Cash Shortage Control at the POS

Cash Management Programs Are Much More than Paying Back Shortages

By

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Cashier Responsibilities

Employees operating cash registers deal with diverse methods of payments for goods and/or services from the public. They handle cash, credit cards, debit cards, gift cards, checks, traveler’s checks, and money orders. Cashiers are expected to handle exceptions to the sales process with flawless execution of discounts, reductions, voids, promotions, no sales, and refunds. They are to be aware of theft schemes such as credit card fraud, bad checks, price changes, counterfeit, quick change, and drives off; and know how to prevent them. The cashier is expected to know and handle all of this and have a perfect cash drawer at the end of their shift.

Can it be done? Many do most of the time. But flawless execution of handling all of the above transactions resulting in $0 cash variance on every shift would, and should, raise suspicions on how those results were accomplished. It presents a conundrum in expectations of no overages or shortages on cash drawers, yet constant perfection connotes possible manipulation. So what constitutes an effective cash management program? How should cash shortages, as well as overages be effectively prevented and controlled to positively affect the profitability of the company?

Shortage Reimbursement Policies

Many owners of retail shops and restaurants have established unique policies and procedures to address cash variances on registers. Cashiers must reimburse the location for shortages. These owners state that this program is very effective in stopping cash shortages. They relate that it insures that cashiers are much more careful in handling transactions, requires less disciplinary actions and does not require cash audits and lengthy investigations into cash shortages. The owners stated that with the policy in place, they do not have to ascertain whether cash shortages result from dishonesty or carelessness. They get the money back, regardless. Managers are also held accountable for deposit shortages and obligated to pay back discrepancies. Audit procedures are generally not in effect to discern issues with other cash components such as discounts, reductions, voids, promotions, no sales and refunds.

Shortage Reimbursement Issues

There are several contentions in payback or reimbursement of cash shortages. Many states have made the practice illegal. Others states have restrictions on the practice and outline conditions regarding pre-signed authorizations by the employee and reimbursements that would cause the employee to make less than minimum wage. In the state of Washington, the Department of Labor lists the following examples of deductions that are not allowed to be taken from employee’s wages during an on-going employment relationship:
Example 1: Customer bad check or credit card
The amount of a customer’s check that is returned for nonsufficient funds when an employee accepts a check in violation of established policies, or if an employee accepts a customer’s bad credit card in violation of established policies.

Example 2: Shortage from cash register
The amount of a till shortage even when an employee participates in cash accounting at the beginning and end of their shift, has sole access to the register, and is short at the end of the shift.

Example 3: Customer walks out without paying
An unpaid bill when a customer leaves the restaurant without paying even when an employee is not watching their customers at a restaurant and ignores the fact the customers are finished dining and are ready for their check.

Example 4: Damage or loss
The cost for replacing broken glasses when the employee drops a tray of glasses when unloading the dishwasher.

Employee Dishonesty
Other questions arise in the fairness of application in paying back cash shortages. Cashiers are not reimbursed for cash overages, and accountability is questionable if a cash till is short and multiple employees were ringing on the same register. Holding all of the employees accountable to share in the reimbursement of a cash shortage when the cash drawer had not been clearly assigned to a specific employee is problematic. A dishonest employee can certainly take advantage by stealing cash and only be held responsible for a portion of reimbursement with no accountability for the theft. It could affect honest employees’ trust, morale, productivity and turnover.

When employees sense unfairness in having to pay back shortages that they feel they were not responsible for they may react negatively in a variety of ways. They may make negative comments, file a grievance, resort to stealing to get back their reimbursements for shortages, or quit. Some employees steal because of resentment of real or imagined injustice, which they blame on management indifference.

A cash management program consisting of paying back cash shortages with little follow up, investigation or discipline may contribute to losses in other areas. If the program does not audit and review other cash handling components handled by cashiers, the losses may go unnoticed as a connection to inventory losses in retail or increased food cost in restaurants. Cashiers often resort to getting back the reimbursed money for cash shortages by manipulating other cash handling components such as no sales, under ringing, price reductions, voids, and refunds. They keep track of their manipulations and make sure their cash tills are even. Customers pay for their merchandise or food, but the sale is rung fraudulently creating a loss of inventory or food, and negates the cash received for the purchase.

Fictitious refunds, no sales, price reductions, voids are theft schemes that do not reflect cash shortages on the register. The cashier has “crossed the line” into theft and embezzlement. Employees can convince themselves that dishonesty is a form of compensation or retribution. If an employee feels he or she is not being fairly compensated or is overworked, they may view dishonest behavior as a way to
even the balance. Sometimes employees believe working for a big company or nationwide chain means cash or merchandise won't be missed.

A high percentage of employee thefts begin with opportunities that are regularly presented to them. If security systems are lax, or supervision is indifferent, the temptation to steal items that are improperly secured or unaccounted may be too much to resist by any but the most resolute employees. Many experts agree that the fear of discovery is the most important deterrent to internal thefts. When the potential for discovery is eliminated, theft is bound to follow. Threats of dismissal or prosecution of any employee found stealing are never as effective as the belief that any theft will be discovered by management supervision. Some company associates, aware of the security procedures and systems, believe they are able to accurately weigh their risk of being caught if they steal. More significantly, employees assess the attentiveness of other workers. They know when alert, caring managers and colleagues are present as well as when naïve or apathetic associates are in charge.

**Solutions**
Effective loss prevention programs include the following components in cash management:

- Training – Structured training for maximum performance and accuracy
- Cashier Policies – Written policies and procedures outlining cash handling duties and responsibilities
- Signed cashier policies – Every cashier signs the written cashier policy and understands cash handling expectations
- Cash Controls – Established performance standards in all cash handling categories; shortages/overages, voids, refunds, no sales, price reductions, average check, etc.
- Individually assigned cash tills - Beginning and end counts by cashier and supervisor
- Prohibition of sharing cash drawers – Establish accountability for performance standards
- Manager Functions – Establish supervisor-only transaction override responsibility
- Audit – Measure cashier performance in all areas of cash handling
- Exception reporting – Report of cash handling performance out of compliance of performance expectations
- Post Performance – Post cashier performance for cashier review
- Disciplinary Program – Written disciplinary actions for cash handling violations and poor performance
- Accountability for Transfer of Funds – Managers count and sign receipts for transfer of funds from one shift to another
- Deposit Handling – Outline deposit accountability
- Disposable Deposit Bags – Numbered, see through, non-reusable bags
- Deposit Reconciliation – Separate reconciliation responsibilities for deposit preparation, drops at the bank, and reconciling validated deposit tickets

An effective cash management program must be significantly more than paying back shortages. Reimbursement of cash shortages fails to address cash handling deficiencies, poor performance, employee discipline and theft. An informal poll was conducted on the internet site, LinkedIn, directed at group members of ASIS International, an international organization of security and loss prevention professionals, and the National Restaurant Association asking the question, “Should cashiers be required to pay back shortages? Why or why not?” The overwhelming response was “no”, with many citing the reasons above. Most stated that cash management programs should include a progressive discipline approach to cashier performance.
Progressive Discipline
Progressive discipline policies identify and address not only cashier performance issues, but any and all employee misconduct. Effective progressive discipline policies take a comprehensive approach to poor performance, unacceptable behavior and/or violations of policies. There is no one correct approach for handling employee discipline. Like most personnel policies, disciplinary policies vary greatly. Competing interests make it important for employers to analyze what they need a disciplinary policy to accomplish. Some employers adopt traditional progressive discipline or zero tolerance policies because they are interested in correcting problematic behavior or performance and identifying and eliminating the problem employee.

The seriousness of the violation will determine the level of discipline. Some violations can and will result in immediate termination and should be spelled out and written in policy. Repetitions of violations result in higher, more serious levels of discipline as well.

Companies normally adhere to the following progressive disciplinary process:

Verbal Warning:
A verbal warning is issued when a problem is identified as a relatively minor offense but needs to be corrected by the employee. The warning is documented but not formally written and signed by the employee. The information on the verbal warning is generally contained in the employee’s personnel file for a specific amount of time.

Written Warning:
A written warning is more serious than a verbal warning. A written warning is issued when a problem or behavior is identified that must be corrected or the employee repeated behavior that was previously disciplined with a verbal warning. The warning is signed by the employee acknowledging the corrective action needed and that future violations could result in higher levels of discipline. The warning is generally contained in the employee’s personnel file for a specific amount of time.

Suspension:
A suspension without pay is more serious that a written warning. A suspension is issued when a problem or behavior is identified that justifies a suspension without pay or the employee repeated behavior that was disciplined with a written warning. The suspension is documented, and generally contained in the employee’s personnel file for a specific amount of time.

Termination:
An employee can be terminated when he or she engages in egregious conduct or has had repeated warnings for the same violations, and had been put on notice that future violations could result in termination.

There is no set number of steps for a progressive discipline policy. Typically there are at least three: a verbal caution, written warning and termination. Many policies provide for suspension prior to termination. Whatever the choice, a discipline policy should be clear, specific, and uniformly applied. While the company will generally take disciplinary action in a progressive manner, it reserves the right to decide whether and what disciplinary action will be taken in a given situation. The application of any disciplinary matter must be fair and consistent.
In the case of cash variances, the level of discipline for overages and shortages should include a threshold amount and an aggregate amount. The threshold or tolerance amount, which if reached in any one unexplained incident would result in termination. An aggregate amount would follow the progressive discipline model that may also result in termination should the total of shortages meet the threshold or tolerance amount.

**Conclusion**
Cash control at the point of sale is a difficult task. It is not as simple as mandating that shortages be reimbursed. Handling all the methods of payment, recording the transactions properly, safeguarding against external fraud with speed and accuracy, while providing exceptional customer service, is in the job description of a good cashier. They should be supported with proper training, performance evaluations and a fair and consistent progressive discipline program. With such support, those who are prone to mistakes, or dishonesty will soon be identified and either corrected or dismissed. Well trained cashiers who have a full understanding of their job expectations and their audited performances are above set standards are an asset to any organization.

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