Food Discounts

The Scenario

The auditor was reviewing meal sales at a Department of Defense restaurant location. During the review, the auditor noted an unusually high number of meal discounts. Auditor analysis and interviews disclosed the following information:

- Review of the discounted sales account showed that meal discounts were thirty percent higher compared to other similar restaurant locations with similar sales volumes.

- Inquiry with the regional restaurant manager disclosed that food promotions were not occurring when the meal discounts were recorded.

- Cash register records disclosed that food discounts were usually made by either Cashier A or Cashier B.

- The restaurant was not maintaining individual cashier accountability as their policy required.

- Cash register records showed that the suspect cashiers were charging customers the full meal price and then using the discount key to discount the meal. The auditor suspected that the cashiers were stealing the discount amounts from the cash registers at the close of each transaction or shift.

Auditor review of the suspect meal discounts showed that Cashier A and Cashier B processed over one hundred fraudulent meal discounts during the previous month, resulting in a fifteen hundred dollar loss for the restaurant.

General Comments / Lessons Learned. Meal discount theft can go unnoticed because cash register transaction records will not recognize the discounts as cash shortages. Further, phony meal discounts provide opportunities for employees to steal small amounts of money over long periods of time when the activity is not detected. Auditor analysis of the discounted sales account activity can be a useful tool to detect the occurrence of fraudulent meal discounts.

FRAUD INDICATORS

- **Lack of individual cashier accountability.**

- **Large number of meal discounts recorded at vendors when food promotions are not occurring.**

- **Discounted sales account activity is higher compared to other locations with similar sales volumes.**

- **Cash register transaction records show that suspect food discounts are processed by the same employee(s).**