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Lessons from the Private Sector: Internal Controls over Employees Who Collect Cash

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Organizations that collect significant amounts of cash go to great lengths to keep their own employees from stealing from them. Internal controls over employees who collect cash are often visible in venues such as big box retail stores, movie theaters, parking lots, and golf courses. Governments can learn some lessons from these organizations on how to help keep their cash safer.

Protecting the Point of Sale

The most important internal controls at the point of cash collection revolve around three primary concepts:

- **Make sure every sale is rung up on a cash register.** This step is critical because the cash register entry becomes the initial accounting record of the transaction. That initial accounting record needs to be reconciled to the amount of cash collected at the end of each shift. Requiring employees to provide a receipt to every customer is a way of assuring that employees ring up every transaction, which discourages anyone who might be tempted to pocket the cash.

- **Reconcile the amount of cash collected to a predicted amount.** The amount of cash should also be reviewed to make sure the amount is reasonable, compared to an independent source. For example, a retail store will compare cash collected to inventory reductions, and a movie theater will compare the amount of cash taken in to the number of tickets issued.

- **Make sure employees know that strong internal controls exist.** Employees should know that the organization's internal controls are strong enough that they would likely be caught if they decided to steal.

Private-Sector Precautions

Every day, you see examples of internal controls that organizations use to protect themselves from theft by their own employees, although you may not always recognize them:

- **The role of receipt checkers.** Customers are sometimes offended by this practice, assuming that the primary point of looking at shoppers' receipts when they walk out of the store is to make sure nobody is stealing the merchandise. But that's not what they're doing. Shoplifters hide what they don't pay for. The receipt checkers are there primarily to make sure clerks are ringing up all goods at the cash register. If the clerk doesn't issue a receipt, or if all the goods are not included on the receipt, it can mean the clerk is pocketing the amount he or she didn't ring up, or isn't charging friends for some items.

- **If you don't get a receipt, it's free.** Fast food restaurants and golf courses often post signs telling you to notify the manager if you don't get a receipt, and your purchase will be free. This is a way of encouraging customers to inform management if employees are stealing. Cash registers automatically generate a receipt for each sale that's rung up, so if there's no receipt, that usually means the employee failed to ring up the sale, and therefore he or she might have taken the cash.

- **Movie ticket redundancy.** Why do we have to buy a ticket at the booth, then walk a few steps, and then give the ticket to a ticket-taker? Wouldn't the theater save a lot of money (and a certain amount of hassle to consumers) if they would just take our money and let us in? But there's a point to this practice, which creates a way to check that the clerk at the ticket booth is turning in all the money collected. The theater reconciles the number of tickets collected with the amount of cash collected.

- **Parking attendant limitations.** I recently dropped my monthly parking pass while leaving the parking garage, and the gate closed before I drove out. My pass would not reopen the gate, so I notified the parking attendant, who informed me that he wasn't able to open the gate without ringing a sale. I had to wait until a manager could be located to let me out. The point of this parking lot procedure is to avoid theft. If the attendant had been able to open the gate without ringing up a sale, he would have been able to collect cash, open the gate, and pocket the money.

Conclusions

Internal controls like the ones described above are necessary when employees are handling large amounts of cash because, unfortunately, a percentage of people will steal if they believe they won't be caught. Government operations that collect significant amounts of cash need enough visible internal controls to lessen the temptation by making sure employees know that someone is paying attention.