How the Accounting Department Can Reduce F&B Costs: New Structure Creates New Possibilities

by Bill Schwartz

In most casinos, the accounting department plays a relatively small role in the food and beverage operation. But what if the accounting department could actually cause a reduction in F&B costs as opposed to simply reporting the numbers? Putting too many eggs (excuse the pun) in the food service department's basket can result in an unacceptable lack of checks and balances. Some of the functions currently being performed by the F&B department would be better performed by the accounting department instead. And reassigning these functions can actually have a significant impact on F&B profitability.

The accounting department is rarely considered a profit center in most casinos. By creating a somewhat different structure for the accounting department with regard to F&B and significantly expanding its role, that perception would no longer be completely accurate. And while the first reaction to this increased role for the accounting department might be wondering whether labor costs would also increase, keep in mind that all the duties which will be reassigned to the accounting department are currently being performed by other staff in other departments. Therefore, there should be no additional labor costs, unless these jobs are not being performed at all, or perhaps are being performed inadequately.

But Accounting Is a Staff Department, Not a Line Department

Traditionally, the accounting department tends to fit into the organizational structure as a staff-type function, as opposed to a line-type function. Having the people who receive deliveries report to the accounting department essentially means the accounting department now plays a direct role in the operation of the casino. As a result, this line function (receiving) becomes an aspect of a department that otherwise would be considered a staff function (accounting). In the end, it would be better to consider this realignment of responsibilities to be simply smart business, as opposed to organizational structure heresy. There is no particular reason why any department would need to be strictly defined as either staff or line, and in this particular case providing both types of functions within the same department could be extremely beneficial.

Did You Just Suggest the Receiving People Belong to the Accounting Department?

Yes. One of the first changes is to separate the receiving function from the purchasing function. Since the purchaser has direct negotiation and contact with the vendors, the receiver provides the check and balance for that function. If the receiver reports to the purchaser, no such check and balance can exist. In addition, receiving is essentially an auditing function. Its primary purpose is to ensure the goods that were ordered are the goods that were received and the price that was quoted is the price that was charged. With the exception of judging quality, the receiving function is primarily clerical and does not require a specific F&B or purchasing expertise. The receiver can always ask the chef or other F&B personnel to check the quality of goods as received until such time as the receiver is capable of making that determination.

It is also unwise for the receiver to report to the F&B department or for that matter for the purchaser to report to the F&B department. For true checks and balances to exist, the purchaser must belong to a separate department, and the receiver must report to the accounting department. The receiver is also responsible for assigning purchased items to the correct general ledger accounts, and putting the goods away in the central storage areas.

Inventory is "A Counting" Function

Physical inventories should also be the responsibility of the accounting department. After all, if we are going to call them "bean counters" shouldn't they actually be counting the beans? Well, maybe not actually counting, but accounting personnel should be responsible for auditing and writing down inventory quantities, while F&B personnel should assist in identifying items on the shelf and physically counting them. Shifting the responsibility to accounting from F&B for inventories will help ensure the inventory values are correct and the quantities are recorded in the proper units.

Central Storage is an Asset

Managing and controlling central storage should also be a function of the accounting department. Operating essentially as a warehouse, central storage is critical to control of F&B items. Once the items have left central storage and are in the outlets, they are much more difficult to control. By assigning responsibility for central storage to the accounting department, it becomes possible to maintain a perpetual inventory on these items, and to feed the purchasing function current inventory levels in central storage in order to facilitate smarter ordering.

Since the receiver also works for the accounting department, it is only natural for central storage to be a part of that department as well. Part of the receiver's function, once the goods have been counted in the invoice reconciled, is to put the goods away in a secure location. Central storage should be that secure location. If F&B were cash, there would be no question which department would be responsible for it, at least until it was distributed out of the vault.

Additionally, since the accounting department would be responsible for central storage, it would also be responsible for handling transfers in and out of central storage. Individual F&B outlets would still place requisitions from central storage, but the accounting department would be responsible for pulling the goods and transferring them to the appropriate outlet. Assigning this function in this way stands to reason since the transfer function itself is basically an accounting function.

F&B Audit Reports

Finally, the accounting department should be responsible for providing useful information to the F&B department for purposes of managing and controlling F&B items. Two examples of this type of report would be butchery analysis, and waste control reports. Each time F&B personnel butcher meat or fish items, related information should be captured on appropriate forms and forwarded to the accounting department. From this information, the accounting department can produce yield performance reports comparing actual butchery performance to ideal. F&B managers could then determine the skill level and performance of individuals assigned to cut meat and fish and work to improve these skills and resulting yields.

Providing forms for F&B people to fill in as food is thrown out at end of shift or otherwise discarded, gives the accounting department the ability to compile waste reports. These waste reports when provided to F&B managers make it possible to adjust batch sizes, ordering quantities, storage techniques and other processes that can cause waste. Values can also be assigned to the wasted quantities in order to determine impact on F&B costs, and managers can strive to keep reducing those values. Both the waste report and the butchery report can be easily produced by the accounting department and have a direct impact of F&B profitability.

Status Quo is No Go!

Traditional corporate structures that separate and concentrate food and beverage functions into a single department typically don't lend themselves to optimum food and beverage control. Challenging that structure creates new possibilities. Allowing the accounting department to share some responsibility for overall food and beverage profitability can make a significant difference, as well as improving communication and cooperation between departments. Without structural change intended to increase checks and balances and better assign responsibility, we simply maintain the status quo. And if we leave everything as it is, how can we expect anything to change? ♣

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