whether the sales were rung up properly, food quality and restaurant and employee cleanliness.
6. You can use these reports for training and rewarding employees for performance. Recognizing employees who perform well will motivate other employees to improve.
7. Develop or buy "secret shopper forms" that include these areas : Food quality, Restaurant appearance, Friendliness, Knowledge, Helpfulness, efficiency of the service, suggestive selling and honesty.
8. Have your restaurant secret shopped several times so you can look for trends, loopholes, and areas needing improvement. Most secret shoppers charge between \$20 - 40 an hour. Some will do it for the price of a meal.
9. Look in the Yellow Pages under shopping, market research, market analysis, market consultants, or sales training. Check with your local chamber of commerce or university marketing programs.
10. Let your staff know that you plan to use a secret shopper. Some restaurant owners will have the secret shopper hand the employee money such as a \$20 bill when they meet a certain criteria, giving an instant reward.
11. Survey Cards: Give your customers a short survey card to complete or place one on your web site for customers to fill out. Offer recognition and rewards to employees who consistently provide exceptional customer service.

Video Surveillance:

1. Often just installing cameras will cause employees to think twice before stealing. But in order for them to be effective, you need to let your employees know you check these by offering them feedback (Positive or Negative) based on their job performance by viewing these videos with them.

Cash in Sheets:

1. Have employees do a cash in sheet for every shift. This would be a control sheet where the employee would take the gross sales, subtract paid outs, adjustments and credit sales (adjusted gross sales). Count down the cash drawer, leaving the change fund amount (usually \$100.00). Subtract this from the adjusted gross sales and this will give you your over and shorts. This should always be within 90 cents. Too much money could mean a customer was short-changed and being short money could mean a customer was given too much change or possibly employee theft. Have them place the money in an envelope, date and sign it and place it in the safe.
2. Keeping the cash register drawers low in cash also helps to deter would be robbers. When they see only a small amount of cash in the register, they are less likely to take the risk of getting caught and going to jail.
3. Do a product inventory and usage sheet
4. Conduct inventories often and at irregular intervals. Also make routine spot checks. Inspect records of purchases and sales at the beginning and end of each shift. Define individual employee responsibilities for inventory control. This establishes a climate of accountability
5. Post signs to indicate areas that are open to the public and those that are for employees only. Install locks on all doors to interior work areas to control public and employee access. Doors to storage and supply rooms, and individual offices should be locked to limit access

Additional Note from PM: Arrange to have the unopened bank statements passed to the owner/manager for review prior to them going to the person who performs the bank reconciliations (and make sure this is NOT the same person as the one who prepares cheques or bank deposits.)

Trash Control:

Keep trash dumpsters inside during business hours. Check bins at random times for pilfered goods that might have been placed in them for pick-up after the trash is taken out. Use clear plastic trash bags. Inspect contents for pilfered goods. Keep lids of outside trash dumpsters locked during non-business hours. If practical, keep the lids locked whenever the dumpsters are not being filled or emptied. Have employees work in pairs in emptying trash. Or have different employees empty the trash from day to day.

If You Suspect Theft

Despite your best efforts, dishonest employees can find ways to steal. If you suspect theft, call your local police department. Don't play detective and try to solve the crime. And do not jump to unwarranted conclusions. A false accusation could result in serious civil liability.