

Management Response to Audit Findings FY 2017 Audit (8/08/18)

Finding:

Cash Transactions

Certain vendor charges were not recorded because they were expected to be credited back to the organization the next month. Therefore, the charges reflect as reconciling items on the bank reconciliation at the end of the month. The practice of not recording all activity on the bank statement presents a risk that other activity could be concealed in the same manner.

Recommendation:

As sound accounting practice, we recommend that all transactions be recorded on the books for management. Charges expected to be reimbursed could be posted as a receivable and then offset when the reimbursement is received. This would allow management to have complete information for decision making.

Management Response:

The retail stores pin-pad vendor withdrew fees from the Goodwill operating account in error. This error was noticed by Goodwill's finance department who then contacted Verifone to request an immediate refund. The refund was granted. However, the transaction for the withdrawal and the subsequent refund was inadvertently not recorded. This should not have happened. Going forward, the actual transaction count will be scrutinized to ensure that it matches the count in the general ledger. All bank reconciliations are being reviewed carefully to ensure that the only items listed as reconciling items are deposits in transit, outstanding checks, and in rare occasion any items posted to the general ledger in the previous month prior to bank settlement. The Lead Accountant reconciles the bank statements, signs and dates it once complete and then the VP of Administration reviews for accuracy, signs and dates it after review is complete.

Finding:

Undisclosed Cash Accounts

During the year, the Organization became aware of a cash account that was setup using the Organization's Federal Employer Identification Number (EIN). This account had not been recorded in the Organization's general ledger and controls were not in place. The account is being used for the benefit of Goodwill Southeast Association and the cash transactions are being processed and managed by a former Goodwill employee. Upon discovery, management began the process of changing the EIN on the account. We understand that this account was set up under a previous administration and that the current administration has taken appropriate steps to correct the matter. .

Recommendation:

We recommend the Organization to make sure all accounts owned by the Organization are on the books

Management Response:

Upon discovery of this account, Goodwill of South Mississippi immediately notified the current Southeastern Association representatives that the Southeastern Association needs to obtain their own EIN. Goodwill of

South Mississippi board of directors was immediately informed that this account was under our EIN. An attorney was appointed by the SEA. Since then, an EIN has been established. At this time, we are waiting on the Articles of Incorporation in order to move the account over to the SEA's EIN. Expectations are that the SEA account will be completely transferred over by year-end 2018.

Finding:

Voids

Voids of sales present a unique risk to retail entities because cash can be pocketed and the transaction voided to cover the loss. During the year, the Organization implemented a point-of-sale system, along with controls over processing the sales voids. However, there is no procedure in place to review voids on a periodic basis. The risk is that if controls are circumvented, management may not identify the situation.

Recommendation:

We recommend a listing of voids be reviewed by the Retail Manager or Regional Managers on a weekly or monthly basis. Any unusual transactions or fluctuations should be investigated as considered necessary.

Management Response:

Permission to process voids is only given to key management personnel in the store. These security controls are setup through our point of sale system. Store Managers will review voids for abnormalities on a monthly basis. Any unusual activity will be reported immediately to the Vice President of Retail. The lead accountant will review the voids on a quarterly basis to ensure that there are no abnormalities.

Finding:

Payment of Paid Time Off

Testing of payroll revealed that Paid-Time-Off (PTO) was incorrectly excluded from an employee's paycheck. Under the old system of using timecards, there were no preventative or detective controls to ensure that PTO hours are properly posted.

Recommendation:

We recommend that management evaluate the controls within the new payroll tracking system to ensure employees are not able to be under or over paid.

Management Response:

With the implementation of our new HRIS (Human Resource Information System), employees will now be able to submit all PTO requests electronically. Managers will then either approve or deny the request. If approved, these hours will automatically flow over to the employee's time sheet and will be paid accordingly. The HRIS will also track PTO balances.