

Portville Central School District

Cafeteria Collections

MARCH 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Portville Central School District

Audit Objective

Determine whether cafeteria collections were properly collected, recorded and deposited.

Key Findings

- The Board did not adopt written cafeteria cash receipt policies, cash receipt duties were not properly segregated and the Cafeteria Manager did not adequately oversee the cash receipt function.
- Cafeteria collections totaling \$7,200 were not properly recorded by cafeteria staff.

Key Recommendations

- Adopt written policies and develop procedures for the collection and accounting of cafeteria cash receipts.
- Ensure all cafeteria collections are properly recorded in the point of sales (POS) system and properly secured until deposited.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Portville Central School District (District) serves the Towns of Portville and Olean in Cattaraugus County and the Towns of Clarksville and Genesee in Allegany County.

The District is governed by an elected nine-member Board of Education (Board). The Superintendent of Schools is the District's chief executive officer and is responsible for day-to-day management under the Board's direction. The Business Manager is responsible for the administration and supervision of financial activities.

The District employs a Cafeteria Manager (Manager) and four cashiers who are responsible for receiving collections and maintaining daily sales records.

Quick Facts

Enrollment	960
Employees	190
2018-19 General Fund Budget	\$18.2 million
2017-18 Cafeteria Collections	\$144,000

Audit Period

July 1, 2015 – September 28, 2018

Cafeteria Collections

How Should District Officials Safeguard Cafeteria Collections?

The board, together with the business manager and cafeteria manager, is responsible for safeguarding cafeteria cash receipts. This includes establishing controls to provide reasonable assurance that cash is safeguarded and financial transactions are properly recorded. Such controls should include adopting written cash receipt policies, segregating duties to ensure that one employee does not perform all phases of a transaction, ensuring that transactions are properly recorded and accounting records are up-to-date, complete and accurate.

Policies and Procedures Were Inadequate

District officials did not establish adequate controls over cafeteria collections. The Board did not adopt written cash receipt policies, cash receipt duties were not properly segregated and the Manager did not adequately oversee the cash receipt function. As a result, one cafeteria employee, the head cashier, had almost complete control over cafeteria cash receipts without adequate oversight.

Although cafeteria receipts were collected by four cafeteria employees, the head cashier recorded collections, prepared deposits and then reconciled the amount collected. In addition, she operated one cash register and collected cash daily. The head cashier was allowed to record adjustments and void transactions on all three registers without adequate supervisory review or oversight from the Manager.

The District uses cash registers connected to a POS system to capture all of the financial transactions processed at the registers. Cash receipts are collected by cashiers who count the amounts collected at the end of the day and prepare a manual cash count summary for each register. The head cashier compared all manual cash count sheets, including those she prepared, to daily totals from the POS system and made adjustments, as needed.

The head cashier prepared the daily deposit and took the collections to the main office for deposit. We observed several instances when cash collections were unsecured before being taken to the main office. In addition, the Manager did not have a process in place, such as receiving deposit slips or receipts from the main office, to ensure that money delivered to the main office matched the daily collection records.

While we did not find any missing cafeteria receipts, allowing the head cashier to control most phases of the collection process without adequate oversight increases the risk that cash may not be deposited or that errors or irregularities could occur and remain undetected and uncorrected.

Cafeteria Collections Were Not Always Properly Recorded

We reviewed four months of cafeteria collections totaling \$55,000 during our audit period.¹ Except for minor inconsistencies, which we discussed with District officials, the daily collection reports generated from the POS system generally agreed with the accounting records and cash collections were accurately deposited. Additionally, while cafeteria receipts were properly collected and deposited, collections were not always recorded in the POS system.

Cashiers perform daily cash counts and prepare daily collection reports that must be manually entered into the POS system to ensure that recorded POS activity matches manually counted collections. These cash counts were not always recorded in the system. We identified 43 collections totaling \$7,200 that were not properly recorded in the system but were collected and deposited. The Manager told us that employees may have forgotten to enter these collections into the system at the end of the day.

Had all collection activity been properly entered in the POS system as they should have been, District officials could have used the system to monitor the head cashier's work, mitigating the weaknesses created by the lack of segregation of duties. Officials could then use the detailed system records and reports to trace cash receipts from the point of collection to the deposits and monthly reports.

Although we did not identify any theft or loss of cafeteria collections, by not establishing proper procedures to safeguard cafeteria collections, there is an increased risk that collections could be lost, stolen or misappropriated without detection.

What Do We Recommend?

The Board should:

1. Adopt written policies and develop procedures for collecting and accounting for cafeteria receipts to address properly segregating duties.

The Cafeteria Manager should:

2. Ensure all cafeteria collections are properly recorded in the POS system by reconciling POS system records, and other documents such as individual cashier's cash counting sheets, with deposits.
3. Secure cafeteria collections until deposited.
4. Review the head cashier's work, especially adjustments and voided transactions to ensure cafeteria receipts are properly deposited and recorded.

¹ Refer to Appendix B for information on our sampling methodology.

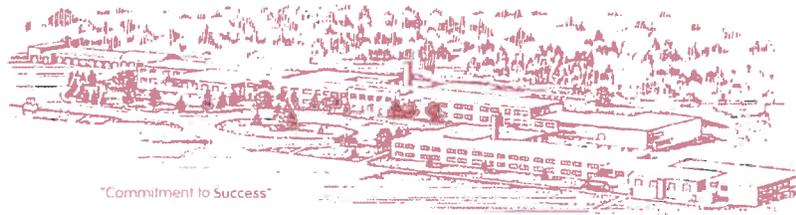
The Business Manager should:

5. Ensure business office staff review and reconcile cafeteria collections deposited using source documents, such as POS system records or daily cash count sheets, to ensure all cash receipts are accounted for, deposited and recorded.

Appendix A: Response From District Officials

Portville Central School

500 Elm Street
PO Box 790
Portville, New York 14770



Superintendent
Thomas Simon
Business Manager
Pamela Sue Anderson

(716) 933-6000 • JR - SR HIGH SCHOOL
(716) 933-6045 • ELEMENTARY
FAX (716) 933-7124

High School Principal
Lawrence Welty
Elementary School Principal
Lynn Corder

March 20, 2019

Mr. Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula,

Portville Central School letter of response for Report of Examinations Cafeteria Collections 2018M-244

Portville Central School District acknowledges the receipt of the draft report of examination 2018-244 concerning the Cafeteria Collections of the District. We thank your staff for conducting the audit in a professional manner, helping the District to see areas of improvement and appreciate the opportunity to learn something new to assist the District in the management of the Cafeteria.

We will be following up with the complete Corrective Action Plan in the near future.

Sincerely,

Thomas J. Simon
Superintendent

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective² and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed the policy manual and written procedures to gain an understanding of the cafeteria cash receipts process and the flow of cash receipts data through the District's applications.
- We reviewed \$55,000 of cafeteria cash receipts collected during four months of our audit period. We judgmentally selected these months based on the following criteria: we anticipated a larger volume of sales at the beginning of the school year (September 2017), a higher risk of theft of receipts around the holiday season (December 2017), a higher risk of theft of unrecorded receipts at the end of the school year (June 2018) for payments on overdue accounts and inconsistencies in records found during our risk assessment process (April 2018).

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

² We also issued a separate audit report, *Portville Central School District – Financial Management (2018M-245)*.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

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