

The Night Audit

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Introduction

Night audit routines vary from one hotel to another, depending on various factors: the size of the establishment, its accounting practices and the use of Management Information Systems. In this lecture we will look at a common automated routine, but this is not to be taken as a standard of what occurs in Industry – but rather what can be *typically* expected.

The Night Auditor

A night auditor is not simply a night receptionist, although some may say that some automated routines have in fact downgraded the night auditor's role to one of a night receptionist or keyboard operator.

Even where the night audit is heavily automated the night audit still requires attention to accounting, procedural controls and guest credit restrictions. The auditor is also expected to be familiar with the nature of transactions affecting the front office accounting system, and will invariably also produce a number of standard operating statistics.

Does the night auditor belong to the Accounts department or he is an integral part of Front office?

This will depend on the organisational setup of the hotel, but there are some instances where the night auditor is responsible to the Accountant or Financial Controller – especially where the Auditor is simply employed to run the Night Audit and perform audit checks. In cases where the auditor also performs front office tasks –

including check-in, guest cashiering and check-outs he will almost certainly report to the Front Office Manager.

End of day

The end of day is simply that time defined by hotel management which is considered the end of an accounting (hotel or business) day. This does not necessarily coincide with the beginning of a new calendar day, as often it will be established as either the closing time of food and beverage outlets or the last guest arrivals. Where the hotel has a 24-hour catering operation, the closure of the majority of catering outlets will normally indicate the close of the business day. Typically the business day ends when the night audit begins.

From the moment the night audit commences and until it is finished any transactions that occur (including telephone charges, food and beverage charges etc) are charged on the following business day. The period when the night audit is taking place is referred to as *audit work time*.

Operating modes

Night audit procedures may be performed manually (non-automated), mechanically (semi-automated) or electronically (automated). The manual method makes no use of electronic systems, the semi-automated process refers to the use of the account posting machines whilst the automated method refers to the use of Management Information Systems.

The Night Audit procedures adopted will depend on the operating mode used – however the process itself has common characteristics described below. It is generally agreed that where the process is fully automated the night audit routine will allow the auditor to concentrate on auditing specific transactions.

The Night Audit Process

The Night Audit process focuses on two areas:

- **the discovery and correction of front office accounting errors.**

The audit ensures the integrity of front office accounts using a cross-referencing process. Guest and non-guest accounts are compared with source folios/documents from revenue centres. Discrepancies found are tracked and corrections made to ensure the system is in balance.

- **the creation of accounting and management reports.**

These will invariably include statistics and important operating information that will include average room rate, occupancy percentages, usage of package plans, number of rooms assigned to groups, complimentary rooms etc.

Do we have to have a night audit process?

The question is valid especially when one considers that most computer based systems will allow for continuous online reporting. In such instances the audit may take place at any time during the day, however there will always be system checks and reports that must wait till the end of the business day.

We will now look at the steps that are common to the sequence of a night audit from an operational perspective. (For more detail refer to Kasavana, p. 277)

1. Complete outstanding postings

The auditor must ensure that all postings have been affected. This normally means waiting for the arrival of all food and beverage (including banqueting) bills and more importantly ensuring that they have been posted. Unless transactions are posted on that same day, there will be errors in account balancing and summary reporting will be complicated unnecessarily. To ensure that all postings have been made the Night Auditor may place the department chits in numerical order and check that they have all been accounted for.

2. Reconcile Room Status Discrepancies

In manual systems the night auditor will compare the daily housekeeper's report and the front office room status system. The auditor must then review front office and housekeeping department reports to reconcile and finalise the occupancy status of all rooms for a given night. Where there is a discrepancy the Night Auditor must follow the audit trail to ascertain the true status of the room – it will often be simply a case of misreporting and a physical check may solve the problem. However, it may be the case that whilst Housekeeping are reporting a room to be vacant there is still a pending guest folio of a guest who left without intending to check out (i.e. a walk-out). In a computerised front office system the processes are normally linked together, and few room status discrepancies should occur.

3. Balance all departments

To discover posting errors, it is recommended that departments are first balanced. This is the process that ensures that front office accounts (room folios, city ledger folios, cash accounts etc) balance against departmental transaction information. By checking that the accounts balance we are not assured that the transaction has necessarily been made to the *correct* account. Unless each

individual transaction is checked there is no way of auditing whether a correct charge has been made to the correct room. Where the front office accounts and the revenue department account do not tally the night auditor must investigate the anomaly and correct it. In automated systems the balancing is done automatically as the system will ensure that whenever a posting is made on a room or other account it originates from a department.

4. Verify room rates

In manual and semi-automated systems this is essential. Some hotels using automated systems may require that room rates are completely or randomly checked against the original reservations. It is important that the right room charges are made to ensure that statistical reports are correct.

5. Verify no-show reservations

It is the night auditors' responsibility to verify no-shows and where applicable affect no-show charges (this will apply where the reservation had been guaranteed). Sometimes no-show reservations are duplicate bookings, in other cases the room may actually be physically occupied but the check-in process has not been completed. It is important therefore that the auditor ensures that no shows are indeed no shows!

6. Post room rates and taxes

Room rates are normally charged at the end of the day, though it may be possible on some computer systems to generate a room charge for the entire stay, or to charge the room rate earlier in the day if the guest would like to settle his account earlier. To ensure accuracy of rates it is recommended that hotels with automated systems use rate codes – these will ensure the accuracy of the charge made as well allow for improved statistical analysis. In a manual system the charge must be made manually ... a fairly tedious and time-consuming process!

7. Prepare reports

Typical reports prepared by night audit include:

- final department detail and summary report
- daily operations report
This report summarises the day's business and provides insight into revenues, receivables, operating statistics and cash transactions.
- high balance report, which identifies guest accounts which are approaching an account credit limit.

- group room report
- complimentary room report

8. Deposit cash

The night auditor may be required to prepare a front office cashier shift report with all the day's earnings (including cash payments, credit and debit card payments etc.) and include a cash deposit. This report is normally then taken in the morning by an Income Auditor who then proceeds to deposit the cash in the bank.

9. Clear or backup system

In manual or semi-automated systems all balances are cleared to '0' – hence the use of the term 'Z' reading – Zero reading. In a computerised system this is triggered off by the audit which normally requires that a physical backup is taken of the data followed by a system update, which will move the system's clock to the next day. Prior to the backup being taken (this may take a while) Front Office systems are often programmed to produce end-of-day reports that will include: guest lists, room status reports, guest ledger reports, arrivals and departures reports etc. These reports are required in the case of an emergency during the backup process or if due to the backup or system update the computer system becomes inoperable. They may also be required by the hotel's marketing department.

10. Distribute reports

When the process is finalised the Night Auditor must ensure the relevant reports are distributed to authorised individuals. He may also be required to print further reports as required by individual departments and outlets.

Bibliography

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