

# **AUDITOR'S REPORT**

## **HARRIS HEALTH SYSTEM DIETARY CASH COLLECTIONS FOLLOW-UP**



**July 28, 2016**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

July 28, 2016

Mr. George Masi  
President and Chief Executive Officer  
Harris Health System  
2525 Holly Hall  
Houston, Texas 77054

RE: Harris Health System Dietary Cash Collections Follow-up as of January 31, 2016

The Audit Services Department performed procedures to evaluate the progress Harris Health System (Harris Health) has made in implementing material recommendations reported to you in the Auditor's Report for *Harris Health System Dietary Cash Collections*, dated October 29, 2015 (Dietary Cash Collections Engagement). We performed procedures to confirm the status of implementation of material recommendations for:

- Enforcing policies for dual counting and securing cash collected.
- Implementing procedures and additional training for computing, monitoring, and documenting cashier overages and shortages.
- Strengthening controls for granting and terminating access to the point of sales software system (TASK POS) which is provided to Harris Health's by its food and nutrition services contractor, Luby's Fuddrucker's Restaurants, LLC (Luby's).
- Deactivating generic access codes and monitoring TASK POS system administrator activities.
- Formalizing procedures and providing additional training on processes for refund documentation and approval.
- Requesting that Luby's train Harris Health management personnel on reporting and monitoring procedures available through TASK POS.
- Enforcing policies prohibiting unattended cash registers and cashiers sharing registers.
- Improving security in areas where cash safes are located.
- Documenting unannounced Management cash self-audits.

The engagement process included providing you with a combined engagement and scope letter and conducting conferences with your personnel. The purpose of the letter and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

Mr. George Masi  
President and Chief Executive Officer

The work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this engagement. Management therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

The enclosed Auditor's Report presents the status of Management's progress implementing material recommendations identified during the Dietary Cash Collections Engagement.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott  
County Auditor

cc: Harris Health System Board of Managers  
District Judges  
County Judge Ed Emmett  
Commissioners:  
    R. Jack Cagle  
    Jack Morman  
    Steve Radack  
    Gene Locke  
Devon Anderson  
Vince Ryan  
William J. Jackson

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## OVERVIEW

Follow-up procedures were performed to evaluate Food and Nutrition Services Management’s progress in implementing material recommendations included in the Auditor’s Report for the Dietary Cash Collections Engagement.

In March 2014, Harris Health contracted with Luby’s Fuddruckers Restaurants, LLC (Luby’s) to manage and direct Harris Health employees that operate retail food service locations. Retail food services revenues belong to Harris Health and are recorded as Cafeteria Revenue in Harris Health’s financial records. Cafeteria Revenues by location for the six months ended October 31, 2014, (the Dietary Cash Collections Engagement period) and for the six months ended January 31, 2016, (the six months before the follow-up) are presented below:

Retail Food Service Location	Six Months Ended	
	October 2014	January 2016
Lyndon B. Johnson General Hospital	\$ 797,018	\$ 739,710
Ben Taub General Hospital	456,207	514,182
Holly Hall & Smith Clinic	173,997	166,526
Kirby Administration Building	73,905	76,702
Quentin Mease Specialty Hospital	65,595	56,747
<b>TOTAL</b>	<b>\$ 1,566,702</b>	<b>\$ 1,553,867</b>

**Source:** *Harris Health Financial Records*

Luby’s provides a point-of-sales software system (TASK POS) for recording and collecting retail food service sales, and also provides cash registers that are operated by Harris Health employees (Cashiers). The TASK POS system was upgraded in September 2015. With the upgrade, Harris Health Food and Nutrition Services Management personnel lost the ability to directly access TASK POS system management reports.

The management reports can be requested and provided by Luby’s TASK POS technical support personnel within 24 hours. As of the date of follow-up procedures, efforts are underway to re-establish Harris Health Food and Nutrition Services Management’s ability to directly access the management reports.

Food and Nutrition Services has written guidelines and procedures that require re-counting and verifying (dual counting) each safe’s change fund at the beginning and end of each business day, and dual counting of each Cashier’s cash drawer at the beginning and end of their shifts. The counts are documented on Safe Verification forms or Cashier Report forms signed by the original and second counters.

Each retail food service location has a room with a safe (safe room) to secure a change fund, drawers holding Cashier cash (cash drawers), and un-deposited cash collected from sales. At the beginning of their shifts, Cashiers obtain their cash drawers from the safe rooms and take them to locking cash registers. Cashiers use individually assigned security badges to log into TASK POS

at their registers, and Food and Nutrition Services Managers or Supervisors use their badges to assign the registers to the Cashiers.

Food service items and prices are programmed into TASK POS by Luby's technical support personnel so that Cashiers are only required to touch icons on the register screens to record items sold. When the icons are touched, the amount to be collected is displayed. Customers pay using cash, debit/credit cards, or voucher tickets (available to certain patients or physicians on 24 hour call). When a customer pays and the Cashier records the payment, the cash register opens and prints a paper receipt for the customer.

Cashiers close-out (reset) their cash registers at the end of their shifts and take all the cash in the registers back to the safe rooms. When they arrive, cash collected from sales (total cash in the cash drawer less the opening cash amount) is removed, counted, recounted, and recorded on the closeout reports.

A Supervisor looks up sales recorded in TASK POS for each Cashier and compares it to the amount of cash collected from sales counted and recorded. If there are differences (cashier overage or shortage) they are investigated at that time to determine if they can be resolved. Cashiers with unresolved overages or shortages greater than \$3 are counseled.

Cash collected from sales are placed in bags which are secured in the safe until a Supervisor or a designee at each location prepares the daily deposit. The daily deposit is prepared by removing the bags from the safes, and counting and agreeing cash collected from sales to Cashier Reports. The Supervisor or designee completes a pre-numbered bank deposit slip for each location and seals it with the cash in a pre-numbered, tamper-evident clear plastic bank bag. The bank bag is secured in the safe until it is picked up by a courier service and transported to the bank.

On the first business day after collection, a Manager or designee manually completes a Bank Deposit Summary form and final posts the sales transactions in TASK POS. The Manager or Business Coordinator then scans and saves the deposit documentation to the Cash Management Department (Cash Management) network file.

The Manager of Treasury Accounting in Cash Management receives a report at the end of the month from Harris Health's bank showing daily cash deposits and debit/credit card sales for each retail food service location. The deposits and debit/credit card sales are summarized on an electronic spreadsheet and an entry is made to the financial records recording monthly retail food service sales for each location.

## RESULTS

Based on the procedures performed, the status of implementing material recommendations reported in the Dietary Cash Collections Engagement is summarized on the schedule below. Recommendations where the implementation status is green have been fully implemented. Recommendations where the implementation status is yellow are in process and are discussed in greater detail in the Issues and Recommendations matrix.

Dietary Cash Collections Controls Recommendations	Implementation Status
Enforce the Policy for dual counting of Cashier cash before and after shifts. Cash turned in should be secured in the safe after counting.	Complete
Discontinue the use of generic access codes. Implement more secure access for the Administrator account and routinely monitor its use.	Complete
Improve enforcement of the Policy regarding Cashiers sharing of cash registers.	Complete
Improve safe room security by changing old locks where records of keys issued have not been maintained or by implementing badge access controls.	Complete
Develop processes for documenting unannounced Management cash self-audits and for ensuring Cashiers and Supervisors comply with the procedure.	Complete
Implement procedures to ensure accurate computation of Cashier overages and shortages when cash drawers are turned in. Document required Cashier counseling/disciplinary action.	In Process
Implement badge reader technology to improve security for TASK POS system and cash registers access. Strengthen procedures for requesting, securing, terminating, and monitoring system access.	In Process
Require signatures from customers that receive refunds. Ensure refunds are approved by management. Obtain TASK POS technical support to allow refund crediting to customer cards and refund activity reporting.	In Process
Obtain training from TASK POS technical support personnel on system reports available to implement routine monitoring controls.	In Process
Improve enforcement of Policy regarding Cashiers leaving unattended cash registers unlocked.	In Process

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>Identifying and Reporting Cashier Overages or Shortages</p>	<p>Food and Nutrition Services Management should implement procedures for computing, monitoring, and documenting Cashier overages or shortages that:</p> <ul style="list-style-type: none"> <li>• Monitor to ensure overages or shortages are consistently and accurately computed and reported each day.</li> <li>• Compute overages or shortages automatically using TASK POS when Cashiers turn in their cash drawers at the end of their shifts.</li> <li>• Document counseling or other disciplinary actions for Cashiers with overages or shortages of more than \$5.</li> </ul> <p>Cashiers and Management should be trained on the new procedures.</p>	<p>Monitoring to ensure overages or shortages are consistently and accurately computed and reported each day has not been fully implemented. As a result, overage and shortage documentation inspected for 3 locations for 5 days (a total of 15 sample closeouts) during the two months ended January 31, 2016 identified the following:</p> <ul style="list-style-type: none"> <li>• Complete overage and shortage calculations were not scanned into the Cash Management network folder for 3 of the 15 (20%) sample closeouts tested.</li> <li>• Cashier Counseling Forms for at least 2 unresolved overages or shortages of \$3 or more were not included in the closeouts tested.</li> </ul>	<p>Food and Nutrition Services Management should complete implementing monitoring procedures to ensure overages or shortages are consistently and accurately computed and reported each day.</p>	<p>The Food and Nutrition Services Department accepts the recommendations.</p> <p>To ensure cash overages and shortages are consistently and accurately computed and reported daily, training was provided on the procedures for completing, implementing and monitoring of cash overages or shortages.</p> <p>Full training was completed during the month of April 2016.</p> <p>Ongoing reinforcement of procedures will be done during shift huddles.</p> <p>Ongoing monitoring will be done monthly using the approved cash handling audit tool.</p> <p>Effective May 2016,</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Identifying and Reporting Cashier Overages or Shortages	<i>Note: Food and Nutrition Management changed the threshold for Cashier counseling to \$3 after the Dietary Cash Collections Controls Engagement was completed.</i>	<ul style="list-style-type: none"> <li>One of the 3 (33.3%) locations had not started identifying and investigating overages or shortages when Cashiers turn in their cash drawers at the end of their shifts.</li> </ul> <p>Without adequate monitoring, assurance that the new guidelines and procedures implemented are being followed is reduced, which increases the risk of undetected misappropriation of cash, and a failure to detect and correct unsatisfactory employee job performance.</p>		transaction reconciliations will be done using the Location Transaction Activity Report from TASK POS.
Restricting Cash Register Access	<p>Food and Nutrition Services Management, in conjunction with Luby's technical support personnel, should strengthen TASK POS access controls and require:</p> <ul style="list-style-type: none"> <li>Sending access codes</li> </ul>	<p>After implementation of badge reader access, Cashier badge card numbers are visible on certain reports and on-line TASK POS screens where they can be obtained and used to access TASK POS. Also, procedures to verify</p>	<p>Food and Nutrition Services Management, in conjunction with Luby's technical support personnel, should remove or redact badge card numbers from all TASK POS screens or reports.</p>	<p>The Food and Nutrition Services Department accepts the recommendations.</p> <p>The Food and Nutrition Management and Luby's technical support are collaborating to strengthen TASK Point of Sale access</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>(Continued) Restricting Cash Register Access</p>	<p>directly to users with instructions not to share.</p> <ul style="list-style-type: none"> <li>• Removal of access codes from where they can be viewed by others.</li> <li>• Redacting access codes from any reports or menu screens.</li> <li>• Increasing access code complexity or implementing badge reader access. Also consider activating lock-out controls after failed login attempts and having a Supervisor or Manager assign cash registers to Cashiers at the beginning of each shift.</li> <li>• Verifying deactivation of access codes no longer needed.</li> <li>• Using standard templates to assign access to users.</li> </ul> <p>Also, develop formal written procedures for requesting, securing, and terminating TASK POS</p>	<p>deactivation of employees that no longer need access have not yet been implemented.</p> <p>As a result, there remains an increased risk of unauthorized or inappropriate access to TASK POS and/or cash registers, which could result in theft of cash.</p>	<p>In addition, Food and Nutrition Services Management should request TASK POS reports from Luby's technical support personnel at least monthly to verify deactivation of employees no longer requiring access.</p>	<p>controls to include the ability to "blind" the cashiers badge reader card numbers on TASK Point of Sale reports.</p> <p>Engagement communication will continue monthly to resolve outstanding technical issues with TASK Point of Sale to include "blind" cashiers' access numbers.</p> <p>Effective May 2016, monthly monitoring was implemented to include verification of all deactivated and current employees.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Restricting Cash Register Access	<p>system access codes. Employees should be trained on the new procedures.</p> <p><i>Note: Food and Nutrition Services converted from logging in using access codes to using badge reader access effective December 2015.</i></p>			
Processing Refunds	<p>Food and Nutrition Services Management should implement procedures that:</p> <ul style="list-style-type: none"> <li>• Require customers to sign the returned receipt acknowledging they received a refund.</li> <li>• Monitor to ensure Supervisors or Managers approve all refunds prior to issuance or when the Cashier performs their daily closeout.</li> <li>• Use TASK POS reports to verify Cashiers are reporting all refunds on</li> </ul>	<p>Updated procedures for processing refunds do not state that Cashiers must have customers sign returned receipts, and do not state that refunds should be processed using the same method (cash or debit/credit card) as the original payment.</p> <p>An examination of documentation for 15 refunds issued during the two months ended January 31, 2016, identified 1 (6.7%) with the returned receipt not signed, 2</p>	<p>Food and Nutrition Services Management should update procedures for customers signing return receipts and for providing refunds using the same method as the original payment.</p> <p>In addition, refund activity reports should be routinely requested from TASK POS technical support personnel and reconciled/monitored to ensure Cashiers are following the updated procedures and monitoring for high frequency or</p>	<p>The Food and Nutrition Services Department accepts the recommendations.</p> <p>Departmental Guideline 1201 - Cash Handling and Accountability will be revised to include procedures for customer refunds:</p> <ol style="list-style-type: none"> <li>1. Refunds with a valid receipt.</li> <li>2. Manager/Supervisor approval for refunds except for the Offsite Cafes where there is not always supervisor or manager present.</li> <li>3. Refunds to be</li> </ol>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Processing Refunds	<p>their Cashier Reports and to identify and investigate high frequency or unusual refund activity.</p> <ul style="list-style-type: none"> <li>TASK POS system changes should be requested to allow crediting of refunds back to customer debit/credit cards.</li> </ul> <p>Formal written procedures should be developed and appropriate employees should be trained on the refunding process.</p>	<p>(13.3%) where purchases paid by credit card were refunded in cash, and 1 (6.7%) where the refund was not documented as approved by a Supervisor or Manager.</p> <p>Also, Food and Nutrition Services is not requesting reports from TASK POS technical support personnel to reconcile Cashiers refunds and investigate high frequency or unusual refund activity.</p> <p>Not implementing and enforcing controls over refunds increases the risk of unauthorized and improper refund transactions, and undetected misappropriation of cash.</p>	unusual refund activity.	<p>returned in the original form of payment.</p> <p>4. Customer signature on the return receipt.</p> <p>Revision of Guideline 1201 and staff training was initiated during the month of February 2016 and will be completed by June 30, 2016.</p> <p>Effective May 2016, the Location Transaction Activity Report from TASK POS will be used to audit and monitor for high frequency or unusual refund activity.</p>
Monitoring Compliance with Control Procedures	Food and Nutrition Services Management should request training for management employees on reports available through	Implementing procedures for routine monitoring using TASK POS reports is in process.	Food and Nutrition Services Management should complete routine monitoring procedures	The Food and Nutrition Services Department accepts the recommendations.  Luby's technical support or

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Monitoring Compliance with Control Procedures	TASK POS from Luby's technical support personnel. Reports useful for monitoring should be identified and procedures implemented for routine monitoring using the reports.	Not completing implementation of monitoring reports increases the risk of undetected non-compliance with procedures and misappropriation of cash.	using TASK POS reports. The reports should be requested from TASK POS technical support personnel until direct access by Harris Health Food and Nutrition Services Management is re-established.	designee will continue to provide the Daily Location Media Report by next business day to the Offsite Manager/Designee. This report will be used for daily cash reconciliation.  Effective May 2016, Luby's technical support or designee will provide the Location Transaction Activity Report on a monthly basis or as requested. This report will be used to monitor monthly quality control auditing and cash security.
Locking Cash Registers	Food and Nutrition Services Management should enforce Policy regarding leaving unattended cash registers unlocked. Cashiers that do not lock their cash registers should be counseled and subject to disciplinary action.	One Cashier left their register unattended during walk-through procedures at one location.  Not locking unattended cash registers does not comply with Policy and increases the risk that cash registers may be inappropriately accessed and cash misappropriated.	Food and Nutrition Services Management should reinforce the training that has been provided regarding this issue.  In addition, formal monitoring procedures should be updated to include testing for employees locking their	The Food and Nutrition Services Department accepts the recommendations.  Staff training was provided on the importance of cash drawer security during the month of April 2016. Ongoing reinforcement will continue during shift huddles and as needed.

## ISSUES AND RECOMMENDATIONS

<b>Subject</b>	<b>Background</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Management Response</b>
(Continued) Locking Cash Registers			registers.	Effective May 2016, the monthly Location Transaction Activity report will be used to audit and monitor compliance.