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## Don't Let Fraud Devour Profits

*Restaurants can overcome complexities of fraud detection with the right solutions*

### LOST PROFITS DUE TO THEFT IS AN ONGOING CHALLENGE FOR RESTAURANT OPERATORS.

Preventing fraud, however, is a complex and ongoing process that can be both costly and labor intensive. HT talks to Dave Bennett, president & CEO from Mirus Restaurant Solutions, about some of the complexities and possible solutions in ongoing fraud detection and management.

» HT: What's the overall impact fraud can have on a restaurant's bottom line?

**BENNETT:** As all operators know, many variables come into play when calculating the bottom line. Fraud committed through the point of sale, if not managed properly, can destroy a restaurant's profitability. Managing your gross margin is tough, and fraud makes it tougher. If fraud is 3% of revenues, the food cost is inflated by one full percentage point. That 1% amounts to 20% of the bottom line for many companies. For every 1% of fraud, food costs increase 0.3%.

» HT: Are there best practices that help a restaurant first determine if they have an issue, and eventually guard against theft?

**BENNETT:** There are multiple ways restaurant companies can protect themselves from employee fraud/theft but most processes are labor intensive and/or expensive. A common practice is to conduct an in-depth manual daily/weekly/monthly audit analysis of paper records, sifting through numbers to discover outliers. This process costs at least \$400 per store to audit, depending on who is doing it and how often the audits are performed. Another expensive solution is video surveillance. Here, the labor is used to review tape instead of conducting the audit. Both can help guard against employee fraud, to an extent, but companies using these methods should be prepared to spend more money and crunch more numbers. These practices are not comprehensive; it

is unlikely you will be able to detect every fraud event in every store, every day.

» HT: What are some of the common misconceptions restaurants have about detecting and preventing theft?

**BENNETT:** Detecting theft requires examining every guest check for potentially fraudulent activities. Activities are examined in three ways: those occurring within a check, those of each crewmember, and those of management. Food costing and inventory systems do not collect the check-level detail information necessary for detection, thus making the prevention of theft more of a challenge. The data these systems collect is summarized, which limits the capabilities. Another critical missing piece is the inability to set thresholds and trigger an alert when the theft or fraudulent activity occurs.

» HT: Are there methods of stealing that don't cause a variance between actual and theoretical food costs?

**BENNETT:** Yes; this is where we discover the difference between back-of-house (BOH) and front-of-house (FOH) theft. FOH theft occurs at the POS while BOH theft occurs, literally, out the back door. BOH theft will almost always show up in the variance between actual and theoretical. However, most FOH theft will not. Any POS function that allows you to take money off the check **will not** show up as a variance between actual and theoretical. Examples of these functions are discounts, deletes, coupons, voids, over-rings, and clears.

» HT: What are some of the unique capabilities of Mirus' technology in helping restaurants with their fraud detection and management?

**BENNETT:** One of our clients came to us with a problem and asked if we could develop a solution. After a year of development and testing, Sentinel™ was created as an all-in-one fraud detection, management and prevention solution. Sentinel fulfills the need for a process-oriented monitoring system to detect fraud down to check-level detail.

A big part of the value delivered by Sentinel is the process itself. Once the monitoring begins, clients can dictate the specific criteria and set thresholds of when to be alerted of suspicious activity. Thresholds can either be tightened or loosened depending on preference. When a threshold is exceeded, the details of the check are filed as a potential fraud activity and routed to the appropriate manager for resolution.

» HT: Once a fraudulent activity is found, how does the solution help with long-term prevention?

**BENNETT:** After the alert has been routed, the manager decides how severe the event is and how to resolve it. The resolution is tracked and measured to monitor the big picture. The solution calculates the trend of fraudulent activity from each person or location, the average time each manager takes to resolve the issue, and the percentage of events that have been resolved; and the cycle continues.

The trend in resolutions can even help you determine if there are issues related to training. It's an ongoing, closed-loop, systematic process designed to monitor, detect, route, resolve and measure theft and fraudulent activity at the POS down to check-level detail. ■



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