

CASHIERING

**CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO**

**Audit Report 11-36
July 20, 2011**

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**BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY**

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ABBREVIATIONS

CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
GC	Government Code
OUA	Office of the University Auditor
SAM	State Administrative Manual

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2010, the Board of Trustees, at its January 2011 meeting, directed that *Cashiering* be reviewed. Similar audits of cashiering activities were conducted during our Main and Satellite Cashiering audits in 2010.

We visited the California Polytechnic State University, San Luis Obispo campus from March 21, 2011, through April 15, 2011, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on cashiering activities. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, the operational and administrative controls for cashiering activities in effect as of April 15, 2011, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CASHIERING [5]

Accountability for ticket sales and proper segregation of duties were not always maintained at the athletics satellite cashier.

SYSTEM ACCESS [6]

Access to cashiering systems needed improvement. Specifically, the campus did not have written policies and procedures for granting access to cashiering systems or an authorization form to document the granting, modification, and/or termination of access to cashiering systems, and system access was not always properly segregated.

INTRODUCTION

BACKGROUND

Cashiering audits involve the assessment of the adequacy of the systems of internal accounting and administrative control surrounding cash receipts, cash handling, change funds, and purchase funds at main and satellite cashiering facilities.

The main cashier at each campus handles the majority of cash transactions for the campus. The main cashier's chief responsibility is the collection of registration and other student fees using mainly cash, credit cards, debit cards, cashier's checks, money orders, and personal checks. Other common transactions at the main cashier's office include the collection of payments for parking permits, petty cash reimbursements, disbursements of employee checks, and all other types of payment service needs, as well as deposits, recordkeeping, and the safeguarding of cash.

Satellite cashiering comprises the collection of cash at campus and off-site locations other than the main cashier. Examples of these locations include athletics, public safety, parking and transportation, student unions, student health centers, housing, reprographics, libraries, and the performing arts. Receipts in the form of cash, checks, and credit cards may be accepted at these locations for the sale of tickets and merchandise, as well as for the collection of various fees. Change and purchase funds that provide cash may also be held at these locations for small dollar purchases or services.

Historically, main and satellite cashiering audits were performed by the California State University (CSU) Office of the University Auditor (OUA) as part of cyclical audits, based on the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983 passed by the California Legislature and as detailed in Government Code (GC) Sections 13400 through 13407. FISMA audits were biennial internal control audits (covering accounting and fiscal compliance practices) in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by GC Section 1236.

Beginning in calendar year 2010, cyclical FISMA audits were reevaluated and discontinued due to a change in the OUA audit risk assessment methodology. Using the new procedure, the OUA worked with CSU campus executive management to identify high-risk areas on each campus. Specific components of the FISMA audits were considered in this evaluation. Based on this review, senior management at the CSU campuses and the CSU systemwide Office of Risk Management recommended cashiering as a high-risk area for audit.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to cashiering activities and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the audit objective, specific goals included determining whether:

- ▶ Cash receipts business processes, policies, and procedures are well-defined and adequately documented and reflect appropriate internal controls.
- ▶ Procedures exist to ensure that all collections are deposited in an approved depository or otherwise adequately safeguarded.
- ▶ Accountability for cash items is established at the earliest possible time after receipt and maintained to prevent misappropriation of funds.
- ▶ Cash receipts are accurately recorded in the accounting records in a timely manner.
- ▶ Cash receipts system access is effectively controlled and appropriate.
- ▶ Segregation of duties in cash receipts activities is established and sufficiently maintained.
- ▶ Change and purchase funds are established and administered properly.
- ▶ Cashiering locations provide appropriate physical security.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Action Item, Agenda Item 2 of the January 25 and 26, 2011, meeting of the Committee on Audit stated that satellite review of Cashiering would include, but was not limited to, a review of business unit cashiering procedures, cash receipts processes, change and purchase funds, and the overall accountability for cash. Proposed audit scope would include review of Trustee policy, systemwide directives, state regulations, and campus policies and procedures for controlling cash receipts, accountability for cash, safeguarding of cash, timely deposits, and accurate recordkeeping.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. The audit focused on procedures in effect from January 1, 2010, through March 31, 2011.

We focused primarily upon the internal administrative, compliance, and accounting controls over cashiering activities. Specifically, we included within the scope of our review the following:

- ▶ Procedures for receipting and storing cash.
- ▶ Segregation of duties involving cash receipting.
- ▶ Background checks for employees involved in the receipt of cash.
- ▶ Establishment and maintenance of accountability for cash items.
- ▶ Safeguarding of cash receipts from loss or misuse.
- ▶ Accurate and timely recordkeeping of cash receipts to the general ledger.
- ▶ Periodic campus performance of cash counts.
- ▶ Proper establishment and administration of change and purchase funds.
- ▶ Access restrictions to cashiering and accounting systems.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASHIERING

Accountability for ticket sales and proper segregation of duties were not always maintained at the athletics satellite cashier.

We noted that students did not log off the Neulion ticket sales system when they left for breaks, which could have led to unauthorized transactions being created under the student's login account. Further, the assistant athletic director, ticketing operations, was responsible for the following:

- ▶ Receiving and processing ticket sales, including payments received by mail.
- ▶ Voiding and refunding transactions in the Neulion ticket sales system.
- ▶ Approving the closing cash counts for the student cashiers.
- ▶ Entering the ticket sales amount from Neulion into CashNet to record the deposit in the general ledger and reconciling amounts recorded on the two systems.
- ▶ Approving complimentary tickets for athletic events and maintaining the supporting documentation for such tickets.
- ▶ Preparing and transferring the deposit to the main cashier.

State Administrative Manual (SAM) §8080.1 states that no one person will perform more than one of the following types of duties: Initiating disbursement document, approving disbursement document, inputting disbursement information, receiving and depositing remittances, inputting receipts information, controlling blank check stock, reconciling input to output, initiating or preparing invoices.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include, in part, a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The assistant director for student financial services stated that students' failure to log off was due to oversight and that a process was not in place for the verification of sales to daily cash deposits. He further stated that it was difficult to maintain complete segregation of duties due to limited staffing in the office.

Inadequate segregation of duties over cash handling and systems access increases campus exposure to loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Require students to log off the Neulion system when going on breaks.
- b. Implement appropriate segregation of duties relating to receiving and processing of ticket sales and reconciling of sales to deposits, or implement compensatory mitigating controls.

Campus Response

We concur.

- a. Cal Poly intercollegiate athletics will implement procedures that require student employees to log off the Neulion system while on breaks.

Date of completion: September 30, 2011

- b. Cal Poly intercollegiate athletics will work with the university cashier to implement appropriate segregation of duties or compensatory mitigating controls relating to receiving and processing of ticket sales and reconciliations of sales to deposits.

Date of completion: November 30, 2011

SYSTEM ACCESS

Access to cashiering systems needed improvement.

We found that:

- ▶ The campus did not have written policies and procedures for granting access to cashiering systems.
- ▶ The campus did not have an authorization form to document granting, modifying, and/or terminating access to cashiering systems.
- ▶ The annual review of the access listings for cashiering systems was not documented.
- ▶ System access was not always properly segregated. Cashiers were able to post and reverse payments and charges to student accounts in PeopleSoft Student Finance. Further, one employee in student accounts had access to both CashNet and T2Flex (the system used to record payments related to parking and citations) and was able to enter general ledger journals.

SAM §5325 states that each agency is responsible to provide security roles and responsibilities to employees, contractors, and third-party users. This will insure the users are informed of their roles

and responsibilities for using agency information assets, to reduce the risk of inappropriate use, and a documented process to remove access when changes occur. Personnel practices related to security management include, among other areas, training of agency employees with respect to security responsibilities and policies, signing of acknowledgments of security responsibility by all employees, and termination procedures that ensure that agency information assets are not accessible to former employees.

SAM §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: receiving and depositing remittances, inputting receipts information, and reconciling bank accounts and posting to the general ledger or any subsidiary ledger affected by cash transactions.

California Polytechnic State University, San Luis Obispo *Payment & Fee Processing* policy, dated February 2011, states that no individual in the cashiering department can make fee adjustments to a student's account.

The assistant director for student financial services stated that although the campus has formal policies and procedures for the financial systems, there were no written policies for the stand-alone cashiering systems due to oversight.

Failure to adequately control access to cashiering systems increases campus exposure to loss from inappropriate acts.

Recommendation 2

We recommend that the campus:

- a. Develop policies and procedures for granting access to cashiering systems.
- b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. Document the annual review of the access listings for cashiering systems.
- d. Remove cashiers' ability to post and reverse charges in PeopleSoft Student Finance, and remove the student accounts employee's access to the CashNet and T2Flex cashiering systems, or implement compensatory mitigating controls.

Campus Response

We concur.

- a. Cal Poly student financial services will develop policies and procedures for granting access to cashier systems.

Date of completion: November 30, 2011

- b. Cal Poly student financial services will create and implement an authorization form to document the granting, modification, and/or termination of access to cashier systems.

Date of completion: November 30, 2011

- c. Cal Poly student financial services will document the annual review of the access listings for cashier systems.

Date of completion: November 30, 2011

- d. Cal Poly student financial services will remove the ability of university cashier employees who receive payments to post and reverse charges in PeopleSoft Student Finance and will remove the student accounts employee's access to the CashNet and T2Flex cashier systems, or implement compensatory mitigating controls.

Date of completion: November 30, 2011

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Jeffrey D. Armstrong	President
Evan Archambeault	Visitor Center Supervisor, University Police Department
Kara Barbieri	Student Cashier, Athletics
Cody Chaney	Assistant Athletic Director, Ticketing Operations
Marlene Cramer	Business Services Coordinator, University Police Department
Sharon Degnan	Accounting Technician I, Cashiering Services
Kathryn Dunham	University Lead Cashier, Fiscal Services
Sharon Glasgow	Accounting Technician II, Cashiering Services
Brett Holman	Assistant Director, Student Financial Services
Donna Jordan	Administrative Analyst, University Police Department
Larry Kelley	Vice President, Administration and Finance
Norah Kennedy	Administrative Support Coordinator, Dairy Science
Lorlie Leetham	Director of Fiscal Services, Fiscal Services Department
John Lyons	Director of Business Services, Continuing Education and University Outreach
Barbara Martin	Accounting Technician I, Cashiering Services
Deborah Peck	Administrative Support Assistant, University Housing
Rick Ramirez	Associate Vice President, Finance
Joshua Ruiz	Business Office Coordinator, Continuing Education
Ann Wilenius	Administrative Support Coordinator, Center for Teaching and Learning

CAL POLY

California Polytechnic State University
San Luis Obispo, CA 93407

Administration & Finance Division
(805) 756-2171 • Fax (805) 756-7560

RECEIVED
UNIVERSITY AUDITOR

JUL 26 2011

THE CALIFORNIA STATE
UNIVERSITY

26 July 2011

Mr. Larry Mandel
University Auditor
Office of the University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802-4275

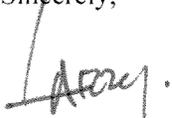
Subject: Campus Responses to Recommendations of Preliminary Draft Audit Report
Number 11-36, Cashiering, California Polytechnic State University, San Luis
Obispo

Dear Larry:

Enclosed are responses to the recommendations in the preliminary draft of the Cashiering audit report (Audit Report No. 11-36). The responses are submitted to you for review and for acceptance by the Chancellor. The responses include a corrective action plan and time frame for completion.

Please direct questions to Rick Ramírez, Associate Vice President for Finance, at 805-756-2091 (rramirez@calpoly.edu).

Sincerely,



Lawrence Kelley
Vice President for Administration & Finance

cc: J. Armstrong, R. Ramírez

CASHIERING**CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO****Audit Report 11-36****CASHIERING****Recommendation 1**

We recommend that the campus:

- a. Require students to log off the Neulion system when going on breaks.
- b. Implement appropriate segregation of duties relating to receiving and processing of ticket sales and reconciling of sales to deposits, or implement compensatory mitigating controls.

Campus Response

- a. Concur. Cal Poly Intercollegiate Athletics will implement procedures that require student employees to log off the Neulion system while on breaks. Date of completion: September 30, 2011.
- b. Concur. Cal Poly Intercollegiate Athletics will work with the University Cashier to implement appropriate segregation of duties or compensatory mitigating controls relating to receiving and processing of ticket sales and reconciliations of sales to deposits. Date of completion: November 30, 2011.

SYSTEM ACCESS**Recommendation 2**

We recommend that the campus:

- a. Develop policies and procedures for granting access to cashiering systems.
- b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. Document the annual review of the access listings for cashiering systems.
- d. Remove cashiers' ability to post and reverse charges in PeopleSoft Student Finance, and remove the student accounts employee's access to the CashNet and T2Flex cashiering systems, or implement compensatory mitigating controls.

Campus Response

- a. Concur. Cal Poly Student Financial Services will develop policies and procedures for granting access to cashier systems. Date of completion: November 30, 2011.
- b. Concur. Cal Poly Student Financial Services will create and implement an authorization form to document the granting, modification, and/or termination of access to cashier systems. Date of completion: November 30, 2011.
- c. Concur. Cal Poly Student Financial Services will document the annual review of the access listings for cashier systems. Date of completion: November 30, 2011.
- d. Concur. Cal Poly Student Financial Services will remove ability of University Cashier employees who receive payments to post and reverse charges in PeopleSoft Student Finance and will remove student accounts employee access to the CashNet and T2Flex cashier systems, or implement compensatory mitigating controls. Date of completion: November 30, 2011.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 22, 2011

CHICO

MEMORANDUM

DOMINGUEZ HILLS

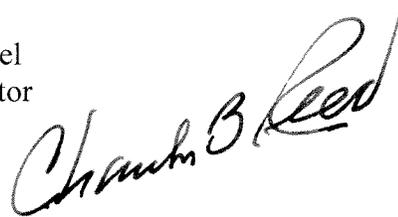
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 11-36 on *Cashiering*,
California Polytechnic State University, San Luis Obispo

LONG BEACH

LOS ANGELES

In response to your memorandum of August 22, 2011, I accept the response as submitted with the draft final report on *Cashiering*, California Polytechnic State University, San Luis Obispo.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS