



DATE: September 5, 2014

To: Board Of Estimate & Taxation Audit Committee Members

From: The Internal Audit Department

Subject: Internal Audit Report: Limited Scope Review of the Senior Center's Internal Controls for Cash Receipts

Enclosed for your review is Internal Audit's report entitled "Limited Scope Review of the Senior Center's Internal Controls for Cash Receipts." The report contains observations and recommendations regarding internal controls in place for cash collection of sales at the Senior Center. Due to the nature of this review, Internal Audit made recommendations during the actual field work. The recommendations were immediately implemented by departmental personnel.

We would like to express our appreciation for the excellent cooperation extended to us by the personnel of the Senior Center during the course of this review.

Enclosure

cc: P. Mynarski, Comptroller
L. Contadino, Director of Commission on Aging

**TOWN OF GREENWICH
INTERNAL AUDIT**

**Limited Scope Review
of the Senior Center's Internal Controls for Cash Receipts**

Audit Scope and Objective

The Internal Audit Department completed an on-site review of the Senior Center Lunch Program's Cash Handling and Internal Controls on August 14, 2014. The Senior Center Lunch Program is open to all Greenwich residents ages 55 and over. Lunch cost \$4.00 per person. Coffee is also served at \$.75 a cup in the morning. Greenwich citizens have the option of purchasing a prepaid card valued up to \$80.

The objective of this review was to determine if the internal controls in place were adequate to safeguard the cash and cash equivalent assets generated by the program. The Senior Center Lunch Program generates approximately \$64K in revenue. The physical inspections conducted at the Senior Center included observing the accumulation of an entire day's receipts and the subsequent reconciliation and deposit procedure. None of the other areas of the Senior Center's operations were the subject of this review.

Summary Opinion

It is Internal Audit's findings that the internal controls over cash collections need improvement. It is also our summary opinion that proper internal controls can be readily obtained by instituting a few simple protocols. The Recommendations Section of this report addresses our findings.

Observations

The process of purchasing lunch at the Senior Center frequently starts with the customer reserving a meal via a telephone call the night before. Once the customer arrives at the Center, they first go to the cashier who will look at the list of names on the reserved list. Cash, check or a prepaid card will be accepted as payment for the meal. The funds received and the beginning of the day's working cash is stored in a petty cash type box. The prepaid cards are paper based. The unused balance is updated with manual marks made on the card. Electronic swipe cards are not used. Every meal sold and prepaid card issued is listed by the cashier on a tabulation sheet. The receipts for the day are reconciled to the manually prepared tabulation sheet and the deposit is made by the Senior Center Administrator. There are no electronic reconciliations.

One of the internal controls issues for this type of process is the risk of unrecorded sales. The current process does not optimally control several key points in the sales and receipt process.

- The cashier maintains most of the cash records in a manual environment.
- Prepaid cards issued to pay for multiple meals are not sequentially numbered.
- Change and currency are kept in a petty cash box.
- Security during the day is not optimal.
- Cafeteria servers provide a meal to anyone on the line without the positive assurance of a sales ticket or a receipt.
- The reconciliation process is performed by the same individual that receipts cash and maintains the sales book.
- There is no rotation of the cashier's responsibility.

The proper way to record sales in this environment, where the first point of entry is the cashier, is to electronically record every sale at point of entry and provide a receipt to the customer that would be used as evidence of sale to the employee serving the meal.

With the absence of an electronic system to control the recording of sales, a manual alternative is to issue pre numbered tickets where a meal would not be served without evidence of a purchased ticket. At day's end, the number of pre numbered tickets issued could be reconciled to the sales receipts. Every time a ticket is issued there would be accountability back to the cashier who processed the transaction. For many organizations, the process of issuing manual tickets and the end of the day reconciliation may be burdensome and time consuming. To obtain a similar result that would be more practical to implement would be to use a cash register to record all transactions. Two recommendations follow.

Recommendation I:

To improve internal controls, the Senior Center should give serious consideration to using a cash register to control all cash sale transactions.

The benefits of using a cash register are many,

- Transactions would be electronically recorded.
- Daily electronic totals produced.
- The number of void transactions easily obtainable and reviewable.
- Receipts could be readily issued to customers.
- Receipts could be presented to the servers as evidence of purchase.
- Day time physical security of daily funds would be improved.
- The change for individual sale transactions would be automatically calculated.
- The reconciliation process would be aided by faster electronic accumulations.
- The reviewer or depositor would be able to check electronic records.
- It would be more difficult to tamper with permanent records.
- The daily working stock of prepaid cards could be stored more securely.
- The atmosphere of stronger controls would be present.

Response from the Senior Center

Agree. The Senior Center will purchase an economical cash register that will record all sales and provide the necessary receipts.

Recommendation II:
Prepaid cards should be sequentially numbered

Prepaid card sales generate the largest individual sales transactions. The cards should be numerically controlled and issued in sequence. Absent numerical sequencing, it is difficult to obtain assurance that the receipts from the sale of the cards are deposited. Use of the cards could be readily monitored through the daily reconciliation. To make this part of the daily reconciliation, a separate department key on the cash register should be used exclusively on the sales of prepaid cards. The sales and use of cards could be readily compared.

Response from the Senior Center

Agree. We will implement this recommendation as soon as possible.