Robbing Peter to Pay . . . Peter

Topic: Undercounter Sales

Characters: Maryanne, a divisional manager for a large restaurant chain
Paul, one of Maryanne's store managers

Maryanne, a divisional manager for a major restaurant chain had heard rumors about one of her unit managers, Paul. Paul is her best manager, by any performance measure. His store has the highest sales volume and growth, positive customer feedback, excellent cost control, and consistently does well on inspections. In fact, Paul consistently is rated higher than the other restaurant managers of the chain's restaurants. Because of this, Paul is often mentioned as a candidate for promotion.

Maryanne was concerned, however, about reports that Paul was taking in money from customers without ringing the sales into the cash register. As a result, she sent some friends to the restaurant at a number of times, and a few of them reported back that the manager took their money, but, indeed, did not enter the payment into the register.

In the meantime, Maryanne has also discovered that Paul did not seem to be pocketing the money himself, but was using it as unrecorded payments to his crew as performance bonuses, overtime incentives, and off-hours cleaning wages. Though this was clearly in violation of the company's procedures, he wasn't actually taking the money out of the store for personal gain, but was using it to achieve the high performance which had become his trademark On the other hand, because the funds are not accounted for as income, the extra "wages" to Paul's employees have no payroll taxes taken out. This means the company is at risk for a tax liability action by the IRS. Should Maryanne take action against Paul?

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