



THE EVALUATION OF THE INTERNAL APPLICATION SYSTEM OF CASH EXPENSES CONTROL IN DRINKING WATER COMPANY

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Abstract

Accounting, in general, is a system of producing financial information used by users in the business decision-making process. Cash is an object that is often poorly represented because cash is the most valuable of all assets and can be transferred quickly, and everyone needs it. This study aims to determine the effect of the internal control system on cash receipts at drinking water companies. This study uses a qualitative approach. The data is collected through interviews and documentation.

The results showed the evaluation of the implementation of the internal control system on cash disbursements in the company. The internal cash control system for cash sales is sufficient for several functions, namely capacity functions, cash functions, accounting features, and the documents used, namely the sales function, cash function, and accounting function. The records used are cash income and inventory cards, internal controls, daily accounting records with accounting features, and cash functions to compare cash balances according to records with their sales. Physical cash, so they happen the same between the two.

Keywords: Evaluation, Internal Control System, Cash Expenditure

INTRODUCTION

The era of development of the business world today is very fast. This situation is marked by the strong competition in the business world to maintain and improve its business. The internal cash control system for cash sales is sufficient for several functions, namely capacity functions, cash functions, and accounting features. As well as the documents used, namely cash sales invoices, cash registers, and daily cash registers. The records used are cash income and inventory cards, internal controls, daily accounting records with accounting features, and cash functions to compare cash balances according to records with their sales. Physical cash, so they happen the same between the two. One form of cash management is the control and supervision of all cash activities in the company's operational activities.

Supervision and control carried out by the company's management depend on the size of the trim level or the level of the company's due. Therefore, with the increasing complexity of the company's activities, it is necessary for management tools to implement controls. The tool in question is an internal control system.

Internal control is a supervisory technique, namely the overall supervision of the company's activities, both regarding the company's organization and the system used to run the company, and the tools used by the company are no exception. Internal control checks the correctness of the numbers and protects company assets in terms of bookkeeping and pays attention to the company's organizational structure, improves work efficiency, and analyzes the

success of a management policy. Therefore, internal control must be monitored and evaluated so that the benefits of internal control are efficient and effective and can be accountable.

In the needs of daily life that are very important for humans, it is the need for clean water, either for consumption or daily needs. This clean water is used for domestic, social, and industrial needs and as raw material for business production. The fulfillment of these needs must always be available without clashes and healthy. Clean water has become a necessity and concerns many people's lives, so we need a professional body or organization to manage the need for clean water. One of the clean water companies in Indonesia is a government company named the Regional Drinking Water Company (PDAM). One of the regional companies that serve the provision of clean water to consumers. The business process includes the sale of clean water for various needs ranging from household, social, industrial, and business use.

Regional Drinking Water Company is a company engaged in services. It is a Regional Owned Enterprise (BUMD), so the source of cash receipts is different from that of cash receipts in manufacturing and trading companies. Given the cash receipts process contains vulnerabilities in embezzlement and misappropriation of cash, it is necessary to have a good cash receipts accounting system.

Therefore, a study can be seen in the financial statements in this case. Every business management company still needs cash. Cash is needed to finance society's daily operations and contains new investments. In the company, cash inflows are *continuous*, which come from sales. The sale will occur continuously, which allows the company to carry on its business. Good sales will bring the company to the goals it wants to achieve. In a company, sales activity is one of the most important, considering that this activity will generate company income.

In addition, company leaders also need a tool to oversee the course of the tasks entrusted to their subordinates and find out the company's progress. We need a system that is better known as the internal control system.

A well-designed internal control of the organizational structure. There is a division of functional responsibilities to organizational units formed to carry out the company's main activities, such as the separation of operational functions, storage functions, and recording functions. One of the assets owned by the company is cash. Cash needs attention alone because it is very easy to move and cannot be proven. This situation will certainly encourage the company to carry out internal control of cash receipts.

The company implements an internal control system to support managing its activities. This system has adapted the circumstances and conditions of each company du the various types

and forms of companies. The internal control system is a system that includes an organizational structure, methods and coordinated measures to maintain organizational wealth, verify the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies. (Mulyadi, 2018).

The company's internal control system is carried out to avoid leakage during the cash and determine whether the management system is implemented properly. This company has a good job description. However, according to the internal monitoring unit at implementation, the separation of duties and authorities is still not following what has been implemented.

The author conducted a study on a Regional Water Supply Company's cash receipt system in one of Indonesia's regions. The problem of this study is how to evaluate the implementation of the internal control system on cash revenues in regional drinking water companies?. And the objective to be achieved in this study is to determine the evaluation of the implementation of the internal control system on cash revenues at the regional drinking water company.

Internal Control System

The internal control system includes an organizational structure, coordinated methods and measures to protect organizational assets, verify the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies. (Mulyadi, 2018). The internal control system is a set of policies and procedures to protect assets or property from harassment, ensure accurate accounting information, and ensure that all legal/legal provisions and management policies have been complied with or carried out properly by all employees Company (Hery, 2019).

Internal control is an activity that is very important in achieving business goals. Similarly, the business world has increased attention to internal control. Internal control is all organizational plans, methods and measures chosen by a commercial activity to secure its assets, verify the accuracy and reliability of its accounting data, improve operational efficiency and support compliance with policies. established management. (Anastasia and Lilis Setiawati, 2015).

Purpose of Internal Control System

The internal control created in the company must have a purpose, namely that the company can work following the regulations to minimize errors that cause harm to society. Some of the objectives of the internal control system are: 1) Maintaining organizational assets,

namely, a good internal control structure will reduce the possibility of misuse, theft, and fraud that can arise in the company's activities. 2) Checking the accuracy and reliability of accounting data. Management is interested in the financial information being researched and relies on accounting. Accounting information is used by management as a basis for decision-making because accounting data reflect changes in company assets, and the accuracy and reliability of accounting data reflect the responsibility for using company assets. 3) Encouraging efficiency, namely control within an organization, is a tool to prevent unnecessary waste activities in all aspects of the business to reduce the use of inefficient data sources. 4) To achieve the objectives of the company, management establishes policies and procedures to encourage compliance with management policies, namely. Control structure internal management is designed to provide adequate assurance that the policies and procedures established by the company will be complied with by all employees (Mulyadi, 2018).

The objectives of internal control are 1) Reliability and integrity of information. The "information and communication" control component fully describes and includes these objectives. 2) Compliance with organizational policies, plans, and procedures. The control component "control activities" denotes establishing and strengthening adherence to policies and procedures to keep the organization on track to achieve its goals. 3) Securing assets, using economic resources and efficiency, and achieving the goals and objectives. 4) Compliance with laws, regulations, and contracts.

Cash

Cash is a current asset that includes banknotes/metal and other objects that can be used as holders of valid means of payment and can be withdrawn. Money is the most liquid money. This item is generally placed in the order of high assets. Cash is included in all payment instruments that can be used immediately, such as banknotes, coins, and checking account balances at banks (Warren, 2017).

Cash is not only symbolized in cash. For example, in cooperatives, cash receipts also arise from transactions such as receipts from collecting receivables, savings, time deposits, other deposits, interest, sales of fixed assets, and other income. At the same time, cash disbursements can arise from various cash payments, such as loan disbursement, repayment of savings, labor wages, cash costs, purchase of fixed assets for the period concerned, taxes, and payment of SHU (Remaining Operating Results).

Types of Cash

1. Petty cash: petty cash is cash in the form of cash provided by the company to pay relatively small and non-economic expenses if paid by check.
2. Cash in the Bank: cash in the bank is the company's money in the bank account. Usually used for relatively large expenses and can not be given directly in the transaction because of the many people in terms of security.
3. Cash Reporting: although cash reporting can do immediately, cash reporting also has problems.

Cash Disbursement

Toto produces a good control system. The cash disbursement procedure must pay attention to the following: large amounts of disbursements are made through banks. Cash disbursements accounting system is a record made to perform good spending activities by checking and with the money used for business activities. Expenditures in small amounts are made through a petty cash fund. All-cash disbursements must first obtain approval from the authorities. There is a separation of duties between those entitled to approve cash disbursements who store cash, make expenditures, and record expenditures (Soemarso, 2015).

The cash disbursement accounting system is an activity in the expenditure and purchase cycle (not payroll), starting with placing an order. Goods were coming and being received and stored, making payment of purchase invoices. At first, the supplier electronically submitted information regarding the delivery of goods to the reception officer with a request process system verifying the goods sent. The timeliness of the shipment is also considered (Khaeruman, 2019).

The functions involved in the cash disbursement system by check are as follows:

1. Functions that require cash disbursements: if a function requires cash disbursements (e.g., for purchasing suits and business travel expenses), the function concerned submit a check request to the accounts payable function. This check request must obtain approval from the head of the function concerned.
2. Cash function: in the cash disbursement accounting system by check, this function is responsible for filling checks, requesting authorization of checks, and sending checks to creditors by post or direct payments to creditors.
3. Accounting function: the accounting department involved in this expenditure is the inventory card section and the cost card section, as well as the journal, ledger, and reporting sections. The accountant's job is to receive the first sheet of evidence of cash disbursements and supporting evidence from the debt section. In addition, it stores evidence of spending money

and supporting evidence into a file called a file of proof of spending money that has been paid.

4. Item checking section: this section has the function of verifying these cash disbursements, including checking the person in charge of the officials in charge of and during the cash disbursement process.

Elements of a Cash Disbursement Internal Control System

A system consists of sub-sub or system-forming elements that are interconnected and interdependent and may even affect one another. Likewise, an adequate internal control must consist of the elements that make up the internal control. Internal control system for cash disbursements, namely 1) An organizational structure that separates its functional responsibilities explicitly. 2) Authority systems and registration procedures provide adequate protection against assets, debts, income and expenses. 3) healthy practice in carrying out the duties and functions of each organizational unit. 4) Employees whose quality is consistent, regardless of the proper organizational structure, the system of authorization procedures for registration and the various means created to encourage healthy practices, all depend on the humans doing it. (Zaki Baridwan, 2015).

METHOD

Variables and Research Design

According to Masyhuri and Zainuddin (2016), a variable is something that changes or is not fixed. Variables can also be interpreted as concepts in a concrete form or operational form. Then the variables contained in this study are the independent variable (variable X) and the dependent variable (variable Y). The independent variable is a variable that affects other variables that cause changes in the dependent variable or the dependent variable. The data that becomes the independent variable (Variable X) is the internal control system, and the data that becomes the dependent variable is (Variable Y) on cash receipts.

In conducting research, research planning is needed so that the research runs well. According to Nazir (2017) that "Research design is all the processes needed in planning and implementing research.

Population and Sample

According to Sugiono (2017), population is a generalization field consisting of objects or subjects that have certain qualities and characteristics that are determined by researchers to study, and then draw conclusions. The population of this study is the required financial data

from regional drinking water companies in one of Indonesia's regions. The population in this study is the required financial data from a regional drinking water company in one of the regions in Indonesia. According to Bungin (2015), the sample is part of the population to be studied. The sample used by the researcher is the company's internal control system and cash receipts.

Data collection technique

The research that will carry several methods can be used in data collection. The method used below is intended to make it easier to conduct research at the time of data collection, including:

1. Documentation.

Documentation is to collect written materials in the form of data obtained from PDAM (regional drinking water company) in one area in Indonesia.

2. Interview.

Interviews were conducted to obtain information related to the internal control system of cash receipts at PDAM (regional drinking water companies) in one of the regions in Indonesia, and interviews were conducted with several employees responsible for certain sections, which are sources of information.

Data analysis technique

Data analysis is the method used by the author to facilitate the identification of research problems. The author conducts a flow chart and qualitative analysis, looking for the truth of the variables studied with the reality in the field. In qualitative research, the researchers are the main instrument. As a result, researchers must have broad theoretical provisions and overviews so that they can locate, analyze and construct the object under study more clearly. This research focuses on meaning and is associated with value. Qualitative research is used when the problem is not clear, to find hidden meanings, to understand social interactions, to develop theories to ensure the veracity of data and to examine the history of data development.

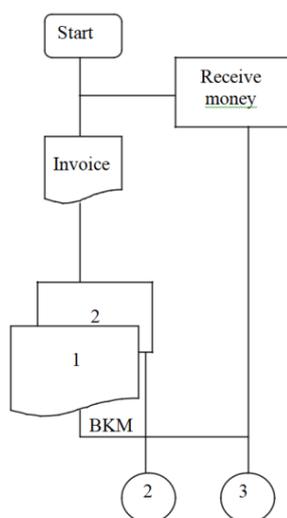
RESEARCH RESULTS AND DISCUSSION

1. Internal Control System for Cash Receipts (Cash Sales) at PDAM

In a system to produce an accountability report to the PDAM leadership in one of the regions in Indonesia, it involves several main elements in the presentation of an Accountability Report consisting of:

- a. In the organizational structure of the related functions to separate functional responsibilities, they are divided into several functions: 1) Sales Function: This function is in charge of receiving orders from buyers, filling out cash sales invoices, and submitting receipts to buyers. 2) Cash Function: The cash function is responsible for receiving cash receipts from various recorded functions. The cash function is also tasked with making proof of cash receipts as the basis for making financial reports. At PDAM in one of the regions in Indonesia, this function is carried out by the finance department. 3) Accounting Function: The accounting function is responsible for recording all cash receipts of the company based on evidence of cash receipts from the cash function to the cash receipts journal to report the company's financial statements.
- b. Authorization system and recording procedure, the documents used in cash receipts from cash sales are 1) Cash Sales Invoice: This invoice is made by the sales function, which is used to record sales transactions. 2) *Cash Register Tape* The cash function generates this document by operating a cash register machine.
- c. Healthy practice can do through procedures for cash receipts from cash sales. The system carried out by PDAM Bandung City in providing services to its customers is by way of customers enjoying the company's facilities. If you are not yet a customer, you can register for a new connection to the PDAM office in one of the regions in Indonesia.
- d. Employees whose quality is not following their responsibilities for each new employee acceptance in the cash sales department are still employees.
- e. Who does not comply with the criteria for all activities that manage within the company's organization which are intended to ensure the continuity and good coordination of each function.

Marketing



Administration section

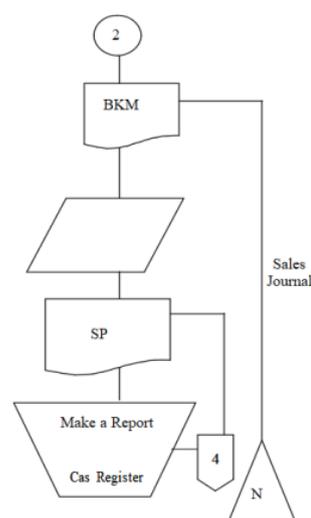


Figure 1 Flowchart of Cash Receipts from Repayment of PDAM

Based on the research results that have been done, it can see how the internal control system for cash receipts occurs in PDAM Banteng Subdistrict for all elements of the internal control system.

This control includes analyzing the internal control system for cash receipts (Cash Sales) at PDAM in one area in Indonesia.

1. Organizational structure

At PDAM, every time there are cash receipts, it is directly recorded into receipts according to the date without adequate supervision. Without a clear separation of responsibilities, it is only handled by one function, namely the cash function. Cash sales transactions must be performed by the sales function, cash function and accounting function. No cash selling transaction is performed completely by only one of these functions. The implementation of each cash selling transaction of these different functions will be an internal verification of the work of each of these functions by other functions.

2. Authorization system and recording procedures

Cash receipts from cash sales are authorized by the company manager, the authorized department. Each transaction is recorded by the implementing officer in cash receipts (cash sales invoices), cash register machines, and cash daily registers. Thus the authorization that occurs in this company is good.

3. Healthy practice

Journals used in cash receipts from cash sales are sales journals to record and summarize sales data, and cash receipts journals are used to record cash receipts from various sources. The accounting function uses general journals to record reduced costs of goods sold, warehouse cards to record mutation, and inventory of goods stored in the warehouse. However, the accounting records used by PDAM have not met the theory because only a list of daily cash receipts, cards, sales journals, and general inventory journals are used. Thus, PDAM needs to have a warehouse card. The proper recordkeeping methods will produce accurate and dependable information regarding an organization's wealth, income, and costs. PDAM in cash sales already has a printed serial number. This activity is the following theory. Because the form is a tool to provide authorization for the execution of transactions, the control of its use with a printed serial number will be able to determine responsibility for the implementation of the transaction. In the company, there is a rotation of positions between employees. Still, there is no rotation of positions for daily implementing officers because the

daily implementing officers only consist of two parts, namely managers and executives. From both parts, it is not possible to rotate positions.

4. Employees whose quality is following their responsibilities

Selecting the workforce, the company accepts workers. Some are following education, and some are not. However, this can be addressed by the existence of educational training that is often followed by employees so that the skills possessed by each employee can develop by the demands of increasingly broad job developments.

The elements contained in all elements of internal control and employees who behave well are the most important because if the employees are competent and honest in a company, then the other elements can carry properly.

CONCLUSION

The results showed the evaluation of the implementation of the internal control system on cash disbursements in the company. The internal control system for cash receipts from cash sales is sufficient for withholding several functions: sales, cash, and accounting. And the documents used are cash sales invoices, cash register tape, and daily cash register. The records used are a list of cash receipts and inventory cards. Internal control is carried out by checking accounting records and the cash function every day to compare cash balances according to records with physical cash balances. There are similarities between the two.

ACKNOWLEDGMENTS

It is with gratitude that the author extends his gratitude to everyone who has supported and encouraged him throughout this research. It is expected to be used as reading material to add information and display readers and reference sources and information for the same measure of search and comparative study to learn knowledge.

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