

Town of Westport, Connecticut
Internal Audit Report for the Town of Westport's
Senior Services Division
Report IA 20-01

DRAFT

Town of Westport, Connecticut

Report on the Results of the Internal Audit for the Town of Westport's Senior Services Division

Table of Contents

	<u>PAGE</u>
Background and Scope of Procedures	1
Results of Procedures Performed:	
Procedures Performed, Findings and Recommendations	2-9
Other Notable Items	10
Assumptions	11
Reporting	12

DRAFT

Background and Scope of Procedures

Background

The Town of Westport, Connecticut's Department of Human Services ("DHS") is organized into three services areas: Youth Services, Social Services and Senior Services. The purpose of this internal audit was to focus on the Senior Services Division of DHS. This includes the Town of Westport's Center for Senior Activities ("WCSA") and the Senior Nutrition Program, collectively ("Senior Services"). During fiscal year 2020, the WCSA completed a \$3.9 million renovation resulting in additional programming space, increased capacity and enhanced offerings. The WCSA partners with the Friends of the Senior Center ("Friends"), a non-profit organization created to provide support and funding to the WCSA. The WCSA is open for operations 55 hours per week. In addition to offering programs that address the social, emotional and physical health of seniors, the WCSA also offers a high quality congregate meal program to its participants.

As a division of the DHS, Senior Services is governed by the Board of Selectmen of the Town of Westport. The overall responsibility for day-to-day operations resides with the Director of the WCSA, with oversight from the Director of DHS and the Town of Westport Finance Department.

Scope of Procedures

We were engaged by the Town of Westport, Connecticut (the "Town") to perform an internal audit of WCSA, which includes the following:

- Discussions with various Town, DHS and WCSA personnel;
- Review of various documentation and reports related to the WCSA programs and activities;
- Review of various documentation and reports of the Senior Nutrition Program;
- Review of the following areas:
 - Existing policies, procedures and job descriptions
 - Cash receipts process
 - Cash disbursement and credit card process
 - Payroll process
 - Client management system
 - Reporting process, and
 - Review of the relationships with the Friends of WCSA, including request of any documented agreements with this agency.

The procedures were performed for the period from July 1, 2018 through June 30, 2019. In certain areas indicated, procedures were expanded to include the period from July 1, 2019 through January 31, 2020. The specific procedures performed are detailed in the **Results of Procedures Performed** Section of this report.

Results of Procedures Performed

1: Review of Existing Policies, Procedures and Job Descriptions

Procedures

1. We obtained a copy of the Fiscal Year 2019 – 2020 DHS budget narrative, including a section related to WCSA.
2. We obtained the most recent list of employees for the DHS as well an organization chart for the Town of Westport's Finance Department.
3. We obtained a copy of the draft WCSA policy and procedure documentation developed to date.
4. We obtained a copy of the following job descriptions related to DHS and WCSA: Human Services Director, Nutrition Program Coordinator, Program Manager, Administrative Assistant I, Assistant Program Coordinator.

Findings

1. We noted based on our review of the draft policies and procedures documentation that the content of the document included scheduling information, privacy policy, health and safety policies, nutrition and meal schedule, and classroom policies. There are no written financial related policies and procedures currently developed.
2. Based on our review of the job descriptions and discussions with Town employees, it was noted that the job descriptions in some instances are not reflective of the duties and responsibilities of the individuals in the particular position.

Recommendations

1. We recommend the WCSA develop standard financial policies and procedures that include but are not limited to policies related to cash collections, refunds, cash disbursements, credit cards, collecting and accounting for donations, and financial reporting. In addition to financial policies and procedures, time management policies should be developed and monitored to ensure all employees adhere to and capture all hours worked daily.
2. We recommend the Town review the job descriptions in conjunction with the DHS and WCSA to update the descriptions to the current roles and responsibilities of these positions. In addition, include in the descriptions any changes in roles and responsibilities that will result in the anticipated hiring of additional employees, where applicable.

Results of Procedures Performed

2: Review of Cash Receipts

Procedures

1. A selection of twenty (20) of fifty-six (56) cash receipt transactions were selected for testing from the detailed general ledger for the period 7/1/2018 – 6/30/2019. All transactions over \$5,000 during this timeframe were selected, with the remaining items judgmentally selected from the general ledger. The population excluded donation revenue and interest income.
 - a. The cash receipt general ledger detail for each transactions was agreed to the supporting WCSA Register Totals Weekly Report ("Weekly Report"), which includes copies of the cash register tapes, checks and credit card reports.
 - b. The cash, check and credit card totals were agreed to the weekly report by type.
 - c. The deposits were agreed to the bank statements which noted cash versus check versus credit card transaction.

Findings

1. Based on our review of the 20 cash receipt selections totaling \$182,170, we noted the following manual adjustments to the cash register receipt tapes for cash, checks and credit card collections. The negative adjustments are reflective of amounts that are reductions to the original cash register receipt tape amount. The positive adjustments are reflective of amounts that are increases to the original cash register receipt tape amount. There is no documented approval required for adjustments to collections on the cash register tapes.

Town of Westport Center for Senior Services

Cash Receipt Testing Results

	Number of Transactions	Dollar Amount of Transactions
Cash Adjustments	5	\$ (599.01)
Check Adjustments	5	\$ (1,795.04)
Credit Card Adjustments - Number of Transactions	9	\$ 334.00
Refunds and Adjustments on Register Tape	15	\$ (4,895.50)
Total Transactions Tested	20	\$ 182,170.00

Results of Procedures Performed

2. During testing, we noted there is no documented review process in place for daily cash balancing. At the end of each day, the person who is collecting the money balances the register tapes to the weekly client program tracking file, which lists collections by day. There is no documented independent review of collections and the program tracking file unless there is a discrepancy or issue brought to the attention of the Director.
3. During testing, it was noted that there was a \$10.50 discrepancy between cash versus checks collected on the cash register tapes as compared to cash versus checks recorded on the bank statement. The variances offset each other to net to zero.
4. It was noted during testing there is no formal documented approval of daily refunds as noted on the cash register tape. If an error is made during the day in the cash register receipt tape, the employee inputs a refund and does not need approval. The dollar amount of refunds we noted during testing, also noted in the Table on page 3, was \$4,895.50. Subsequent customer refunds (those requested subsequent to the day of collection), are formally approved by the WCSA Director and a check is processed through the Town's accounts payable process.
5. The WCSA makes an effort to issue customer credits over refunds if a customer requests a refund. Customer credits are logged into a book manually by last name, and there is no approval process for customer credits or refunds. It was noted based on discussions with personnel that at times customers' credits may not be utilized if staff do not check the credit log.
6. Customer data and recording customer transactions daily is currently maintained in Microsoft Excel spreadsheets. These spreadsheets are updated daily as part of the collection process. Based on discussions with WCSA personnel, these spreadsheets are time consuming to complete and at times not user friendly.

Recommendations

1. We recommend that any adjustment to an amount collected or incorrectly keyed into the register tape be reviewed and approved by the Director or a senior team member in real time as the adjustment is recorded. Adjustments should not be approved by an employee at the same level as the person making the adjustment.
2. Daily, the cash collections reported in the cash register tapes should be reviewed and reconciled to the client program tracking file by an employee not posting the transactions.
3. As part of the daily review process noted in Recommendation #2, the process should include a reconciliation of cash versus check.
4. Daily refunds to customers should be reviewed and approved in real time and formally documented. In addition, the WCSA should implement more stringent guidelines on when refunds are granted.
5. Both the issuance and usage of customer credits should be formally approved and documented. These credits should be maintained electronically and not manually, and should be reflected in an electronic customer account. See Reporting Recommendations for further detail regarding maintaining /monitoring customer data.

Results of Procedures Performed

3: Review of Cash Disbursements and Credit Card Transactions

Procedures

1. We judgmentally selected twenty (20) selections from the general ledger. The selections included 5 items from the general fund account 530 and 15 items from the senior center fund account 223. We agreed the amount charged to the general ledger to the supporting invoice and approved purchase order. We reviewed the invoice for proper approval and traced the amount to a file copy of the check payment. We also reviewed the expense to the account charged for proper posting.
2. We selected three months, September 2018, January 2019 and May 2019, to test credit card transactions. We agreed the credit card invoice amount to the posting in the general ledger and to invoices to support the expenses. We reviewed for approval of the credit card activity by the employee who purchased the item and the Director of WCSA. We also tested the review of the credit card activity by the Finance Department. The charges to the credit card were reviewed for reasonable expenses that may be incurred in relation to the activities of the WCSA.

Findings

1. Program Instructors submitting their invoices to the WCSA vary from instructor to instructor, and at times do not include the level of detailed needed for proper reporting on the programs.

Recommendations

1. We recommend the WCSA develop a standard payment request form for all instructors to utilize that includes the necessary information such as, but not limited to, class days, class attendance, etc.

4: Review of Payroll Transaction

Procedures

1. We obtained information for one payroll period during fiscal year 2019, which included the general ledger and payroll register for the entire payroll. We then selected one employee from the WCSA for detailed testing. This testing included review of their approved timesheet, review of documentation of approved pay rate and a recalculation of payroll amounts recorded and reported within the payroll register.

Findings

No findings were noted.

Results of Procedures Performed

5: Client Management System

Procedures

1. The WCSA utilizes Client Track, a client management system, to maintain WCSA participant information. We discussed and reviewed the use of Client Track with Susan Stefenson, DHS Finance Administrator.
2. We discussed the use of Client Track with Sue Pfister, Director of WCSA and Denise Puskas, Administrative Assistant.

Findings

1. Clients are entered in Client Track by the WCSA if not already entered by the DHS. The WCSA does not run reports from this software for calculating program revenue expectations or any other financial activity. Their only use is the client notes feature.
2. Client lists are not routinely updated to remove inactive participants.
3. The WCSA has access to the information that is input into Client Track by the DHS. Some of the information within Client Track is covered under the Health Insurance Portability and Accountability Act ("HIPAA").

Recommendations

1. The WCSA should implement a system that allows for not only the tracking of participants but also provides the ability to register participants, take payments, provide for online registration and has financial and participant reporting capabilities.
2. Procedures should be documented that would describe when a participant would be removed from the client list in order to provide reliable data of clients served. These would include death or notification of move by the participant or a family member. A timeframe of inactivity should be specified that would determine when a client is removed from the list.
3. There are stringent requirements on the safeguarding of information that is covered under HIPAA. We recommend if the WCSA continues to use Client Track, their access be limited to information that is not covered under HIPAA requirements.

6: Financial Reporting

Procedures

1. We reviewed the program reports prepared in Microsoft Excel by the Administrative Assistant for tracking of program revenues. Each type of revenue is calculated on a separate spreadsheet. For example, art/creative classes for the fall and gym/fitness fall classes each have their own spreadsheet. The revenue for the class is calculated based on the number of participants, the number of classes and the participant fee charged. This is compared to the instructor fees for the class resulting in a net total revenue or expense for each class.

Results of Procedures Performed

2. We reviewed the reports received by the WCSA Director on a monthly basis. These included the budget to actual reports from the Town's Munis financial system for Fund 223 and Fund 530. The Director also receives copies of the reports prepared by the Administrative Assistant noted above throughout the month.

Findings

1. The Director does not have a real time financial system that will allow her to easily review the financial activity of the WCSA at any point in time. She is managing her budget by piecing together various Microsoft Excel spreadsheets and Munis reports.
2. The program reports are prepared in Microsoft Excel. Preparation is time consuming and the use of Microsoft Excel allows for human error in preparation. The spreadsheets only track participants who sign up at the beginning of the class, not those who join a class after the start date. Credits applied to the class are not calculated in the spreadsheet. Therefore, class revenue cannot be reconciled to what is collected.
3. The cash register does not have enough keys for all programs offered, therefore, several classes are posted to miscellaneous. These amounts are then handwritten out for each program.
4. Expenses are manually tracked on a copy of the purchase order by the administrative assistant.
5. Restricted donations are recorded with unrestricted donations.
6. Some of the expenses for the WCSA are incurred by other departments including public works and information technology. The WCSA Director does not have a full financial picture of all the costs incurred to run the WCSA operations.

Recommendations

1. We recommend the WCSA review the feasibility of implementing a program that will allow for the integration of client tracking along with financial reporting capabilities. This will reduce duplication of effort in registering the participant in the class and then manually calculating the revenue earned and provide the WCSA real time data on the financial activities of the WCSA. The WCSA is currently reviewing the My Senior Center software program. As part of the review of any third party software, the WCSA should determine their specific needs for the use of the software and incorporate these requirements into any agreement with a third party vendor. The WCSA should determine what types of reports they need, the registration capabilities (in person, online, credit card and other forms of payment, etc.) and any other features they determine are required for their operations. We recommend the WCSA consider the following:
 - a. The ability to run participant lists and information.
 - b. Program financial reporting and the ability to show the net profit from each program to determine if class fees need to be adjusted to cover additional costs.
 - c. Overall WCSA reporting which would allow the Director to see all revenues and expenses for the WCSA.
 - d. The ability to use budgets and budget to actual reporting.
 - e. The ability to import information from the software directly to Munis.

Results of Procedures Performed

- f. The ability to provide clients with a membership card that will allow them to "swipe in" when they come to use the WCSA. This would allow the WCSA to track foot traffic on a daily basis and provide data on the use of the WCSA which would include those who are not registered for a program. Staffing arrangements could also be scheduled around high peak times once trends were developed from this reporting.
 - g. Instructors should also have a swipe card which can be used to track when classes are given. Currently, if a class is cancelled, it is manually documented.
 - h. Inquiring of the Selectman's Office and Finance Department regarding financial data and information relevant for their use
2. In the shorter term, while WCSA is reviewing the feasibility of a implementing a new software system, we recommend the following to assist with financial reporting:
 - a. The employee preparing the spreadsheets should not perform this activity while assisting participants at the counter. The continuous interruptions to assist clients and answer phone calls requires the preparer to have to revisit where they left off in this manual process.
 - b. We recommend review of Client Track to determine if it can denote clients of WCSA only, and can participant reports be generated. If so, we recommend review and updating of the participant list.
 - c. The Finance Administrator should review the Microsoft Excel schedules developed by the Administrative Assistant to develop a format that would provide for accurate reporting of activity. This would include, inclusion of late registration and the application of credits used for classes to allow reconciliation of the revenue collected to the reports prepared. In addition, incorporation of pivot tables that summarized detail on the spreadsheets to reconcile to Munis reports.
 3. We recommend a reconciliation of the financial reporting done by the WCSA to the amounts reflected in the Munis software on a monthly basis.
 4. Restricted donations should be separately tracked to ensure the restricted funds are used prior to unrestricted or budgeted funds. We recommend that restricted donations be set up as separate projects or accounts that segregate the expenditures within Fund 223. This will enable WCSA to determine the amounts available to spend related to each restricted pool of funds.
 5. We recommend the WCSA have read only access to Munis to review the current encumbered balances for their vendors to eliminate the need for manually tracking activity.

7: Lunch Count

Procedures

1. Each day, the WCSA, supported by the Catholic Charities of Fairfield County ("Catholic Charities"), offers lunch to its participants and their caregivers through the Senior Nutrition Program. Envelopes are left on each table and participants and caregivers are encouraged to put money in the envelopes, but they are not required to do so. We discussed the process for the collection of the recommended donation for the lunch service with the Senior Nutrition Program Coordinator.

Results of Procedures Performed

2. We observed the lunch count on February 10, 2020. The envelopes were collected by the Senior Nutrition Program Coordinator. She counted the funds received and the Program Manager did a second count of the funds received. The funds were then placed in a blue bank pack and put in a drawer with a lock. The collections are deposited directly into Catholic Charities' bank account each Friday.
3. For the period of July 2019 through the week of March 11, 2020, the average daily collection was \$189 per day.

Findings

1. After the cash bag was put in the drawer, the drawer was not locked.
2. Caregivers under 60 years of age accompanying a senior are supposed to pay \$10 for the meal. These funds are collected as part of the recommended collection which is anonymous.

Recommendations

1. We recommend any collected cash should be retained in a locked drawer or safe at all times.
2. We recommend the WCSA discuss the procedure for collecting the fee for caregivers under 60 years of age with Catholic Charities to determine if this fee should be paid to the WCSA and not collected as part of the anonymous donation.

8: Friends of the Westport Senior Center ("Friends")

Procedures

1. Reviewed the Board listing for the Friends to determine if there was any control by the Town of Westport over the Friends.
2. Interviewed the Director and Administrative Assistant on how the WCSA requests funds from the Friends. We reviewed copies of invoices from Crown Trophy dated 1/29/20 and Party City that were charged to the Town's credit card. It was noted that the expenses were for a celebration and engraving to honor a senior. The originals were sent to the Friends along with WCSA's check request for reimbursement. We reviewed check #1064 dated 2/6/20 from the Friends in the amount of invoices requested for reimbursement.

Findings

No findings were noted.

Other Notable Items

During this process, we noted the following items not originally included within the scope of this internal audit, however, noteworthy.

1. The WCSA sends out a Constant Contact Newsletter to its participants periodically. We recommend this newsletter be posted on the Town's website to ensure easy access of information to all senior residents.
2. The WCSA should develop a succession plan for the Director position. This plan should include who would assume the position in case of an emergency as well as the qualifications of the person to take over the position in the event of retirement or separation of employment. This plan should be reviewed periodically for any changes.

DRAFT

Assumptions

In performing our analysis, we made the following assumptions:

1. Judgmental sampling was used to select transactions for testing. The items selected were based upon our experience and training. We do not provide any assurance on the transactions we did not test.
2. The general ledger activity provided was complete.
3. The supporting documentation (unless otherwise noted) was the original documentation. The information we reviewed that was not original documentation included bank statements and some of the invoices.
4. All available documentation related to the items tested was provided.
5. All information obtained from our interviews of the WCSA staff was complete and accurate.

DRAFT

Reporting

Update of Report

We reserve the right to update our report for any new, revised or corrected information that become available subsequent to the issuance of our report.

Restrictions

This report is intended solely for use of the Town of Westport, Connecticut Senior Services Division and should not be used for any other purpose without our prior permission for each occasion.

The validity of this report is predicated on the extent to which full, honest, and complete disclosure was made to all parties.

CohnReznick LLP
Hartford, Connecticut

DRAFT