

## ACCOUNTING CONTROLS

### Introduction

Accounting fraud often results in loss to the hotel and possibly an increase of its operating cost. This chapter focuses on accounting control in relation to procurement and inventory systems. The malpractice commonly found includes compromised staff accepting advantages for speeding up payment on receipt of invoices from suppliers; delaying collection of outstanding payments or debts owed to the hotel; defrauding the hotel by making double payments on forged invoices; or stealing hotel goods and covering up by exaggerating losses or damages. An effective control mechanism could help the hotel managers detect and deter the malpractice.

The control measures suitable for adoption in various hotel operations are detailed in the following paragraphs.

### Credit Policy

As hotels may grant credit facilities to some clients, it should have a credit policy, specifying:

- the **level of authority** for approving credit limits to customers (e.g. travel agencies) and writing off debts;
- the policy and procedures for **monitoring payments**; including regular reviews of outstanding payments and accounts on hold to detect irregularities; and
- **regular reporting on irregularities and bad debts** to the management.

### Reimbursements

Hotels should establish **procedures for reimbursements** including the requirement for documents in support of claims for reimbursement of entertainment, travel or other expenses incurred by staff in performing their official duties.



## Internal Controls

Effective **internal controls** could be achieved through the following ways:

- install a **Closed Circuit Television System (CCTV)** in the room where the safe is located and restrict access to the master key to one person to enhance accountability;
- **segregating the duties** of cashiering and bank reconciliation where practicable;
- assign an independent staff member to conduct **surprise revenue checks**, i.e. the cash holdings against the records maintained at the operating departments to detect and deter any irregularities;
- scrutinize the **authorization** of all **void and adjusted bills**, in particular F & B bills; and
- **analyze the purchase orders** periodically for indications of favouritism to individual suppliers.

## Control Over Buffet Bills

A common malpractice is that waiters may pocket the money paid by customers by using repeatedly the same bill for settlements of buffet charges. The following safeguards to prevent manipulation are recommended:

- Make it a rule that once the customers are seated, **a bill should be prepared and initialed** by the waiter/waitress serving them, recording also the time.
- The supervisor should **randomly check** the bills held at the payment counter against the tables of guests with a view to detecting irregularities (e.g. no bill has been prepared for a table of guests who have been seated or a bill prepared has been outstanding for a long time).



### Cake Shop Revenue

- The **business volume** should be **reviewed** periodically to detect any abnormal business pattern and transactions.
- If any malpractice is suspected, the hotel may engage **independent third parties** (not known to the waiters/waitresses) to patronize the restaurants and report their findings to the management.

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The cake shop in a hotel is very often manned by one or two staff members. There have been allegations of misappropriation of cash and manipulation in the disposal of the cakes unsold. The following safeguards could help ensure the revenue of cake shops is properly controlled:

- **Good accounting practices** should be established, such as safekeeping of cash and daily reconciliation of revenue with the record of stock.
- Supervisors should make **regular surprise stock checks**.
- **Revenue** of the cake shop should be reviewed periodically to help detect any irregular pattern and deter malpractice.
- **Irregularities** identified should be **handled properly and promptly** and there should be **a system of reporting** to the management.
- **Good disposal practices** should be adopted, such as the requirement for authorization and documentation.

### Waiver of Charges

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Hotels should establish the policy and procedures for waiving charges by designated staff in unusual circumstances, e.g. parking fees, loss of parking tickets by hotel guests or damage of hotel property. A waiver of fees on each occasion should be fully justified and recorded for audit review.