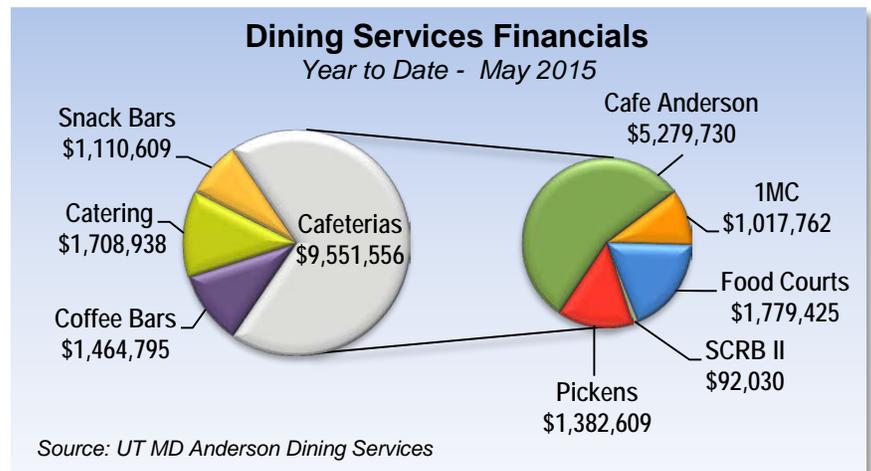


15-230 Dining Services Review

EXECUTIVE SUMMARY

The University of Texas MD Anderson Cancer Center Dining Services provides food services to patients, employees, and visitors through five cafeterias, a catering division, and various coffee and snack bars. As of May 2015, operating revenue totaled more than \$13.8 million year-to-date. Café Anderson is the largest Dining Services venue, with operating revenue comprising more than \$5.2 million (38%) of the total for the period.

In April 2015, Dining Services installed video cameras and the eConnect software to monitor cashier operations at Café Anderson. This software combines point-of-sale transactions with real-time video feed.



We reviewed the Dining Services' use of the eConnect software, along with the overall cash handling processes within Café Anderson.

Consulting Results:

Although Dining Services management is working diligently to improve certain key processes and controls, we identified the following opportunities to more fully utilize eConnect and improve cash handling process:

- Since the implementation of the eConnect software four months ago, no formal procedures have been put in place to ensure that the software is being fully utilized to improve efficiency and effectiveness of cash handling operations.
- Audits of the vault cash are not performed by independent individuals. Terminated employees have access to the vault room.
- Audits of cashiers only occur during specific time frames, which prevent the audits from being completely random.
- Cashiers are not consistently providing customers their receipts and not counting all of the money in their cash drawers. Personal items are kept near the cash handling areas.
- There is no formal process for monitoring cashiers' financial reports for excessive item voids, which is an indication of potential fraudulent activity.
- Twenty-seven percent of the cash drawers for cashiers who separated from MD Anderson during fiscal years 2014 and 2015 were not returned to Treasury Services within a timely manner of one week.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before March 31, 2016.

Appendix A outlines the methodology for this project.

The courtesy and cooperation extended by MD Anderson Dining Services was sincerely appreciated.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA
Vice President & Chief Audit Officer
August 18, 2015

Observation 1:

Formal Procedures for eConnect Software

In an effort to enhance controls over cashier operations, MD Anderson Dining Services implemented the eConnect software to help detect potential employee theft at the point of sale. We reviewed Dining Services' use of eConnect and identified the following:

- More than 20 queries and behavioral reports are available for use in monitoring potential exceptions and anomalies related to cashiering activities. (See **Appendix B** for a list of key reports.) While Management reviews certain eConnect reports on a daily basis, only four of the available queries/reports are being used. This could result in fraudulent activities not being detected timely.
- The reports currently being used were not tested for accuracy and completeness prior to utilization. As a result, monitoring could be based on inaccurate or incomplete information.
- Procedures have not been developed that outline the frequency and sampling methodology of reviews performed. As a result, reviews may not be efficient or effective.
- Documentation of the transactions reviewed is not consistently evident. The eConnect software contains a tool that could assist in documenting transactions that have been reviewed. This tool is currently not being used and could lead to inefficiency of reviews.
- Procedures have not been developed to address actions necessary in the event suspicious activity is detected. This could result in the inequitable treatment of employees.

Recommendation:

Management should ensure that the eConnect software functions are being fully utilized and that all reports are tested. Formal procedures should be developed and implemented to ensure efficiency and effectiveness of its application. The documented procedures should include required actions when suspicious activity is identified.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: March 31, 2016

Management is in the process of researching the feasibility of the use of eConnect LIVE Analyst to monitor activity on a periodic basis. We will identify the specific eConnect functions and reports that will be most beneficial to our operations, in order to more fully utilize the software. We will develop, document, and implement procedures related to those functions, including the testing and periodic review of the selected eConnect reports. The procedures will include corrective actions that will occur when anomalies or suspicious activity within eConnect reports are identified.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Observation 2:

User Access for eConnect Software

Formalized user access policies and procedures have not been developed to ensure compliance with requirements from the Information Security Operations Manual. This would include new user provisioning, consideration of segregation of duties and sensitive access, transfer and terminated user processes, periodic user recertification and vendor access to the software.

Recommendation:

As the use of eConnect expands to various areas of the Institution, management should consider formalizing the user access policies and procedures for this software, to include the following:

- new user provisioning
- segregation of duties and sensitive access
- transfer and terminated user processes
- periodic user recertification
- vendor access to the software.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Mary Ferguson

Observer: Wenonah Ecung, Ph.D.

Due Date: November 30, 2015

Management will formally document user access policies and procedures for eConnect. The policies and procedures will include, but will not be limited to, new user provisioning; segregation of duties and sensitive access; transfer and terminated user processes; periodic user recertification; and vendor access to the software.

Observation 3:

Cash Vault Controls

We identified opportunities to improve Dining Services controls related to independence of the vault cash count and physical security of the vault. The Finance Manager is required by policy to perform bi-weekly counts of vault cash to ensure the amount is correct. It came to our attention that this individual has knowledge of the vault combination and has daily access to the vault. As a result, there is a lack of segregation of duties between the person who has custody of the cash and the person who audits the cash.

We also found that badge access to the vault room had not been disabled for two terminated employees. In addition, we found that one staff cashier has key access to the vault room, which is in violation of Dining Services Policy. Funds cannot be properly safeguarded when unauthorized individuals are allowed to access the vault area.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Recommendation:

Management should ensure that separation of duties exists relating to the cash vault. Management should also disable badge access to the vault for terminated employees and ensure that only authorized individuals have vault access in accordance with policy. Management should perform periodic reviews of vault access logs to ensure only the appropriate individuals are granted access.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: September 30, 2015

Management will correct the current processes to improve the segregation of duties related to the cash vault audits. In addition, we will disable vault access for the two terminated employees identified during the audit. We will also conduct periodic reviews to ensure vault access by only active employees who are authorized in accordance with the Dining Services Policy.

Observation 4:

Independent and Random Cash Audits

According to UTS 166, Cash Management and Cash Handling Policy, random audits are critical to ensure the accuracy and safety of cash transactions. In addition, Dining Services Policy requires surprise, mid-shift cash audits. Our review revealed the following:

- Currently, instructions on the audit logs indicate that cash audits are not to be performed between the hours of 11:00 am to 1:30 pm and from 5:30 pm to 7:00 pm. While three supervisors occasionally perform some audits during these times, the majority of the audits are outside of these time frames. In addition, audits are consistently performed towards the end of each month. These practices establish a predictable routine which could provide greater opportunity for misappropriation of funds.
- We also noted that the supervisors or managers are performing the cash audits within their respective dining venues only. As a result, the independence of the cash audits could be compromised and collusion could occur and not be detected timely.

Recommendation:

Management should enhance processes to preserve the "surprise" element of the random cash audits. This includes ensuring that the audits are performed at any hour of the work day and at varying times throughout the month. In addition, management should explore the feasibility of periodically rotating supervisors and managers among the dining venues to ensure independent cash audits.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: September 30, 2015

Management will re-evaluate current processes for the random cash audits to ensure that the audit times are less predictable and not as restrictive. Where practical, we will also assign the cash audits among the dining venues in a manner that promotes independence and reduces the risk of collusion.

Observation 5:

Cashier Operations

During our onsite review of cashier operations, we noted that certain internal control practices were not being followed:

- Cashiers did not always provide receipts to customers, as required by policy. As a result, customers do not have an opportunity to determine whether they are being assessed the correct amount.
- Cashiers provided discounts to individuals whose employee badge was not visible, resulting in lost revenue. Dining Services Policy states that a customer must present a valid MD Anderson identification badge to receive a discount.
- Personal items, such as purses, are kept near the cash registers. In addition, some cashiers were observed taking personal items, such as wallets, into the vault room. By allowing cashiers to keep personal items near cash areas, it provides an opportunity for the comingling of personal and institutional funds.
- Cashiers do not always count all of the money in their individual register drawer, specifically those bills that are bundled together. In addition, cashiers do not always observe the supervisors counting their daily deposits. By not counting or observing the count of their individual funds, cashiers have no assurance that their daily deposits and remaining cash drawer are correct.

Recommendation:

Management should provide periodic training to cashiers to reinforce best practices and institutional policies surrounding cash handling. Periodic monitoring should also be performed to ensure proper practices are being followed.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: September 30, 2015

Management will develop a training program based on Dining Services Policy and institutional Cash Handling guidelines. We will conduct this training with the cashiers on an annual basis. In addition, we will develop and implement a monitoring process to assess the effectiveness of the training and ensure established policies and guidelines are followed. We will continue to pursue the installation of temporary and permanent employee lockers.

Observation 6:

Monitor for Excessive Voided Transactions

An item void is a method of cancelling an individual item from a single cash register transaction. These types of voids can potentially be used to conceal theft. Dining Services does not have a formal process in place to monitor excessive item voids. The Finance Manager periodically reviews cashier reports, but there is no documented comparative analysis to identify potentially fraudulent activity. As a result, misappropriation of funds through voided transactions could go undetected. In addition, no procedures exist to address the necessary steps to take when fraudulent activity is suspected.

Recommendation:

Management should develop a monitoring process for item voids. This should include a plan for addressing any issues identified as a result of the monitoring.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: November 30, 2015

Management will establish parameters and thresholds for item voids. We will develop and implement a monitoring process for identifying activity that falls outside of established parameters and addressing the issues identified. These enhanced processes related to item voids will be documented in policies and procedures.

Observation 7:

Return of Cash Funds to Treasury Services

Dining Services Policy requires that when a cashier is no longer working in Dining Services, their cash funds are to be returned to Treasury Services and not retained in the vault room. A completed Statement of Cash Fund Responsibility form is also to be submitted to Treasury Services along with the cash fund. We reviewed a sample of cashiers who were terminated from September 2013 through May 2015 and noted that 27 percent (9/33) of the Statement of

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Cash Fund Responsibility forms were submitted over one week and up to five weeks after a cashier's termination date. As a result, these funds are left unattended in the vault for an extended period of time which increases the risk that theft could occur.

Recommendation:

When an employee leaves Dining Services, management should ensure that Statement of Cash Fund Responsibility forms are completed and submitted to Treasury Services, along with the cash funds, in a timely manner.

Management's Action Plan:

Responsible EVP: Thomas Buchholz, M.D.

Owner: Daniel Kowalczyk

Observer: Wenonah Ecung, Ph.D.

Due Date: September 30, 2015

Management will improve our processes and controls to ensure cash is immediately returned to Treasury Services upon a cashier's termination and that the Statement of Cash Fund Responsibility is submitted along with the cash. We will coordinate with Treasury Services to determine a reasonable timeframe for the return of funds upon a cashier's termination.

Appendix A

Strategic Area: Operational Risk Type: Operational and Financial

Objective, Scope and Methodology:

The objective of this review was to review Dining Services' use of the eConnect software and provide an overview of cash handling processes at Café Anderson.

We performed the following procedures:

- Interviewed key personnel involved with the implementation and use of the eConnect software.
- Interviewed key personnel responsible for the administrative processes within Dining Services.
- Reviewed available eConnect queries and reports.
- Reviewed eConnect user list and compared it to the list of current employees to determine reasonableness of access.
- Reviewed Institutional and departmental policies and procedures.
- Reviewed the documentation for cashier audits and location audits performed by Dining Services staff for January 2015 through June 2015.
- Observed daily cashier operations, including cash count downs, at Café Anderson.
- Reviewed the access list to the Café Anderson vault room to confirm that only management staff had badge access.
- Observed the physical security at the Café Anderson vault room.
- Reviewed the Statement of Cash Responsibility forms for all cashiers who were terminated during fiscal year 2014 and fiscal year 2015.
- Obtained and analyzed all of Dining Services' cashiers' transaction voids for May 2015.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Number of Priority Findings to be monitored by UT System: 0

A Priority Finding is defined as "an issue identified by internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole."

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Appendix B

Key Reports Available Through eConnect

- **All Discounts** isolates an employee discounted item or check.
- **All Discounts > \$5** isolates all individual discounts greater than \$5, or all checks with a discount greater than \$5.
- **Cash Discounts** isolates all discounts where cash was the tender.
- **No Sale/Transaction Cancelled/Voids** isolates any time a no sale button is used to void out an entire sale.
- **Total due < \$1.08** sets a threshold for red flag for low priced items, presumably same amount as the lowest priced item on the menu. This is a large area of theft, where an employee enters the lowest priced item and gives additional or different items to customer.
- **Line item void** isolates a specific item or group of items that have been voided out.
- **Voids > 3/check** isolates whenever a certain number of items on a check are voided. Threshold can be adjusted higher or lower.
- **Employee clock in** tracks every time an employee signs into a register at the start of their shift or upon returning from a break or lunch.
- **Employee clock out** tracks every time an employee signs out of the register at the end of their shift or before taking a break.
- **Begin Checks** identifies the number of sales per employee at each location.
- **Drawer Open > 30 seconds** isolates if the cash drawer is open more than 30 seconds. This report is currently being used by Dining Services.
- **Total Due > \$100** flags any checks over \$100. This report is currently being used by Dining Services.
- **Cup of Ice** isolates when a cup of ice is charged. This is a large area of theft, where an employee enters a low priced item and gives additional or different items to customer. This report is currently being used by Dining Services.
- **Slice Bread** isolates when a slice of bread is charged. This is a large area of theft, where an employee enters a low priced item and gives additional or different items to customer. This report is currently being used by Dining Services.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.