

Underreporting & Franchise Audits

Because royalties are the lifeblood of most franchise systems, maintaining the integrity of the franchise sales reporting system is critical. Yet many franchisors are concerned not only that their franchisees may be underreporting their sales, but that they are powerless to do anything about it.

For three decades, our lawyers have had great success helping franchisors of all sizes address the underreporting of sales. A strong enforcement program has a demonstrable deterrent effect, and our clients have reported to us that as a direct result of increased enforcement efforts, they have seen reported sales rise in their systems.

Our efforts are focused in two areas. First, we have had extraordinary success in bringing lawsuits to terminate franchisees who have underreported their sales and engaged in other forms of financial fraud, including tax fraud. Second, we have designed and implemented audit programs for our clients, which involve identifying the best indicators of underreporting, collecting and analyzing critical financial and operational data, and resolving those cases where underreporting has been found. We often resolve these issues without litigation.

Our expertise has helped to ensure the honest reporting of sales by franchisees and to address cases of intentional underreporting. We have an entertaining, informative, and revealing program that we provide free of charge to franchisors who would like to learn more about our capabilities in this area.