



# **Plainview-Old Bethpage Central School District**

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## **Review of Food Services Point of Sale System**

**April 2015**

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The Board of Education  
Plainview-Old Bethpage Central School District  
Plainview, New York 11803



Board of Education:

We have been retained to function as the internal auditor for the Plainview Old-Bethpage Central School District (hereinafter, "the District"). Our responsibility is to assess the internal control system in place for the accounting function within the District, and to make recommendations to improve upon certain control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents, that the fiscal operations of the District are being handled appropriately and effectively.

### **PURPOSE OF REVIEW:**

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The District has contracted with Whitsons Culinary Group ("Whitsons") for the food service operations within the District. Whitsons provides the staff, food, and supplies (such as plates, napkins, utensils and trays) to serve meals. All food service equipment is the property of the District. The District has cafeterias operating in each of the following schools: Old-Bethpage Elementary School, Stratford Elementary School / K-Center, Pasadena Elementary School, Parkway Elementary School, POB Middle School, Mattlin Middle School, and JFK High School. Every school provides lunch, a la carte, and adult meals. Breakfast is only served at the high school. There is a dedicated register for collecting breakfast sales.

In 2013-2014 school year, the District initiated the point-of-sale system (POS) NutriKids and My School Bucks for the management of meal payments within the food services operations. With the implementation of a POS system, the District converted from manually recording sales and lunch counts for reimbursements to a fully automated system of reporting. In addition, the District also introduced "My School Bucks" online prepayment site for parents to set up prepaid student accounts and to track student purchases. We had last performed a review of the Food Services Department (report issued February 2009), when the District still used a manual cash intake and reporting system. The purpose of this review was to assess the internal controls within the POS system to ensure cash receipt, deposit, and reconciliation processes are adequate to prevent and detect errors that may arise. We also evaluated the online prepayment system to ensure that controls are adequate and that the necessary safeguards are in place to capture all transactions. The focus of this review was to answer the following questions:

1. Were controls in place to assure that all cafeteria revenue was real and properly accounted for?
  - a. Our procedures were designed to ensure that controls were in place to ensure cafeteria revenue remains intact from the time it was received, deposited in the bank, and posted in the accounting system. We assessed the controls surrounding revenue collection within the new point-of-sale system.
  
2. Was revenue deposited in the bank in a timely manner?
  - a. Our evaluation focused on determining if revenue received was deposited in the bank in a timely manner. We traced the source documents to the amount posted in the bank

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3. Were point-of-sale system controls in place to assure revenues were correct and complete?
  - a. Our evaluation focused on assessing the current controls within the new point-of-sale system. We verified that application controls were designed to ensure the complete and accurate processing of data, from input to output.
4. Were point-of-sale system controls in place to assure proper reporting of meal counts?
  - a. Our evaluation focused on assessing the current controls within the new point-of-sale system to ensure that information regarding free and reduced-price meals was accurate.
5. Was the District appropriately credited for their share of vending sales?
  - a. Our evaluation consisted of reviewing vending invoices, bank statements and contracts between the District and the vending company.

#### **SCOPE AND PROCEDURES PERFORMED:**

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The scope of this review entailed gaining an understanding of the point of sale and online prepayment systems and the related internal controls in the District to safeguard cash receipts. To accomplish this, we interviewed the Director of Food Services who is responsible for reconciling sales totals and generating reports. We also had discussions with those in the Central Office responsible for tracking cash receipts and performing bank reconciliations. Our procedures also included evaluating the flow of transactions through the NutriKids system from the point of sale to the recording in WinCap. Attribute testing was performed to verify proper documentation was generated, cash was counted under dual control, and deposits were made accurately and timely to the bank account. This test required a review of key documents, such as daily cash reports, bank deposit slips, various POS sale reports, and bank statements. Finally, we evaluated the process surrounding My School Bucks to ensure that the District is receiving all revenue from customer transactions.

#### **I. Cashier Transactions and Reports**

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NutriKids is an integrated cafeteria management system used for tracking and reporting sales at the individual schools, while consolidating sales data automatically to produce end-of-day district-wide summaries and reports. It is a computerized cashiering system that allows the District to potentially reduce a student's time on the lunch line with quick access to student accounts. All purchases and prepayments to accounts are posted in the system, and can be easily traced for account balance inquiries. The system provides full accountability for items, such as, the number of reimbursable meals, student account information, and bank deposit information. It also streamlines the student meal eligibility process by electronically processing applications for free/reduced-price meals.

Cashiers record cafeteria sales using a touch screen monitor to select a student or adult transaction, and to denote the type of purchase made. In addition, prepayments to student accounts can be entered by the cashier to the appropriate student account. Information is updated in real-time, allowing management to view activity at a particular site through the network. Furthermore, the sharing of information is essential to track meal charges, second meals, and to prevent the serving of several free meals to the same student.

At the end of the lunch shift (or breakfast shift), the cashiers do a reading, which is a total for the day, and indicate on the Daily Sales Report the number of free, reduced, prepaid, and total dollar sales of full paid, any prepaid collections, a la carte, adult and sales tax. The cashier takes the cash register receipts and prepares the bank deposit and the deposit detail (draw count report). The money is double counted

by two Whitson's employees and the bank deposit slip is created and signed by the same two employees. One copy of the deposit slip goes to the food service office and the other goes to the bank. Cashiers are not able to see individual register totals at the time of entering end-of-day cash amounts into the system. The threshold to investigate any discrepancy is under/over \$3.00 (per Whitson's policy handbook). Cashiers are rotated on a regular basis.

The bank deposit bags are picked up by a Whitsons' courier who arrives very close to the end of the lunch shift at each school. The schools have staggering lunch times so it is possible for the courier to arrive at the end of the shift. The courier signs a log that he/she picked up the bags. The logs are kept individually at each school as well as being kept in the Director's office. The deposit bags are put in a drop safe within the van. All deposits and reports are brought back to the office of the Director of Food Services located at the high school. The sales information is then entered into Whitsons' proprietary revenue system by either the Director of Food Services or the Administrative Assistant. The Director of Food Services will review cashier cash totals against end-of-day reports. The Director and the Administrative Assistant are responsible for the management of the cafeteria program in the District as well as providing the District's business office with the record of deposits, sales and meal counts, and revenue reported for all schools on a weekly basis. The Director is also responsible for depositing all monies collected from each school on a daily basis. The Director or the bookkeeper (in her absence) takes the bank deposit bags to the bank that day. The District uses First National Bank.

**Comment: With the implementation of a point-of-sale system, cashiers perform a true blind count, which is a better control when counting cash.**

A review of cash close-out procedures was performed at four different schools in the District. We observed the close-out of the registers, storage of petty cash left in the registers, cash count, recording of total sales in Whitson's accounting software application, Salesforce, and the transfer and sign off of money for storage to be deposited.

**Our observation at the JFK High School resulted in the following:**

For one register at the High School, \$224.98 in sales on 04/13/15 was collected. We were informed that \$100.00 in petty cash is left in the register each day and gets stored inside the Food Service Director's file cabinet along with the daily deposit. We noted the file cabinet remained unlocked with cashier drawer and bank deposit in it after our departure.

**Our observation at the Mattlin Middle School resulted in the following:**

One register dedicated to snack purchases collected \$46.10 in sales and one register dedicated to lunch purchases collected \$342.55 on 04/14/15. We were informed that \$25.00 in petty cash is left in the snack register and \$50.00 is left in the lunch register daily. Both cashier drawers are stored in the freezer overnight, and only two employees have keys to access the freezer. The daily deposits are locked in a desk drawer until the courier arrives for pick-up.

**Our observation at the Pasadena Elementary School resulted in the following:**

The Elementary School collected \$42.80 in sales on 04/14/15. We were informed that \$25.00 in petty cash is left in a box inside the kitchen stock room which is then locked overnight. The daily deposit is locked in a desk drawer until the courier arrives for pick-up.

**Our observation at the K-Center/Stratford Elementary School resulted in the following:**

The K-Center collected \$53.55 in sales on 04/17/15 and the Stratford School collected \$198.55. We were informed that \$25.00 in petty cash is left in each of the registers daily. The registers are locked in the till drawers and the keys remain locked in the cook's office overnight. We noted that both deposits were placed on the desk in the cook's office but were not secured upon our departure.

**Issue 1:** Cafeteria daily deposits are not being properly secured.

**Priority:** High

**Risk:** Leaving the cafeteria deposits unsecured can lead to an increased risk of loss or theft.

**Recommendation:** We recommend that the money be locked in a safe prior to deposit. This would help minimize the opportunity for misappropriation.

Sales data from each site in the District is consolidated by a computer in the Food Services Department. Reports can be printed for each individual school or district-wide. Separate recording of breakfast and lunch sales is performed, and a la carte and adult lunches are also entered and accounted for separately. Some of the reports provided are: Sales and Meals Counts, Cash Journal District-wide, Prepayment Summary, Tax Reconciliation, Free or Reduced Application Status, as well as rosters, letters (application and verification, low balance and overdue account), and Monthly Claim for Reimbursement Reports.

***Comment:*** During our review, we traced data from all seven schools for five days from the cash registers to the NutriKids end of day summaries, monthly reports, and bank statements to ensure timely deposits were made. We noted no exceptions. Furthermore, the District's monthly claim for reimbursement uses data from the POS system, rather than from a manual tracking of meals served. This automation reduces the risk of misreporting.

## **II. Prepayments and My School Bucks**

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The NutriKids system is programmed to accept student prepayments onsite at each school or through My School Bucks, an online prepayment system. Parents who conveniently prepay have the ability to track student purchases through their online account. In addition, each parent account can be set up to provide a reminder to add funds when the account falls below a certain threshold. When a student submits payment in the cafeteria, the cash or check is entered in the register and posted to the student's account almost immediately. When payment is made through My School Bucks website, payment is posted to the student account almost immediately.

My School Bucks' website functions as a gateway between NutriKids and Payment Processing, Inc. (PPI). Parents can log on to My School Bucks, and make a payment to a student account for a minimal transaction fee. Payment will be made against the parent's credit card on file. This causes the payment to be logged to a file that is transferred to the District to the NutriKids system. This information is also sent as an "authorized" payment to PPI, and the funds for this payment are "reserved" against the credit limit of the cardholder. Updated student account information is then communicated from NutriKids to My School Bucks website, and the parent's credit card is charged for the transaction.

**Comment: Student prepayment accounts can increase the speed of students moving through the cafeteria lines. Furthermore, prepayment accounts reduce cash handling by both students and adults, thus reducing the risk of loss or misappropriation.**

At the end of the month, the Business Office receives a daily batch report summary from My School Bucks which is reconciled against the monthly bank statement twice a month to ensure that all transactions have been received by the bank.

**Comment: As part of our review, we reviewed documents from September 2014 - February 2015, and noted no exceptions with respect to the flow of transactions from PPI to the bank statement.**

### **III. Meal Charging**

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When a student's account does not have sufficient funds, a meal could be "charged" to the District until repaid by the parent. The point of sale system tracks student charges, and unlike the former system of tracking charges on lists, accurate account information is available at each register. In addition, the Food Service Department can review trends in unpaid balances, and generate letters to be sent to parents notifying them of outstanding balances. Meal charges are tracked in the business office to ensure the amounts owed are under control.

**Comment: We noted during our on-site observations of cash close-out procedures, if one students' account balance is low, or if a student owes money, cafeteria personnel fill out a generic form, which gets sent to the main office and then sent home with the student to notify parents/guardian. If a student has more than ten unpaid lunches, a letter is generated from the School Principal and sent home.**

We reviewed outstanding student lunch balances as of April 13, 2015. A total of 496 students throughout the seven schools had outstanding balances totaling \$5,062.22. The highest outstanding balances occurred in both Pasadena Elementary School and Plainview-Old Bethpage Middle School, representing \$3,034.10 or 59.94% of the outstanding school lunch balance.

**Comment: We spoke with District Management who indicated that Principals receive information about negative balances and are proactive in obtaining monies owed. We discussed having a meal charge policy in our Risk Assessment issued December 2011, and we were informed that the Board rejected the formal regulation and did not wish to create a formal procedure for students who do not have money for lunch.**

### **IV. Free and Reduced**

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In order to determine who is eligible to receive a free or reduced-priced meal, the District follows a notification, application, and approval process. The Business Office informs Whitson's of those students who are eligible for free or reduced-priced lunches. Family applications, once received, are entered into a NutriKids module by the Food Service Department. The NutriKids system will determine whether a student is deemed eligible for a free or reduced-price meal based on the information that is entered by the Department.

**Comment: We confirmed that at the beginning of the year, the Business Office is verifying the accuracy of income eligibility guidelines, which is automatically updated in the NutriKids system against income data released by the National School Lunch Program.**

Once a student is deemed eligible for a free or reduced-price meal, his or her status must remain confidential.

**Comment: This confidentiality requirement is maintained through the use of register touch screens. Every student's account is displayed in the same format, thus eliminating the possibility of overt identification of a student as participating in a free or reduced lunch program.**

In October, the District also performs a verification process, confirming income eligibility or confirming that a student is a member of a household receiving government assistance. For verification, NutriKids's verification module selects a standard sample size from error-prone applications. An error-prone application is defined as an application that falls within \$100 per month of the income eligibility guideline.

**Comment: During our visit, we selected thirty out of 306 applications submitted by households to determine whether the applications were properly entered into the system. We reviewed the applications selected for income verification, and noted no exceptions in both application and verification processes.**

## **V. Vending Operations**

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The District outsources vending operations through Whitson's to a third party, Answer Vending, Inc. The District has a total of ten vending machines located in the JFK High School, Mattlin Middle School and POB Middle School. Answer Vending is responsible for both stocking the machines, collecting the revenue, and making the deposits from the machines. The vending machine company also services the machines, if needed.

On May 6, 2015 we met with Answer Vending to gain an understanding of their procedures and discuss the breakdown of invoices submitted to the District. At Mattlin Middle School, we observed two vending machines in order to verify the machine number, year-to-date sales amount, and year-to-date items sold in order to verify that electronic meter readings are being performed.

We reviewed all invoices from Answer Vending from September 2014 through March 2015 for transactions that occurred between June 2014 and March 2015. In conjunction with reviewing invoices we obtained bank statements in order to verify that the District received 100% of the total revenue generated. Next, we tested that the amount deposited into the District's bank account equaled the total revenue reported on Answer Vending's sales reports. Our review of the contract between Whitson's and the District entitles the District to 30% of total revenue from vending sales. We ensured that Answer Vending invoiced the District for 70% of total revenues collected for all the months we reviewed.

On May 8, 2015 Answer Vending provided a Sales Report for transactions made between February 26, 2015 and March 27, 2015 and March 28, 2015 through April 28, 2015 in order to determine whether the previous meter reading and current meter reading tie into the total revenue collected. We reviewed these invoices and noted no exceptions.

**Comment: After discussions with Answer Vending, we directed them to include meter readings on the sales report for all future bills to the District in order to assist the District in reconciling monthly bills.**

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We would like to thank the staff at the District for its cooperation and professionalism during our testing.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

*Cerini & Associates LLP*

Cerini & Associates, LLP  
Internal Auditors