

Wyoming County

Hospital Cafeteria Cash Receipts

AUGUST 2018



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

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Report Highlights

Wyoming County

Audit Objective

To determine whether the County Hospital and Skilled Nursing Facility (Hospital) cafeteria sales were properly collected, deposited and recorded.

Key Findings

- Cash from cafeteria sales was not always deposited.
- The cafeteria manager did not ensure documentation to support the sales from the kiosk or vending machines was properly maintained.

Key Recommendations

- Create, adopt and implement comprehensive cash receipts policies and procedures.
- Take a more active role in providing oversight of the cafeteria's financial operations.

County officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The County is governed by a Board of Supervisors (Board) composed of 16 members. The Board Chairman is the chief executive officer and the County Treasurer (Treasurer) is the chief fiscal officer.

The Board appoints a Board of Managers (Managers) to oversee Hospital operations. The Managers contract with a vendor to manage cafeteria operations.

The vendor is responsible for supervising all meals prepared for patients and cafeteria customers and stocking the vending machines. The vendor's management team is composed of one cafeteria manager and four assistants.

Quick Facts

2017 Hospital Fund Appropriations	\$54 million
Annual Cafeteria and Kiosk Sales	\$258,500
Annual Vending Machine Collections	\$23,600

Audit Period

January 1, 2016 – February 2, 2018

Hospital Cafeteria Cash Receipts

Hospital cafeteria sales consist of food and drink sold at the Hospital cafeteria, a kiosk in the lobby and sales at seven vending machines located at various locations throughout the Hospital.

Since 1992, the County has contracted with a vendor to manage Hospital cafeteria operations, including food sales. While County employees operate the cash register in the cafeteria and the kiosk, the vendor's management team is responsible for collecting and counting cash from the cafeteria, kiosk, and vending machines, reporting all cafeteria sales to the County on a daily report and preparing the deposit for the Treasurer's office staff who deposits the funds.

The vendor purchases the food inventories sold. Each month, the vendor bills the County, based on the number of meals served to patients, for a share¹ of cafeteria receipts deposited in a County bank account, as outlined in the contract. The cafeteria reported \$565,000 in sales between January 1, 2016 and December 31, 2017 (including recorded kiosk sales of \$37,800 and recorded vending machine collections of \$47,000). Of this amount, 77 percent were cash sales and 23 percent were credit card sales.²

How Should Cafeteria Sales Be Collected, Deposited and Recorded?

The Board is responsible for adopting written policies and procedures for the collection of cafeteria sales. To ensure that these sales are properly collected, deposited and recorded, managers should provide timely supervision of those charged with handling cash and assign a County employee to compare the amounts collected by its vendor and deposited with the County with the amounts recorded on cash register tapes and reported on the daily cash register reports.

Cash Cafeteria Sales Were Not Always Deposited

Cash collected from cafeteria sales was not always deposited. Cash register tapes generated from cafeteria and kiosk sales generally matched sales totals on the daily cash register reports, which are prepared by the cafeteria manager and provided to the Hospital accounting department. However, the corresponding bank deposits were not always made intact.³

We compared all 731 deposits recorded for the cafeteria and kiosk from January 1, 2016 through December 31, 2017 totaling approximately \$387,600⁴ to the

1 The vendor is entitled to a percentage of total sales.

2 We compared all credit sales, totaling \$130,000, listed on original sales reports with the daily summary sheets and found that credit sales were generally correctly recorded.

3 In the same order and form (i.e., cash or check) in which they were received.

4 We did not include credit card sales, which are directly deposited into a County bank account by the credit card vendor.

actual deposits made. We found that for 74 deposits⁵ totaling \$45,700 the amount of cash recorded did not agree with the amount deposited. We reviewed deposit compositions for 64 of these deposits and found that 76 checks totaling approximately \$4,000 were included in these deposits but not recorded on the cash register tapes or daily cash register reports.

These deposits included checks the cafeteria manager substituted for the cash that was supposed to be deposited. By withholding cash from each of these deposits (equal to the check amounts), the deposit in total agreed with the daily register report. The checks deposited, all payable to the Hospital, represented food supplier rebates and sales of food inventory to local individuals and service organizations.

The cafeteria manager told us that he withheld cash from these deposits to replenish the vendor provided petty cash fund. We question the legitimacy of this explanation given the frequency that cash was withheld from the deposits and because the cafeteria manager was unable to provide evidence showing receipts for the amount of petty cash expended.

Further, because the vendor purchased the food inventory, if these checks were from the sale of food inventories, the checks should have been payable to the vendor and not included in the County deposit. Consequently, it appears that these checks were substituted for cash that should have been included with the County deposits and the vendor did not receive approximately \$4,000 that it should have.

While the County was reimbursed for the cash taken from its deposits, the failure by County officials to implement comprehensive cash receipts policies and procedures with specific provisions for the proper collection and deposit of cafeteria sales has increased the risk that the County may not receive all the money from cafeteria sales to which it is entitled.

Kiosk and Vending Machines Sales Were Not Properly Recorded

The cafeteria manager did not maintain sufficient documentation to support the sales from the kiosk or vending machines. During 2016 and 2017, there were 90 weekdays for which no sales were recorded at the kiosk. The kiosk operates on a cash only basis Monday through Friday and the cafeteria management team is responsible for ordering inventory, stocking the vending machines and collecting and depositing the cash in the machines.

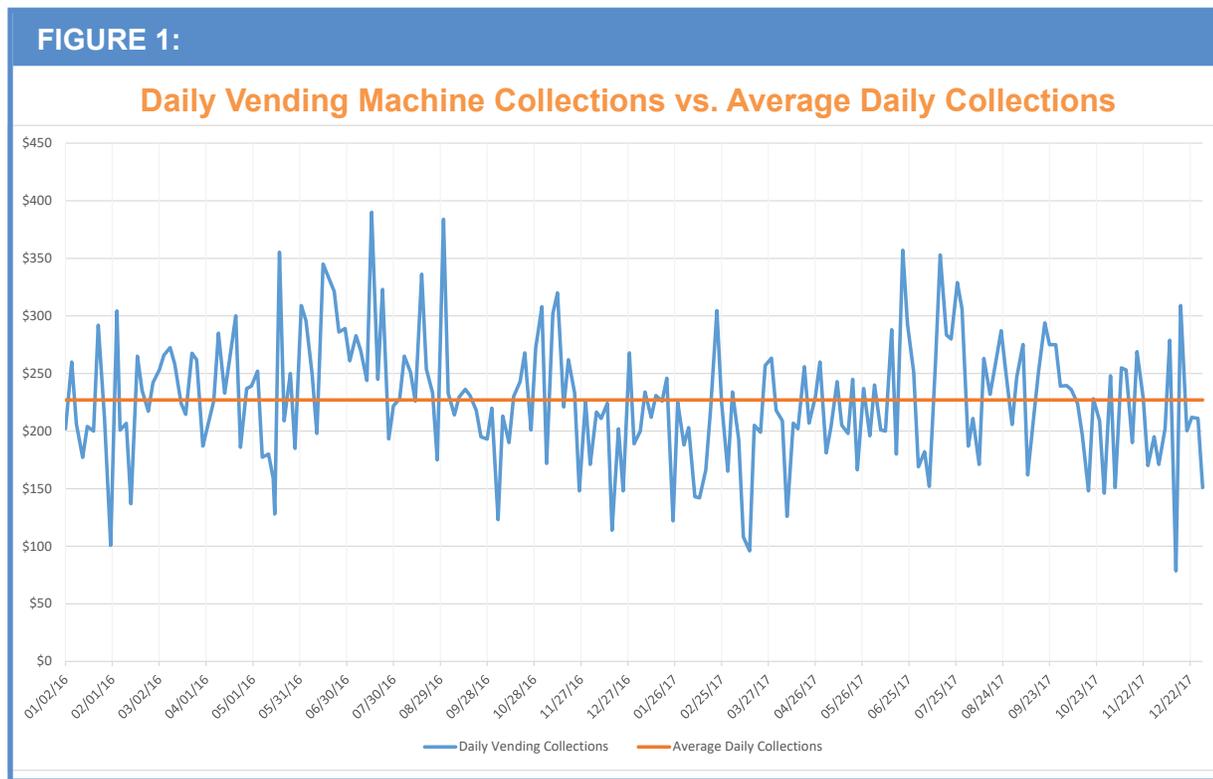
The cafeteria manager told us that until recently he did not have a dedicated County employee working the kiosk and that he would leave the kiosk closed to

⁵ For 10 of these deposits the difference between the amount of cash deposited and the amount recorded was insignificant.

fill staffing needs in the main kitchen and cafeteria. Daily cash register reports did not provide any evidence, such as management notes, confirming the days the kiosk was closed.

Furthermore, we were unable to determine whether vending machine sales were accurately recorded and deposited because the cafeteria manager did not provide adequate oversight of collections or keep any records, such as signed collection reports or inventory reports, to support the cash collections. Usually twice each week one cafeteria management team member collected cash from the vending machines, counted and recorded these amounts. However, the Managers did not ensure there was a verification process implemented to verify whether all cash collected by the team members was subsequently deposited.

We reviewed reported vending machine collections between January 1, 2016 and December 30, 2017 to assess whether a regular pattern of sales existed. We found that these reported collections did not follow a regular pattern (Figure 1).



The cafeteria manager told us that this was due to the machine locations and the frequency of use. Due to these inconsistent collection patterns, lack of adequate documentation and the various control weaknesses we identified, there is a significant risk or likelihood that vending machine cash was not properly accounted for.

In our prior audit report,⁶ we recommended to County officials that they adopt written comprehensive cash receipts policies and procedures. However, officials have not implemented this recommendation. As a result, the Managers, (or an assigned County employee) did not require that vending machine collections be verified, original cash register tapes be compared with the daily sales summary reports and deposit compositions be reviewed to ensure that all sales collected were appropriately recorded and deposited in the County bank account.

Had County officials implemented our prior recommendation, they would have noticed that the accuracy of vending machine and kiosk collections could not be verified, checks were being substituted for cash in the deposits and not all cash collected was appropriately deposited.

What Do We Recommend?

The Board and the Managers should:

1. Ensure that comprehensive cash receipts policies and procedures are created, adopted and implemented. These policies and procedures should include specific provisions for the proper collection and deposit of cafeteria sales and the proper tracking and verification of vending machine and kiosk sales and collections.

The Board of Managers should:

2. Take a more active role in providing oversight of cafeteria operations and ensure the vendor has implemented any and all Board-adopted cash receipts policies and procedures to ensure that cash receipts are consistently handled and safeguarded.
3. Assign a County employee to periodically review Hospital collections to help ensure that all amounts collected are deposited intact.
4. Assign a County employee to periodically review records to help ensure that the cafeteria manager properly retains all original sales information, including detailed register reports.

⁶ Refer to our prior audit report Wyoming County – Selected Financial Activities (2015M-94) issued in 2015. www.osc.state.ny.us/localgov/audits/counties/2015/wyoming.pdf.

Appendix A: Response From County Officials⁷

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Chairman of the Board

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August 16, 2018

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Office of the State Comptroller
295 Main Street
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**Re: Wyoming County Hospital Cafeteria Cash Receipts Examination 2018M-70
Preliminary Response**

Dear Mr. Mazula,

This response by the Management of the Wyoming County Community Health System (WCCHS) addresses the immediate actions taken upon the review of initial findings with the Auditors from the Office of the State Comptroller. Refinement to the initial response and development of appropriate written policies are also being undertaken to completely address the concerns identified as a result of this audit.

Our summarization of the key findings of the audit that are as follows:

1. Cafeteria Sales were not always being deposited intact utilizing the original source of payment for the transactions although they generally matched sales totals on the daily cash register receipts.
2. Dietary Management did not insure that proper documentation of sales from the Kiosk and Vending machines was being maintained and there were 90 weekdays for which no sales were recorded at the kiosk, although the kiosk operates only Monday through Friday.

Our response and action taken is as follows:

Regarding finding number 1 (one):

We agree that dietary department petty cash payments were at times made from the cafeteria sales amounts and that checks received for “catering” type sales were at times co-mingled with cafeteria sales receipts.

⁷ The County's response letter refers to exhibits that support the response letter. Because the County's response letter provides sufficient detail of its actions, we did not include the exhibits in Appendix A.

The following steps have occurred as a result of discussions with the auditors prior to their completion of the fieldwork phase of the audit. The Regional Director of Operations for ██████████ the contracted Management Service firm for all Dietary activity at WCCHS, initiated a surprise internal audit of the Dietary Department to further define the existing procedures that were in place and to identify corrective actions necessary. The findings of this audit are attached (**Exhibit A**) detailing the items reviewed and the status of each of the audited functions.

The process for depositing Cafeteria receipts has been modified to make all deposits with the original transaction receipts whether cash, check or credit card. Petty cash and “catering” sales are handled independently in accordance with our standard policy for those transactions. A cash handling policy (**Exhibit B**) has been implemented and each of the cashiers and management staff have been trained and required to sign off on this new procedure. Each deposit is being documented on triplicate bank deposit slips which are supported by cash register tapes and daily cash receipt summary sheets. One deposit slip copy is retained in the department with all supporting documents. A second copy is provided to the Hospital designated cashier who counts the funds received and verifies the deposit receipts to the deposit slip. The third copy goes to the Bank with the receipts. A daily sales log (**Exhibit C**) is being maintained to include deposit date, source of receipts, supervisor verification, depositor verification, Hospital cashier verification. A new cash register has been purchased which will allow increased internal controls such as tracking of register processing, incorrect and voided entries and credits and other activity by cashier. A process has also been put in place to have a cashier and supervisor count the cash register drawer three times daily to verify amounts (**Exhibit D**).

Regarding finding number 2 (two):

The Dietary department is also responsible for the food and beverage sales at a small Kiosk in the Hospital main lobby. During the audit period the primary person responsible for staffing the Kiosk was on extended and intermittent medical leave. Due to limitations of available Dietary staff during that period, this location, although scheduled for Monday through Friday operations, was often not open on days the primary individual was absent resulting in days for which there were no receipts. Due to public demand and an assigned staff member, the Kiosk is now staffed daily. An improved cash register has also been placed in the Kiosk which has tape capability and some item recording to improve the support for daily deposits. Sales, register tapes and deposits are tabulated and tracked daily with register tapes and original receipts submitted in the same manner and subject to the same procedures as the Cafeteria receipts. A process has also been put in place to have the staff member and supervisor count the cash register drawer twice daily to verify amounts (**Exhibit E**).

No further check and cash substitutions will be made. All non-Cafeteria sales are being documented with a specific invoice to which the payment is attached and forwarded directly to ██████████ for deposit and credit against purchases attributable to the Hospital. The current cash register utilized in the cafeteria, as noted in the Audit Report, is a simple inexpensive register which does not provide for the level of control which is needed for the point of service activity which is occurring. A policy change has been implemented to provide a receipt for every sale made in the Cafeteria. A request has been initiated to purchase a new point of

service transaction system which will enable tracking of all purchases in the Cafeteria as well as requiring a log in by the Cashier for tracking purposes. When the point of service system is installed in the Cafeteria, the Cafeteria cash register will be moved to the Kiosk to further improve the reporting of sales and documentation for the daily receipts support.

The current vending machines have limited control mechanisms to track product placement and machine inventory. The machines do track sales amounts so that sales amounts can be record from the machine counters each time the machine is opened to be serviced and cash removed. After the meter readings are recorded to determine the sales, the cash is now being counted and verified by two Dietary management staff to the recorded register sales amounts (**Exhibit F**). These funds then are included in the daily deposit which is turned over to the designated Hospital staff for deposit to the bank.

A separate cash fund is maintained as a change fund for the Cafeteria, vending machines and Kiosk. This fund is counted and verified by Dietary Management twice daily (**Exhibit G**). Any supplemental needs caused by a short shipment or a special request for the SNF residents are purchased through a [REDACTED] credit card with documentation and receipts forwarded to [REDACTED] to substantiate their monthly credit card bill. No petty cash fund is maintained for this purpose.

All new procedures are being formally documented in the standard facility procedure format to be used to educate all members of the Dietary staff and to insure that proper controls remain in place.

Sincerely,

A Douglas Berwanger/Chairman
Wyoming County Board of Supervisors

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 objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed County officials and employees and reviewed policies and various financial records and reports related to cafeteria collections to gain an understanding of Hospital operations and procedures and to obtain any clarification needed based on the results of our review.
- We requested, analyzed and reviewed (cafeteria and kiosk) original sales records and cafeteria management prepared daily summary and vending collection reports for each day from January 1, 2016 through December 31, 2017 totaling \$564,712 (\$517,442 cafeteria and kiosk, and \$47,270 vending machines) to identify daily, weekly, monthly and yearly sales trends.
- From January 1, 2016 through December 31, 2017, we compared all reported cash collected against deposit information and reviewed any instances where the information did not agree. For the 64 deposits identified that contained 76 checks totaling \$4,033, we reviewed the deposit compositions for those checks to identify the payer, payee and if listed on the check image, the purpose of the check.
- From January 1, 2016 through December 31, 2017, we compared all original credit sales reports totaling \$128,977 against the cafeteria management prepared daily summary reports to determine whether credit collections were correctly recorded.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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 County Clerk's office.

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/lgli/pdf/cybersecurityguide.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

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