

AUDITOR'S REPORT

HARRIS HEALTH SYSTEM DIETARY CASH COLLECTIONS



October 29, 2015

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

October 29, 2015

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

RE: Harris Health System Dietary Cash Collections engagement for the six months ended October 31, 2014

The Audit Services Department performed procedures relative to the Harris Health System (Harris Health) Dietary Cash Collections for the six months ended October 31, 2014. The objective of the engagement was to review and evaluate critical controls for dietary and food service cashing activities. A combined engagement and scope letter was issued for the engagement which stated that we would selectively test manual and automated controls for the following objectives:

- Securing, reconciling, and reporting dietary and food service collections.
- Assuring that employees comply with collection procedures.
- Recording and reconciling dietary and food service collections to Harris Health's financial records.

During our procedures, needed improvements to critical operational and financial controls were identified. As a result, instead of completing testing procedures, recommendations for improving critical internal controls were developed in conjunction with management and are presented in the attached Issues and Recommendations Matrix. After the recommendations are implemented and management has evaluated the control environment, another engagement will be scheduled to test the effectiveness of the critical internal controls.

The engagement process included providing you with a combined engagement and scope letter and conducting an entrance and exit conference with your personnel. The purpose of the letter and conferences were to explain the process, identify areas of concern, 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.

The work performed required our staff to exercise judgment. As we did not perform a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this

Mr. George Masi
President and Chief Executive Officer

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 significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

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
 El Franco Lee
 Jack Morman
 Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson

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OVERVIEW

Harris Health entered into a Food and Nutrition Services Management Agreement (Agreement), with Luby's Fuddruckers Restaurants, LLC (Luby's) in March 2014. Under the Agreement, Luby's provides personnel to manage and direct Harris Health employees that provide food and nutrition services for patients and for retail food services at Harris Health leased or owned facilities.

Revenues from retail food service sales belong to Harris Health and are recorded as Cafeteria Revenue in Harris Health's financial records. The following table presents Cafeteria Revenue recorded during the six months ended October 31, 2014, for each Harris Health retail food service location:

HARRIS HEALTH RETAIL FOOD SERVICE LOCATION	CAFETERIA REVENUE
Lyndon B. Johnson General Hospital	\$ 797,018
Ben Taub General Hospital	456,207
Holly Hall Administration Building (Holly Hall)	156,078
Kirby Administration Building	73,905
Quentin Mease Specialty Hospital	65,595
Smith Clinic (credit/debit card sales only/cash sales included with Holly Hall)	17,899
TOTAL	\$ 1,566,702

Luby's provides a point of sales software system (TASK POS) for recording and collecting retail food service sales, and also provides cash registers, hardware, and technical support. Cash registers are installed at each retail food service location and are operated by Harris Health employees (Cashiers). Each location has a safe to secure a change fund, drawers holding Cashier cash banks (cash drawers), and any cash from sales that has not been picked-up for transport to Harris Health's bank.

Food and Nutrition Services guidelines and procedures require counting and verifying by a second employee performing a second count (dual counting) of each safe's change fund at the opening and closing 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 which are signed by the counter and dual counter.

Cashiers go to the room where the safe is located to begin their shifts. They obtain their cash drawers and take them to their assigned cash registers in the food service area. They sign-on to TASK POS using an access code they were assigned and place the cash drawers in the cash register's automated locking cabinet.

Food service items and prices are programmed into TASK POS by Luby's technical support personnel. Cashiers are only required to touch icons on the register screens to record items sold. There are also icons to apply employee discounts or to record sales that are paid for using meal

vouchers. Harris Health departments provided meal vouchers to patients under certain circumstances, or to medical staff that are on overnight or 24 hour call.

Patients or medical staff that pay with meal vouchers give a voucher ticket to the Cashiers. The Cashiers retain the voucher tickets and turn them in at the end of their shifts. The turned in voucher tickets are charged to the departments that provided the vouchers to the patients or medical staff.

After recording the items sold, the cash register's screen displays the amount to be collected from the customer. Customers can pay using cash, a credit/debit card, or a meal voucher. When the Cashier records the payment type and receives the payment, the cash register cabinet opens and a paper receipt is automatically printed to give to the customer.

At the end of their shifts, Cashiers close-out (reset) their cash registers in TASK POS. They remove their cash drawers from the cash register cabinet and take them to the room where the safe is located. Cash collected from sales is computed and recorded on the Cashier Reports by subtracting the opening cash amount from the total cash in the cash drawer. Cash collected from sales is then removed from the cash drawer, recounted, and placed in a separate bag to be included with the daily deposit. The bag and cash drawer are secured in the safe.

A Food and Nutrition Services Supervisor (Supervisor) or a designee at each location prepares the daily deposit by removing the bags from the safes and counting and agreeing cash collected from sales to the Cashier Reports that were completed by Cashiers. A pre-numbered bank deposit slip is completed for each location and the slip and cash are sealed in a pre-numbered, tamper-evident clear plastic bank bag. The deposit is secured in the safe until picked up by a courier service and transported to the bank.

On the first business day after collection, a Food and Nutrition Services Manager (Manager) or designee identifies any Cashier overages or shortages by recording and comparing the deposit information for each Cashier to TASK POS and manually completing a Bank Deposit Summary form. Food and Nutrition Services' informal procedure is to counsel Cashiers if they have overages or shortages greater than \$5.00.

The Business Coordinator scans and saves the deposit documentation to the Harris Health 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 cash deposits and credit/debit card sales for each retail food service location for each business day during the month. The deposits and credit/debit card sales are summarized on an electronic spreadsheet to compute monthly retail food service sales for each location. The amounts computed are recorded as Cafeteria Revenue in the financial records.

RESULTS

Both Luby's and Harris Health provide management support for dietary food services cashiering activities. Since the Agreement became effective, numerous procedures and processes have been implemented to facilitate securing, collecting, reconciling, recording, and depositing dietary food service collections. However, based on procedures performed, general overall controls for cash monitoring were not adequate and should be improved for the following activities:

- Performing dual counts and securing cash.
- Identifying Cashier overages or shortages and documenting related Cashier counseling.
- Restricting access to cash registers, eliminating generic access codes, and monitoring Administrator account activity.
- Processing customer refunds.
- Monitoring Cashier compliance with control procedures.
- Locking unattended cash registers and preventing the sharing of cash drawers.
- Ensuring records for keys to safe rooms are accurate and complete.
- Documenting unannounced cash self-audits.

These issues are discussed in more detail in the following Issues and Recommendations matrix.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Dual Counting and Securing Cash	Food and Nutrition Services Policy, <i>Cafeteria Cash Handling and Accountability</i> , requires independent verification of cash funds before and after Cashier shifts. This is achieved through a count by the Cashier and by a witness (dual counting). Also, cash turned in by cashiers should immediately be secured in a safe.	The Policy regarding dual counting of Cashier cash before and after Cashier shifts was not always followed. Also, cash turned in by Cashiers was observed as not immediately secured in a safe (i.e., left on desks in a locked room). Not properly performing independent verifications and securing cash does not comply with Policy and increases the risk of theft of cash.	Food and Nutrition Services Management should enforce Policy regarding dual counting of Cashier cash before and after Cashier shifts. In addition, cash turned in by Cashiers should be immediately secured in a safe.	The Food and Nutrition Services Department accepts the recommendations to enforce dual counting procedures and to immediately secure cash after it is turned in. In-service and training on dual counting procedures and securing cash conducted in February 2015. In instances where dual counting is not feasible (offsite cafeterias), the use of security deposit bags with keys are used. Ongoing reinforcement during shift huddles. Daily monitoring by managers indicates that the training and huddles are effective.
Identifying and Reporting Cashier Overages or Shortages	Food and Nutrition Services' process is to identify Cashier overages or shortages by manually completing a Bank Deposit	The process for computing, monitoring, and documenting Cashier overages or shortages is not adequate as follows:	Food and Nutrition Services Management should implement procedures for computing, monitoring, and	The Food and Nutrition Services Department accepts the recommendations. The Departmental Cash

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Identifying and Reporting Cashier Overages or Shortages	Summary form on the first business day after Cashiers complete their shifts and turn in their cash drawers. Food and Nutrition Services' informal procedure is for Cashiers with overages or shortages greater than \$5.00 to be counseled.	<ul style="list-style-type: none"> • There is no monitoring to ensure overages or shortages are consistently and accurately computed and reported. Documentation for overages or shortages for the six months ended October 31, 2014, was not complete. • Cashier overages or shortages are computed manually the day after Cashiers complete their shifts and turn in their cash. • There is no formal documentation of Cashier counseling for overages or shortages of more than \$5.00. <p>Not having adequate processes for computing, monitoring, and documenting Cashier overages or shortages increases the risk of undetected</p>	documenting Cashier overages or shortages that: <ul style="list-style-type: none"> • Monitor to ensure overages or shortages are consistently and accurately computed and reported each day. • Compute overages or shortages automatically using TASK POS when Cashiers turn in their cash drawers at the end of their shifts. • Document counseling or other disciplinary actions taken regarding Cashiers with overages or shortages of more than \$5.00. <p>Cashiers and Management should be trained on the new procedures.</p>	Handling Guideline was revised to include procedures to monitor and ensure: <ol style="list-style-type: none"> 1. Cashier overages or shortages are consistently and accurately reported. 2. Computing of overages and shortages using the TASK (cash software program) Point of Sale Library Location Media Report after each shift or the next day for the overnight cashier at LBJ and the Offsite cafeterias. 3. Documentation for coaching and disciplinary actions for overages and shortages more than \$3.00 as per the revised Cafeteria Cash Handling and Accountability Departmental Guidelines. <p>Training was provided on the new procedures starting February 2015 with ongoing monitoring and reinforcement during shift</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Identifying and Reporting Cashier Overages or Shortages		misappropriation of cash and of unaccountability of Cashiers for poor performance.		huddles. Training with reinforcement during shift huddles has proven to be effective.
Restricting Cash Register Access	TASK POS access is restricted through assigning unique individual access codes to each user. Access codes for new employees are requested from Luby's technical support personnel by Supervisors or Managers. The Supervisors or Managers receive access codes by email and pass them on to employees.	TASK POS access controls do not adequately protect against unauthorized or inappropriate access because: <ul style="list-style-type: none"> • Individual access codes are not provided directly to employees (users). • Access codes are recorded in a network folder accessible to other users. • Access codes are visible on reports sent to Cash Management and on the TASK POS Clerk Setup menu. • Access codes are not sufficiently complex to prevent deciphering. • Deactivation of access codes no longer needed is 	Food and Nutrition Services Management, in conjunction with Luby's technical support personnel, should strengthen TASK POS access controls and require: <ul style="list-style-type: none"> • Sending access codes directly to users with instructions not to share. • Removal of access codes from where they can be viewed by others. • Redacting access codes from any reports or menu screens. • Increasing access code complexity or implementing badge reader access. Also consider activating lock-out controls after failed 	The Food and Nutrition Services Department accepts the recommendations. Food and Nutrition Management and Luby's technical support are collaborating to strengthen TASK Point of Sale access controls: <ol style="list-style-type: none"> 1. TASK Point of Sale cloud base reimage scheduled to be completed by September 15, 2015. <ul style="list-style-type: none"> * Badge Reader Access will be implemented by September 30, 2015 and thus will eliminate the use of access codes by staff. * Badge Reader Access will be implemented by September 30, 2015. Thus access codes will

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Restricting Cash Register Access		not verified. • Standardized templates are not used to assign access to users. Without adequate TASK POS access controls, there is an increased risk of unauthorized or inappropriate access to TASK POS and/or cash registers, which could result in theft of cash.	login attempts and having a Supervisor or Manager assign cash registers to Cashiers at the beginning of each shift. • Verifying deactivation of access codes no longer needed. • Using standard templates to assign access to users. Also, develop formal written procedures for requesting, securing, and terminating TASK POS system access codes. Employees should be trained on the new procedures.	no longer be seen in reports and menu screens. *Badge Reader Access will be implemented by September 30, 2015, thus lock out controls for access codes login attempts will no longer be a concern. * The Cafeteria Cash Handling and Accountability Guidelines will be revised to reflect the new processes for requesting, securing, terminating, assigning and monitoring TASK Point of Sale access and security. 2. Managers and Supervisors training to demonstrate the upgraded TASK access controls and security levels scheduled for September 23, 2015. 3. The assigning of cash register (terminals) at the

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Restricting Cash Register Access				beginning of each shift by the supervisor/manager was implemented June 2015 at LBJ and BT. 4. The Cash Handling Guidelines will be revised to reflect the new processes for requesting, securing, terminating and monitoring TASK Point of Sale system access and security by November 30, 2015. 5. Training for all staff with cash handling duties on the new security settings and access for TASK Point of Sale system to be scheduled and completed by October 30, 2015.
Monitoring Generic and Administrator Access Code Use	New Cashiers are provided generic codes to access TASK POS until they receive their personal access code from their Supervisors or Managers. There is also an	During our procedures we noted two concerns: <ul style="list-style-type: none"> • The use of generic access codes to perform Cashiering and other duties. 	Food and Nutrition Services Management should: <ul style="list-style-type: none"> • Discontinue the use of generic access codes. • Implement a more 	The Food and Nutrition Services Department accepts the recommendations. The Food and Nutrition Management and Luby's technical support are

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Monitoring Generic and Administrator Access Code Use	Administrator account in TASK POS which allows the performance of certain administrative activities.	<ul style="list-style-type: none"> • Unmonitored use of the Administrator account which has a non-complex access code that can be easily deciphered. Use of generic access codes allows no accountability for persons signed in using the codes. In addition, having an Administrator account available for use where the activity in the account is not monitored and the access code can easily be deciphered increases the risk of improper access and unauthorized changes or transactions by unidentified users.	complex access code for the Administrator account and routinely monitor its use.	collaborating to strengthen TASK Point of Sale access controls: <ol style="list-style-type: none"> 1. TASK Point of sale cloud based reimage scheduled to be completed by September 15, 2015. This will provide the functionality to eliminate generic access codes and implement “badge reader access” for everyone with cashiering duties. 2. Managers and Supervisors training to demonstrate the upgraded TASK access controls and security levels scheduled for September 23, 2015. Monitoring tools to be put in place to monitor effectiveness of the new security and access functionalities October 15, 2015.
Processing Refunds	Customer refunds may be requested by customers on the day of the sale. Cashiers are required to	During the six months ended October 31, 2014, 881 refunds or other credit transactions for a total of	Food and Nutrition Services Management should implement procedures that:	The Food and Nutrition Services Department accepts the recommendations The Cash Handling guidelines

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>(Continued) Processing Refunds</p>	<p>obtain the approval of a Supervisor or Manager for refunds, and to attach the returned original receipt to the Cashier Report that Cashiers complete at the end of their shifts.</p>	<p>\$2,839 were recorded in POS Task. Controls for refunds are not adequate as follows:</p> <ul style="list-style-type: none"> • Customers do not sign the returned receipt acknowledging that they received a refund. • Refunds are not consistently approved by Supervisors or Managers. • Reports available from TASK POS are not used to verify that Cashiers are reporting all refunds on their Cashier Reports. • TASK POS does not allow refunds to be credited back to customer debit/credit cards. <p>Inadequate controls over refunds increases the risk of unauthorized and improper refund transactions, and undetected misappropriation of cash.</p>	<ul style="list-style-type: none"> • Require customers to sign the returned receipt acknowledging they received a refund. • Monitor to ensure Supervisors or Managers approve all refunds prior to issuance or when the Cashier performs their daily closeout. • Use TASK POS reports to verify Cashiers are reporting all refunds on their Cashier Reports and to identify and investigate high frequency or unusual refund activity. • TASK POS system change should be requested to allow crediting of refunds back to customer debit/credit cards. <p>Formal written procedures should be developed and appropriate employees</p>	<p>were revised to include procedures for customer refunds:</p> <ol style="list-style-type: none"> 1. Refunds with a valid receipt. 2. Manager/Supervisor approval for refunds except for the Offsite Cafes where there is not always a supervisor/manager present. 3. Customer signature on the return receipt. <p>Training was provided on the new procedures starting June 2015 with ongoing monitoring and reinforcement during shift huddles. Training and reinforcement during shift huddles effective as the process is consistently followed.</p> <p>Food and Nutrition Management and Luby's technical support are</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Processing Refunds			should be trained on the refunding process.	collaborating to resolve issues pertaining to: <ul style="list-style-type: none"> • Refunds to credit/debit cards will be implemented by September 30, 2015. • Use of TASK Point of Sale reports to verify accurate reporting of refunds and for quality assurance monitoring will be implemented by October 15, 2015. <p>TASK Point of sale cloud based reimage scheduled to be completed by September 15, 2015. This will provide the functionality to allow the crediting of refunds back to customer debit/credit cards.</p> <p>Managers and Supervisors training to demonstrate the upgraded TASK functionalities and reports generation scheduled for September 23, 2015.</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Processing Refunds				<p>Cafeteria Cash Handling and Accountability Guideline to be revised to include new procedures by November 30, 2015.</p> <p>Staff training and monitoring tools to be put in place to educate and to monitor effectiveness of the new procedures to be completed by October 15, 2015.</p>
Monitoring Compliance with Control Procedures	Reports are available through TASK POS that are useful for monitoring compliance with critical control procedures.	<p>Reports available through TASK POS are not used to monitor compliance with critical control procedures. For example, the following non-compliance with procedures were identified from TASK POS reports for the six months ended October 31, 2014:</p> <ul style="list-style-type: none"> • 2,608 incidences of cash registers opened without a sale recorded (No Sale Transactions). • 76 incidences of cash register cabinets remaining opened for 	<p>Food and Nutrition Services Management should request training for management employees on reports available through TASK POS from Luby's technical support personnel. Reports useful for monitoring should be identified and procedures implemented for routine monitoring using the reports.</p>	<p>The Food and Nutrition Services Department accepts the recommendations. Food and Nutrition Management and Luby's technical support are collaborating on training for available reports in TASK system with a summary of what the report entails and how it can be used for quality control monitoring purposes, cash control and cash security.</p> <p>Pertinent reports and training on how to access use the</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Monitoring Compliance with Control Procedures		<p>longer than five minutes.</p> <ul style="list-style-type: none"> • 2,395 incidences where discounts (other than the standard 15% employee discount) were provided (i.e., a 10% discount 2,205 times and a 20% discount 190 times). <p>Not using reports available to monitor Cashier compliance with critical control procedures increases the risk of undetected non-compliance and misappropriation of cash.</p>		reports is scheduled for September 23, 2015.
Locking Cash Registers	Food and Nutrition Services Policy, <i>Cafeteria Cash Handling and Accountability</i> , requires that Cashiers lock cash their registers when unattended.	<p>Cash registers were observed to be unlocked when unattended on more than one occasion.</p> <p>Not locking unattended cash registers does not comply with Policy and increases the risk that cash registers may be inappropriately accessed and cash removed.</p>	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.	The Food and Nutrition Services Department accepts the recommendations. Training was provided to all staff with cash handling duties on cash drawer security in February 2015. Ongoing monitoring and reinforcement for cash drawer locking and security of funds are reinforced during shift huddles.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Locking Cash Registers				Monitoring reports indicates that training is effective.
Sharing Cash Register Cash Drawers	Food and Nutrition Services Policy, <i>Cafeteria Cash Handling and Accountability</i> , requires that only one Cashier work from a cash drawer during a shift.	Two Cashiers were observed working out of the same cash drawer. Allowing two Cashiers to work from the same cash drawer does not comply with Policy and reduces Cashier accountability for overages or shortages.	Food and Nutrition Services Management should enforce Policy regarding one Cashier working out of a cash drawer. If more than one Cashier is needed at the same location, they should be issued a separate cash drawer and cash register cabinet.	The Food and Nutrition Services Department accepts the recommendations. Additional cash drawers were implemented for the Offsite Cafes in February 2015. Training was provided to all staff with cash handling duties for one cashier working out of one drawer. Training and implementation of additional drawer effective.
Maintaining Records for Keys Issued		Records of keys issued to retail food service safe rooms are not complete. As a result, there is an increased risk of improper access to dietary safe rooms and access to cash in the safes.	DPS Management, in conjunction with Food and Nutrition Services Management, should change locks and reissue keys, or implement badge access controls for safe rooms where all keys are not controlled or records of keys issued are not complete.	The Food and Nutrition Services Department accepts the recommendations. DPS Management and Food and Nutrition Services have collaborated to install badge access for cash rooms at Ben Taub and Lyndon B. Johnson Hospitals. Both installations to be completed by September 1, 2015.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Maintaining Records for Keys Issued				<p>Safe locks at all locations were changed during June 2015.</p> <p>DPS Management and Food and Nutrition Services will collaborate to implement change of key locks at Kirby Café, Holly Hall Café and Quentin Mease Café to include processes and controls for key distribution and security by September 30, 2015. DPS and Food and Nutrition Management will collaborate to install badge access to these sites by November 30, 2015.</p>
Documenting Unannounced Cash Self- Audits	Food and Nutrition Services Management conducts unannounced cash self-audits to verify that cash in Cashier cash drawers and safes is properly controlled and accounted for.	<p>The dates unannounced cash self-audits are performed and the results are not formally documented.</p> <p>As a result, there is no assurance that audits are performed and the self-audit results are not available for purposes of</p>	Food and Nutrition Services Management should develop processes for documenting unannounced cash self-audits and for any counseling or other disciplinary action for Cashiers or Supervisors that are not complying with procedures.	<p>The Food and Nutrition Services Department accepts the recommendations. Food and Nutrition Services Administration and Luby's Management will implement a formal process by October 15, 2015 for:</p> <ul style="list-style-type: none"> • Documenting unannounced cash handling audits

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Documenting Unannounced Cash Self- Audits		evaluating how well Cashiers' are controlling cash and how well Supervisors are complying with self-audit procedures.		<ul style="list-style-type: none"> • Staff coaching and/or disciplinary actions for staff that are non-compliant with cash handling procedures and expectations.

RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS

The risk matrix below presents the assessed level of risk or exposure identified during our procedures. Inherent risk relates to factors that because of their nature cannot be controlled or mitigated by management. Inherent risk includes factors such as legislative changes, number and dollar amount of transactions processed and/or complex nature of transactions. Control risks relate to factors that can be influenced or controlled by management. Controls such as policies and procedures, electronic or manual approvals, system security access, and separation of job responsibilities may be instituted by management in order to mitigate control risk. Control risk is assessed during the planning phase in order to establish the nature, timing, and extent of testing and at the conclusion of the engagement in order to incorporate actions taken to implement our recommendations. The overall risk considers a combination of inherent and control risks.

Inherent Risk:	Control Risk:		Overall Risk:
<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low	Prior to Procedures	After Procedures	<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low
	Needed Improvement	Needs Improvement	
Type of Procedures: Audit			
Purpose: To review and evaluate critical controls for dietary and food service cashiering activities.			
Outstanding Audit Recommendations:			
Priority Rating:	Audit Recommendations: Harris Health System		
1	Enforce Policy regarding dual counting of Cashier cash before and after Cashier shifts. In addition, cash turned in by Cashiers should be immediately secured in a safe.		
1	Implement procedures to monitor to ensure overages or shortages are consistently and accurately computed and reported each day, compute overages or shortages automatically using TASK POS when Cashiers turn in their cash drawers at the end of their shifts, and document counseling or other disciplinary actions taken regarding Cashiers with overages or shortages of more than \$5.00.		
1	Strengthen TASK POS access controls and develop formal written procedures for requesting, securing, and terminating TASK POS system access.		
1	Discontinue the use of generic access codes and implement a more complex access code for the Administrator account and routinely monitor its use.		
1	Implement procedures that require customers to sign the returned receipt acknowledging they received a refund and monitor to ensure Supervisors or Managers approve all refunds prior to issuance or when the Cashier performs their daily closeout. Also, use TASK POS reports to verify Cashiers are reporting all refunds and to identify and investigate		

	high frequency or unusual refund activity. Request a TASK POS system change to allow crediting of refunds back to customer debit/credit cards.
1	Request training for management employees on reports available through TASK POS from Luby's technical support personnel. Identify reports for routine monitoring.
1	Enforce Policy regarding leaving unattended cash registers unlocked.
1	Enforce Policy regarding one Cashier working out of a cash drawer.
1	Change locks and reissue keys, or implement badge access controls for safe rooms where all keys are not controlled or records of keys issued are not complete.
1	Develop processes for documenting unannounced cash self-audits and for any counseling or other disciplinary action for Cashiers or Supervisors that are not complying with procedures.
Priority Rating	<ol style="list-style-type: none"> 1. Implement immediately (30 – 90 days) – Serious internal control deficiencies; or recommendations to reduce costs, maximize revenues, or improve internal controls that can be easily implemented. 2. Work towards implementing (6 – 18 months) – Less serious internal control deficiencies, or recommendations that can not be implemented immediately because of constraints imposed on the department (i.e., budgetary, technological constraints, etc.). 3. Implement in the future (two – three years) – Recommendations that should be implemented, but that can not be implemented until significant and/or uncontrolled events occur (i.e., legislative changes, buy and install major systems, requires third party cooperation, etc.).