From the Jan./Mar. 2008 Issue

A franchisee for a well-known casual dining restaurant thought they were doing all the right things to stay on top of cash at their eight locations. Bank statements came in on the fifth and, like clockwork, they were quickly performing bank reconciliations. Then one month, while doing their bank reconciliations, it happened. Locations #1 and #2 were fine, as usual, but at store #3 they found the daily deposit was $100 short on the third of the month. The next day was also short by $100 as was two days later and a number of other days that month to the tune of $1,800. What’s up?

After a brief investigation, the pattern emerged. It wasn’t mere coincidence that each day they were short. They found that on each of those days, “Mary” was the back-of-house administrative employee responsible for counting the cash from the register. It now made more sense why Mary had suddenly quit at the end of the month. No doubt she knew her creative accounting would soon be discovered.
Of course, by the time the bank reconciliation was done, it was $1,800 too late for the fateful franchisee. It was a costly lesson learned and a wake-up call on cash management.

TIMELINESS IS EVERYTHING
In cash intensive, multi-location businesses like restaurants, timeliness is everything, and timeliness must be defined as “all the time” where cash is concerned. Margins are already tight, and losses in the restaurant business like the one caused by Mary, can quickly “eat up” all the profits.
In the case of the restaurant, minimizing risk moving forward meant putting in place the “checks and balances” to decrease exposure. The key

was “balance,” and the solution was a combination of technology

being a manager, would empty the cash register whenever there was $1,000 over their base amount. Together, they would count the money, put it in a sealed envelope and sign their names over the seal. With both there, they would drop the envelope into the slot in their safe where it stayed until the armored truck came to get it. Though not foolproof, it lowered risk because it required collusion for a theft to occur.

- Effective immediately, Sally’s began requiring each store to send its Daily Sales Report (the DSR, in industry terms) electronically back to the corporate office. The report reflected sales, divided into cash, checks and credit card (divided by type) revenue taken in, along with some other operational information.
- At the start of each business day, the corporate office accountant electronically downloaded from their bank the previous day’s daily deposit information for each of the eight stores. This included the detail credit card information segregated by type of card. This level of detail makes it much easier to handle the daily reconciliation.
- The information from both the store’s DSR and the bank were combined in the “Balancing” tool in Sally’s corporate accounting system. With that information coming in daily, it was now possible for Sally’s to balance their cash, checks and credit cards daily instead of monthly. Using their new technology-based cash reconciliation tool, they were provided the needed functionality on top of their standard bank reconciliation, allowing them to immediately spot any discrepancies in cash and checks.

A NOTE ON CREDIT CARDS

There is one point to keep in mind with credit cards. Credit cards often have a few days of lag time before the bank settles, so those show on the daily reconciliation as adjustments. The key on these was Sally’s knew the time frame tolerance for the credit cards to settle and would get alerted if they were behind. As

them. With their daily "Balance," it was an easy catch.

One other "piece" of business seemed unique to the restaurant business. Sally's was set up so that servers "carried their own bank." This meant that they kept all their money themselves and squared up with the restaurant at the end of their shift. There is a loophole with this process, however, and it impacts the customer side too. My husband and I were victims last year at one of the area's nicer restaurants. We paid for our dinner by credit card and didn't notice until we reconciled our credit card statement that we'd been charged for two meals that night, both for around $70.

It seems our server, who was "carrying their own bank," decided to make a withdrawal out of ours. It turns out that wasn't too hard. During the course of the evening, our server received both cash and credit cards for meals they served. All the server had to do was pocket the cash a customer paid for their bill and then charge that same amount to our credit card. This put the server in balance. That is until the credit card bill gets to the customer. It's apparently more common than you think. It's also one of the reasons that some restaurants are using new technology to let customers pay with their credit card at their table so it never leaves the customer's sight. That would have thwarted our resourceful server.

The lesson here for Sally's was again a matter of timeliness. With more timely reconciliations of the credit card statement, it's easier to spot chargebacks. Now Sally's has an e-mail alert to the manager generated every time there is a chargeback on a credit card bill. Notice comes when the event is still fresh and easier to spot patterns that could point to a server in business for themselves.

SPREAD THE WORD

or other service industries know about the “Balanced” diet for finance. This diet is not focused on weight loss, but rather on preventing money loss. It’s guaranteed to prevent the heartache and financial pain caused by a system without the right checks and balances.

Technology