



**CITY OF COLORADO SPRINGS
OFFICE OF THE CITY AUDITOR**

**08-13 – MEMORIAL HEALTH SYSTEM
CAFETERIA INTERNAL CONTROLS**

PUBLIC REPORT

SEPTEMBER 3, 2008

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Office of the City Auditor

Public Report

Date: September 3, 2008

To: Honorable Mayor and Members of City Council
Members of Memorial Health System's Audit Committee
Members of the Memorial Health System's Board of Trustees

Re: 08-13 – Memorial Health System Cafeteria Internal Controls

We performed an audit of the operations of Sodexo America, LLC at Memorial Health System Cafeteria located at the Central and North locations.

The objective of this audit was to evaluate the adequacy of the internal control environment as it relates to the operation of Memorial Health System cafeterias. We also evaluated the adequacy of current polices and procedures in place to ensure proper safeguarding of the hospital's assets. Our audit period was from June 2006 to February 2008.

We conclude that overall, the internal control environment as it relates to the operation of the cafeterias was adequate and there were polices and procedures in place to ensure proper safeguarding of MHS's assets. We have no findings or recommendations to report.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Litchfield".

Jeff Litchfield
City Auditor

cc: Dr. Larry McEvoy II, Chief Executive Officer
Tracy Narvet, Interim Chief Financial Officer
Deborah Oleson, Area General Manager, Sodexo
John Wyckoff, Compliance Officer

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE

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Findings, Recommendations, and Responses

There were no findings or recommendations for this audit.

Introduction

AUTHORIZATION

We performed an audit of the operations of Sodexo America, LLC at Memorial Health System Cafeteria located at the Central and North locations. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the City Code, and more specifically parts 703, 705 and 706, and Part 709 (B) and (C) of the Code, which state:

1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department or group managers and by the City Manager, Utilities Executive Director and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives.

1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.

1.2.709: MAKE PERIODIC REPORTS TO COUNCIL:

- B. Information of proposals deemed expedient in support of the City's credit, and recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management;
- C. Matters concerning the effectiveness and efficiency of the programs and operation of the City;

Introduction

ORGANIZATIONAL PLACEMENT

The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entities in this audit were Sodexo America, LLC, an external contractor and Memorial Health System, which is an enterprise fund of the City of Colorado Springs under the direction of its Chief Executive Officer. The Chief Executive Officer reports to the Memorial Health System Board of Trustees, who are appointed by the City Council.

SCOPE AND METHODOLOGY

The objective of this audit was to evaluate the adequacy of the internal control environment as it relates to the operation of Memorial Health System cafeterias. We also evaluated the adequacy of current policies and procedures in place to ensure proper safeguarding of the hospital's assets. Our audit period was from June 2006 to February 2008.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. Our audit included such tests of records and other supporting documentation as we deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

BACKGROUND

The Management Agreement between Memorial Health System and Sodexo America, LLC was entered into as of April 2, 2005 for a term of three years. An amendment was signed on December 11, 2006 which authorized Sodexo to provide nutrition services at Memorial Health System North location. Memorial Health System North location cafeteria opened in April 2007.

Memorial Health System Nutrition Services issued policies and procedures in January 2006 to ensure accountability, stewardship, and compliance with standard cash control procedures. These policies and procedures detail how cashiers run the cash registers, how money is taken from the cash register and by whom it may be taken. They also detail discount and refund policies.

Sodexo America, LLC provides essential food and facilities services to hospitals across the country. At Memorial Health System Central and North locations they provide dining services for volunteers, employees, patients, and guests that come into the hospitals. Sodexo also provides in room food services for all patients staying at the hospitals.

OVERALL OPINION

We conclude that overall, the internal control environment as it relates to the operation of the cafeterias was adequate and there were policies and procedures in place to ensure proper safeguarding of MHS's assets. We have no findings or recommendations to report.