



Canaseraga Central School District Cafeteria Cash Receipts

Report of Examination

Period Covered:

July 1, 2012 — January 29, 2014

2014M-57



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2014

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Canaseraga Central School District, entitled Cafeteria Cash Receipts. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Canaseraga Central School District (District) is located in the Towns of Almond, Birdsall, Burns and Grove in Allegany County; the Town of Ossian in Livingston County and the Town of Dansville in Steuben County. The District is governed by an elected five-member Board of Education (Board). The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There is one school in operation within the District, with approximately 235 students and 65 employees. The District's budgeted appropriations for the 2013-14 fiscal year are \$6.8 million, which are funded primarily with State aid and real property taxes.

The District contracts with a Board of Cooperative Educational Services (BOCES)¹ for a cafeteria manager who oversees the daily operation of the District's cafeteria, which offers breakfast and lunch to students and employees on school days. The Treasurer is responsible for preparing cash receipts for deposit. Cafeteria sales for the 2012-13 fiscal year were approximately \$49,000.

Objective

The objective of our audit was to evaluate internal controls over cafeteria cash receipts. Our audit addressed the following related question:

- Has the District addressed internal controls weaknesses over cafeteria cash receipts identified in our prior audit?

Scope and Methodology

We examined the District's internal controls over cafeteria cash receipts for the period July 1, 2012 through January 29, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials

¹ BOCES provide shared educational programs and services to school districts.

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

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

Cafeteria Cash Receipts

District officials are responsible for designing internal controls over cafeteria financial operations to ensure that the District receives all revenues from cafeteria sales. Such controls should include written policies and procedures for the collection, verification and deposit of cash receipts, including procedures to ensure that no individual controls all aspects of cash transactions. Each employee must be properly identified as accountable for specific activities within the cash management process. For example, each employee should have a separate cash drawer and a unique password for access to the point-of-sale (POS) software. Someone independent of cafeteria operations should compare and investigate differences between the daily cash deposits, cafeteria sales and accounting reports to reduce the risk of errors or misappropriation of funds.

Our prior audit,² dated April 2008, identified certain internal control weaknesses regarding cafeteria cash receipts. However, District officials have not addressed all of the weaknesses identified. District officials still have not adopted written policies and procedures governing cafeteria cash receipts. As a result, the District still uses only one cash drawer and at times lacks documentation indicating who is using the POS system and when, or the documentation indicates the same employee, even though two employees use the system on a regular basis. Although individual passwords are required to access the system, they are not routinely changed. Further, District officials do not have documentation to show the cashiers' various access levels to the POS system.

Although the Treasurer now issues a receipt to the cashier when counting cafeteria cash and compares it to the deposit amount recorded on the daily cafeteria sales report, she does not question the difference between the deposit amount and sales amount. The Treasurer does not receive any report detailing activity in the student cafeteria accounts and therefore she could not ensure that amounts were properly recorded in the student accounts. Further, cashiers can make adjustments³ that are not approved by the cafeteria manager to the sales reports before they bring receipts to the Treasurer for deposit. In addition, the Treasurer does not routinely receive and review certain reports, such as the cash receipt adjustments that are auto-generated by the POS system and emailed to the cafeteria manager, the student account report and a composition of cash receipts report, to facilitate

² *Canaseraga Central School District, Internal Controls Over Cash Receipts (2008M-10)*

³ We found one adjustment of \$10 within our audit sample.

the reconciliation and verification of the accuracy of cafeteria cash receipts and bank deposits.

We compared 49 cafeteria deposits totaling \$9,888 over a three-month period to the deposit amounts on the reports and found they generally agreed. We also compared the compositions of nine deposits to supporting records, including the composition of cash receipt reports and the student account reports, and found one exception: a personal check from the Treasurer for \$40 was substituted for cash in one of the nine deposits. Receipts should be deposited in the same form (cash or check) as they were received. We discussed this with District officials and they indicated they will notify personnel that cash receipts should not be used to cash personal checks.

Without adopted policies and procedures to address internal controls over cafeteria cash receipts, District officials do not have adequate assurance that cafeteria cash is properly accounted for.

Recommendations

1. The Board should adopt detailed policies and District officials should establish written procedures for collecting and accounting for cash received in the cafeteria operation.
2. District officials should work with BOCES to ensure that each cashier has unique user access, with the access levels for each cashier clearly documented. Employees should be required to change their passwords on a routine basis.
3. The Treasurer should compare the daily cafeteria sales report and bank deposit amount to the student accounts report and composition of cash receipts report to verify the amount collected and deposited each day is accurate.
4. The cafeteria manager should sign the cash receipts adjustment report to document his review and approval of adjustments made by the cashiers to their cash receipt records.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



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Canaseraga Central School
Re: Cafeteria Cash Receipts
Audit Report Number: 2014M-57

Robert Meller, Chief Examiner
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

April 21, 2014

Dear Mr. Meller:

This letter is to serve as the Canaseraga Central School District's official response letter to Audit Report #2014M-57. This correspondence also serves as the district's Corrective Action Plan (CAP). For each recommendation included in this audit report, the following is our corrective actions that will take place to address each recommendation.

1. The Board should adopt detailed policies and District officials should establish written procedures for collecting and accounting for cash received in the cafeteria operation.

The District recognizes the need for detailed policies and procedures that establish a protocol for collecting and accounting for cash received in the cafeteria. The District's Treasurer has established a procedure to be followed and this will be reviewed and adopted by the Board of Education.

Person(s) Responsible: Superintendent, District Treasurer

Date Completed: Immediately, on-going

2. District officials should work with BOCES to ensure each cashier has unique user access, with the access levels for each cashier clearly documented. Employees should be required to change their passwords on a routine basis.

The District recognizes the need for each cashier to have a unique user access for the computer system in the cafeteria and the need for passwords to be changed routinely. The District will implement routine deadlines for changing passwords and assign a unique username and password for each cafeteria employee.

Person(s) Responsible: Superintendent, and Cafeteria Manager

Date Completed: Immediately, on-going

3. The Treasurer should compare the daily cafeteria sales report and bank deposit amount to the student accounts report and composition of cash receipts report to verify the amount collected and deposited each day is accurate.

The District recognizes the need to verify the amount of money collected and deposited each day is accurate. The District will begin using a computer generated report that outlines what was deposited daily and what was expended daily.

Person(s) Responsible: Superintendent, District Treasurer, and Cafeteria Cashier

Date Completed: Immediately, on-going

4. The cafeteria manager should sign the cash receipts adjustment report to document his review and approval of adjustments made by the cashiers to their cash receipt records.

The District recognizes the need for adjustments made by the cashiers to be reviewed and approved. The District will have the cafeteria manger submit signed and documented reports monthly verifying and approving all adjustments on a month to month basis.

Person(s) Responsible: Superintendent, and Cafeteria Manager

Date Completed: Immediately, on-going

Respectfully submitted,

Kelly M. Houck
Superintendent
Canaseraga Central School

"Teaching for Learning"

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, information technology, transportation and extra classroom activities.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected internal controls over cafeteria cash receipts for further audit testing. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following steps:

- We reviewed Board minutes and interviewed key District officials and BOCES staff to gain an understanding of the internal controls over cafeteria cash receipts and the POS system.
- We reviewed recorded cash receipts for 49 deposits totaling \$9,888 over a three-month period, comparing them to system reports to determine if they were accurately receipted, verified, deposited, reconciled and reported. The three-month period was randomly selected using a random number generation process.
- We obtained compositions for nine bank deposits during our audit period to determine if the deposits were made intact and in a timely manner, and if receipts were accurately recorded. These nine deposits consisted of three consecutive days in three months.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX C

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