



# THE MAIN DISH

Spring 2010

## ABOUT US

*Henry & Horne, LLP is one of the leading accounting firms in Arizona with offices in Tempe, Scottsdale and Casa Grande. We combine the knowledge and expertise of a premier consulting firm with the personal attention of a local CPA, meaning unmatched service to you. Our services include: daily, monthly and annual bookkeeping and accounting; audit, review and compilation of company financial statements; audits of 401(k) plans; tax planning and compliance; tip reporting and compliance; cost segregation studies; internal control reviews; estate, trust & gift services; and business valuations, forensic services and litigation support.*

### **Your Restaurant Team:**

*Brian Campbell, CPA, Partner  
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## Theft Proofing Your Business

**By Brian Campbell, CPA**



Do you worry about losing money as a result of theft within your business? I think we all are concerned with this dreadful fate. Yet sometimes we may want to ignore the notion that it could happen in our business. We may feel we have the proper controls in place or that we are active enough in our own business to let theft happen, but in reality no business can be 100% theft proof. However, there are several things that all business owners, including restaurant and bar owners, can do to help detect and/or reduce the potential effect of employee theft. The following are a few tips that can help:

- **Creating timely financial information** – Daily, weekly and monthly reports and/or financial statements need to be produced. Daily reports should be prepared and reviewed throughout the day, or as early as possible the following business day. Weekly reports should be prepared and reviewed within one to two days after the end of each week and monthly reports and financial statements should be prepared and reviewed within one week after month end. Financial information should focus on prime cost areas and should be compared to budgets, history within the business and industry averages for similar types of establishments. Some financial ratios to review include: food costs or food gross profit, liquor costs or liquor gross profit, labor costs as a percentage of sales or total costs, customer count and average customer check.
- **Ensure there is a proper segregation of duties** – Whoever prepares daily, weekly and monthly reports or financial statements should not have access to checks or cash. Employees who count inventory and receive and verify inventory purchases should also not have access to checks or cash. Employees who are responsible for approving hours should not have the ability to write payroll checks. Bank reconciliations should be prepared on a monthly basis and by someone other than the person recording transactions. The owner should open all mail and review all bank statements prior to forwarding to the person in charge of accounting. The restaurant should also have a list of pre-approved vendors that have been approved by an owner or manager. The owner or manager should review all invoices and sign all checks. All paid invoices need to be marked paid upon issuance of a check.
- **Company policy** – Owners and managers should be honest and all employees should know it. Owners that skim cash from the restaurant, create an environment where employees believe it is okay for them to skim cash. If not active, the owner should occasionally eat or drink in the restaurant and observe employees performing their tasks. If you can prove that an employee stole from you, you need to prosecute them to set an example to other employees that theft is a serious crime. Perform exit interviews, as honest employees typically will not steal or whistle blow during employment, however they will often speak honestly if asked direct questions after terminating their employment. Also, increase employee morale by making them feel part of a team. Increased morale can be accomplished through team building events with all employees, regular performance reviews, incentives for new ideas and adequate compensation for work performed.

There are various other controls, processes, and procedures that can be instituted to deter theft in your restaurant. The above are just a few that should be implemented immediately. If you have a concern that your restaurant or bar is exposed to theft, please do not hesitate to contact one of the members of Henry & Horne's restaurant team for advice.

**If you have any questions Brian can be reached at (480) 839-4900 or [BrianC@hhepa.com](mailto:BrianC@hhepa.com).**

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## TAPPAS

*According to the NRA, coupons that can be scanned from cellular phones are likely to be a focus for restaurant operators in the coming year.*

*According to McCormick flavor experts, these are the pairings that are poised to take off this year: ginger and rhubarb; Thai basil and watermelon; caraway and bitter greens; bay leaves and preserved lemon; almond and ale; turmeric and vine-ripened tomatoes; pumpkin pie spice and coconut milk; roasted cumin and shellfish; and chives and fish sauce.*

*According to the NRA, 47% of respondents felt that marketing their brand as an ecologically-conscious company has (or will have) a profound effect on sales.*



## Recent Legislation

By Kelly Lynch, CPA

### President Signs HIRE Act

President Obama signed the first major tax bill of 2010 on March 18th. The new law provides incentives for hiring and retaining workers, along with a one-year extension of the enhanced depreciation expensing under Code Sec. 179.

The centerpiece of the HIRE Act is \$13 billion in tax breaks for businesses to boost hiring of unemployed workers in 2010. The incentive for businesses to hire unemployed individuals includes payroll tax forgiveness, with an additional \$1,000 credit for each qualified retained worker. Whereas, the longer a business has a qualified new worker on its payroll, the greater the tax benefit. A "qualified employee" must start work anytime after February 3, 2010 and before January 1, 2011, and generally must have been unemployed for at least 60 days before his or her start date.

Finally, the HIRE Act extends the expensing for qualifying property purchased through December 31, 2010. This means that businesses can expense up to \$250,000 of personal property used in a trade or business, as long as the total purchases do not exceed \$800,000. Your Henry & Horne, LLP professional tax adviser can provide assistance to determine if you can utilize the Section 179 expensing.

### Health Care Reform

On March 21, the House of Representatives passed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Some highlights of the House-passed health reform package are as follows:

- Individuals who choose to remain uninsured would have to make an assessment payment or pay a penalty fee for being uninsured.
- Tax credits would be available for individuals, with an income of no more than \$43,200 and families of four making no more than \$88,200. In order to receive these credits, the recipients must not be eligible for Medicaid, have employer sponsored insurance, or other acceptable coverage but participate in a newly established insurance exchange.
- Large employers (over 50 or more full-time equivalent workers) would either have to provide affordable coverage to workers or pay a penalty that could equal up to \$2,000 per full-time employee.
- The House bill would provide an immediate sliding scale tax credit up to 35% to small employers, with fewer than 25 employees and average annual wages of less than \$50,000, who offer health insurance coverage to their employees.
- For tax years beginning after December 31, 2010, employers would have to disclose the value of the benefits provided for each employee's health insurance coverage on the employee's annual W-2 form.
- For tax years beginning after December 31, 2012, the House-passed bill increases the hospital insurance tax rate by 0.9% on an individual taxpayer earning over \$200,000 or \$250,000 for married couples filing jointly.
- For tax years beginning after December 31, 2012, the House-passed bill would "broaden the hospital insurance tax by placing a 3.8% surtax called the Unearned Income Medicare Contribution, on net investment income of an individual taxpayer earning over \$200,000 or \$250,000 for a joint return.
- The House-passed bill would limit the amount of contributions to Health Flexible Spending Accounts to \$2,500 per year, effective for tax year beginning after December 31, 2012.
- The House-passed bill contains a menu-labeling component which overrides all existing state and local menu-labeling requirements. Also, restaurant owners are protected from litigation concerning the accuracy of nutrient-content disclosures included in their menu-labeling. Restaurants with more than 20 business units would be required to post calorie counts and calories per serving on menus for standard menu items.

There are many other facets of the House-passed health care reform package that may impact your business and/or your employees. For additional information on these key items, please contact one of Henry & Horne's professional tax advisers.

**If you have any questions Kelly can be reached at (480) 839-4900 or [KellyL@hhcpa.com](mailto:KellyL@hhcpa.com).**