

CASHIERING

**CALIFORNIA STATE UNIVERSITY,
DOMINGUEZ HILLS**

Audit Report 11-37

July 21, 2011

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ABBREVIATIONS

CSU	California State University
CSUDH	California State University, Dominguez Hills
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 State University, Dominguez Hills campus from May 2, 2011, through May 18, 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 May 18, 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.

GENERAL ENVIRONMENT [5]

Oversight over departmental deposit locations needed improvement. For example, two departments were accepting cash for event tickets and had established change funds without the main cashier’s knowledge.

CASHIERING [6]

Funds at departmental deposit locations were not always adequately safeguarded.

SYSTEM ACCESS [7]

Access to cashiering systems needed improvement. For example, the campus did not have written policies for granting access to the cashiering system, nor did it have an authorization form to document for the granting, modification, and/or termination of access to cashiering systems.

CHANGE AND PURCHASE FUNDS [9]

Petty cash funds were not always administered according to campus policy.

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, to April 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

GENERAL ENVIRONMENT

Oversight over departmental deposit locations needed improvement.

We reviewed six departmental deposit locations, including athletics, continuing education, housing, library, testing office, and theatre arts, and we found that:

- ▶ Both the athletics department and theatre arts department were accepting cash for event tickets without authorization from student financial services.
- ▶ Certain departments were not following campus policies for establishing change funds. The athletics department had established a change fund from ticket sales revenue, and the theatre arts department had used personal funds to establish a change fund for theater events.
- ▶ The athletics department, theatre arts department, and housing office were not provided training on campus cashing policies.

California State University, Dominguez Hills (CSUDH) *Satellite Cashiering and Departmental Deposits Policy* CA-08 states that no cash, coin, or credit card data will be taken, recorded or accepted by any department not specifically designated as a satellite cashier or currency verification site. It further states that satellite cashiers must be recommended after a review of cashiering functions by the manager of student financial services and approved by the director of accounting services. Further, the department head must complete and sign an authorization form which designates staff to collect fees and record collections and establishes internal procedures to satisfy audit and compliance requirements.

State Administrative Manual (SAM) §8032.4 states that agencies will not disburse or withhold receipts for the purposes of establishing or augmenting an over-the-counter change fund.

The manager of student financial services stated that a review of the athletics and theatre arts departments for the collection of cash and change funds was not performed due to oversight. He further stated that he was unaware that the affected departments had not received the campus cashiering policies.

Inadequate oversight over departmental deposit locations increases campus exposure to loss from inappropriate acts, and lack of training increases the risk that policies and procedures will not be followed.

Recommendation 1

We recommend that the campus:

- a. Ensure that departments are not collecting cash without authorization from student financial services.

- b. Ensure that departments follow campus policies for establishing change funds.
- c. Provide training on campus cashing policies to all departments that deposit funds with the main cashier.

Campus Response

We concur.

- a. The campus will conduct a review of those departmental deposit locations to ensure that they have proper authorization from student financial services to collect cash.
- b. Along with granting proper authorization to collect cash, the campus will ensure that departments follow campus policies for establishing change funds.
- c. As part of the review, the campus will provide information and/or training on campus cashing policies to all departments that deposit funds with the main cashier.

Expected completion date: September 2011

CASHIERING

Funds at departmental deposit locations were not always adequately safeguarded.

We reviewed six departmental deposit locations, including athletics, continuing education, housing, library, testing office, and theatre arts, and we found that:

- ▶ The theatre arts department and housing office stored funds in safes that were not on the accounting services safe list.
- ▶ Campus procedures did not require a two-person escort for cash deposits over \$3,000. Deposits exceeding \$3,000 were transported from the theatre arts department to the main cashier in an envelope by a single individual.

CSUDH *Cash Collection Policy* CA-01 states that the accounting services department will maintain written updates of safe combination holders for all safes on campus. Departments must notify accounting services with an updated list of combination holders along with dates of any combination changes on an annual basis or when an employee separates, transfers, or has a change in duty that no longer requires knowledge of the combination.

SAM §8024 states that for all safes and vaults housing either cash or valuable documents, a record will be kept showing the date the combination was last changed and the names of persons knowing the present combination.

SAM §8032.4 states that a single employee will not transport more than \$3,000 in coin and currency at one time. Whenever coin and currency to be deposited exceeds \$3,000 and armored car service is either not available or excessively expensive, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. Occasionally, exceptionally large deposits may be handled by requesting a public safety escort.

The manager of student financial services stated that he was unaware of the two additional safes on campus. He further stated that the theatre arts department was not following procedures for the transportation of funds exceeding \$3,000.

Failure to properly safeguard funds increases campus exposure to loss from inappropriate acts.

Recommendation 2

We recommend that the campus:

- a. Update the accounting services safe list to include all safes in departmental deposit locations.
- b. Update campus procedures to require a two-person escort for cash deposits over \$3,000.

Campus Response

We concur.

- a. The campus will update the accounting services safe list to include all safes in departmental deposit locations.
- b. The campus will update campus procedures to require a two-person escort for cash deposits over \$3,000 and provide departments the revised procedures.

Expected completion date: September 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 the cashiering systems.
- ▶ The campus did not have an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- ▶ System access was not always properly segregated. Cashiers were able to reverse write-offs to student accounts in PeopleSoft Student Finance.

SAM §5325 states that each agency is responsible to provide security roles and responsibilities to employees, contractors, and third-party users. This will ensure the users are informed of their roles and responsibilities for using agency information assets, reduce the risk of inappropriate use, and includes 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.

Integrated California State University Administrative Manual §8060.0, *Access Control*, dated April 19, 2010, states that campuses must have a documented process for provisioning approved additions, changes, and terminations of access rights and reviewing access of existing account holders.

The manager of student financial services stated his belief that the cashiering system is probably the most tightly controlled system on campus, and the campus had not published an authorization form due to the belief that this would increase the risk of giving access in error. He further stated that the campus does acknowledge that the process should be documented. Additionally, he stated that although cashiers had the ability to reverse write-offs in PeopleSoft, only the lead cashier used these abilities, and then only on a very infrequent basis with his approval.

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

Recommendation 3

We recommend that the campus:

- a. Develop written policies and procedures for granting access to the cashiering systems.
- b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. Remove cashiers' ability to reverse write-offs to student accounts in PeopleSoft Student Finance, or implement compensating mitigating controls.

Campus Response

We concur.

- a. The campus has developed written policies and procedures for granting access to the cashiering systems.

- b. In addition to the policies and procedures, the campus created and implemented an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. The campus has implemented compensating mitigating controls regarding the cashiers' ability to reverse write-offs to student accounts in PeopleSoft Student Finance.

Corrective action on this issue is complete.

CHANGE AND PURCHASE FUNDS

Petty cash funds were not always administered according to campus policy.

We found that:

- ▶ The change-of-custodian for the Toro Copy Center petty cash fund was not properly documented. Although the center provided a memorandum notifying accounting services of the change, it did not complete a change-of-custodian form that included the new custodian's signature.
- ▶ Petty cash custodians did not always follow campus policy for petty cash expenditures. We reviewed the housing petty cash fund reimbursement receipts from January 27, 2011, to April 25, 2011, and we found:
 - Ten purchases over \$50.
 - Three membership renewals: two individual Sam's Club cards at \$35 each, and a platinum card for FYE, a movie and CD retailer, at \$25.
 - Forty-two purchases of food.

CSUDH *Petty Cash and Change Funds Policy CA-02* states that transfers of custody of a petty cash or change fund will only be accomplished after a personal audit of the fund has been made by the employees directly concerned and a receipt has been given by the newly assigned custodian to the custodian being relieved. This shall be documented in the Petty Cash and Change Fund Change of Custodian Form and provided to the director of accounting services or his/her designee. The policy also states that the maximum expenditure per petty cash transaction is \$50 plus tax per vendor/per day. In addition, cash purchases cannot be used to purchase the following items: entertainment, heaters, fans, food, meals, membership dues, registration fees, subscriptions, travel expenses, or rental items.

SAM §8112 states that cash purchase funds provide cash for purchases or services not to exceed \$50 (exclusive of sales tax) per purchase or service.

SAM §8111.2 states that the custodian will be personally responsible for the amount advanced from the revolving fund. Transfers of custody will be accomplished only after: (a) personal audit of the fund has been made by the employees directly concerned; and (b) a receipt has been given by the

newly assigned custodian to the custodian being relieved. A copy of such receipt signed by both parties will be delivered to the accounting officer.

The manager of student financial services stated that he had thought that the memo was sufficient to serve as notification of the change of custodian of funds. He further stated that the housing department needs to purchase food for the students, and that at times the amount will be over \$50, so he will work with the department to establish another process.

Inadequate control over petty cash funds increases campus exposure to loss from inappropriate acts.

Recommendation 4

We recommend that the campus:

- a. Properly document the change of custodian for the Toro Copy Center petty cash fund as required by campus policy.
- b. Ensure that petty cash custodians follow campus policy for petty cash expenditures.

Campus Response

We concur.

- a. The campus will properly document the change of custodian for the Toro Copy Center petty cash fund as required by campus policy.
- b. The campus will work with departments to ensure that petty cash custodians follow campus policy for petty cash expenditures.

Expected completion date: September 2011

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Mildred Garcia	President
Tomas Aguirre	Acting Associate Director, University Housing
Collen Arceneaux	Library Assistant, Circulation Services
Tiffany Bull	Business Manager, Athletics
Andrea Giordano	Student Financial Services Specialist
Elizabeth Gomez	Administrative Coordinator, Theatre Arts
Venus Lee	Complex Coordinator, University Housing Services
Gwendolyn Manu	Cashier Lead
Ayesha Marcel	Administration Operations Coordinator, University Housing Services
Carolyn Mesias	Accounting Tech II, Library
Terry Molano	Associate Director, Testing Office
Timothy Mozia	Director of Operations, Extended Education
Cecilia Patz	Director, Accounting Services
Mary Ann Rodriguez	Vice President, Administration and Finance
Brian Thiele	Manager, Student Financial Services
Karen Wall	Associate Vice President, Administration and Finance
Sheila Wallace	Cashier



California State University
Dominguez Hills

Office of the Vice President for Administration and Finance
1000 E. Victoria Street - WH B470 Carson, CA 90747 (310) 243-3750 FAX (310) 234-3869

August 8, 2011

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

RECEIVED
UNIVERSITY AUDITOR

AUG - 8 2011

THE CALIFORNIA STATE
UNIVERSITY

Dear Mr. Mandel:

Enclosed, please find California State University Dominguez Hills' responses to the Cashiering Audit Report 11-37 dated July 21, 2011. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or would like additional information, please contact me.

Sincerely,

A handwritten signature in cursive that reads "Mary Ann Rodriguez".

Mary Ann Rodriguez
Vice President, Administration and Finance

Enclosure (1)

c: Mildred Garcia, President
Karen Wall, Associate Vice President, Administration and Finance

CASHIERING

CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

Audit Report 11-37

GENERAL ENVIRONMENT

Recommendation 1

We recommend that the campus:

- a. Ensure that departments are not collecting cash without authorization from student financial services.
- b. Ensure that departments follow campus policies for establishing change funds.
- c. Provide training on campus cashiering policies to all departments that deposit funds with the main cashier.

Campus Response

We concur.

- a. The campus will conduct a review of those departmental deposit locations to ensure that they have proper authorization from student financial services to collect cash.
- b. Along with granting proper authorization to collect cash, the campus will ensure that departments follow campus policies for establishing change funds.
- c. As part of the review, the campus will provide information and/or training on campus cashiering policies to all departments that deposit funds with the main cashier.

Expected completion date: September 2011

CASHIERING

Recommendation 2

We recommend that the campus:

- a. Update the accounting services safe list to include all safes in departmental deposit locations.
- b. Update campus procedures to require a two-person escort for cash deposits over \$3,000.

Campus Response

We concur.

- a. The campus will update the accounting services safe list to include all safes in departmental deposit locations.
- b. The campus will update campus procedures to require a two-person escort for cash deposits over \$3,000 and provide departments the revised procedures.

Expected completion date: September 2011

SYSTEM ACCESS

Recommendation 3

We recommend that the campus:

- a. Develop written policies and procedures for granting access to the cashiering systems.
- b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. Remove cashiers' ability to reverse write-offs to student accounts in PeopleSoft Student Finance, or implement compensating mitigating controls.

Campus Response

We concur.

- a. The campus has developed written policies and procedures for granting access to the cashiering systems.
- b. In addition to the policies and procedures, the campus created and implemented an authorization form to document the granting, modification, and/or termination of access to cashiering systems.
- c. The campus has implemented compensating mitigating controls regarding the cashiers' ability to reverse write-offs to student accounts in PeopleSoft Student Finance.

Corrective action on this issue is complete.

CHANGE AND PURCHASE FUNDS

Recommendation 4

We recommend that the campus:

- a. Properly document the change of custodian for the Toro Copy Center petty cash fund as required by campus policy.
- b. Ensure that petty cash custodians follow campus policy for petty cash expenditures.

Campus Response

We concur.

- a. The campus will properly document the change of custodian for the Toro Copy Center petty cash fund as required by campus policy.
- b. The campus will work with departments to ensure that petty cash custodians follow campus policy for petty cash expenditures.

Expected completion date: September 2011

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 22, 2011

CHICO

DOMINGUEZ HILLS

MEMORANDUM

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed 
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report 11-37 on *Cashiering*,
California State University, Dominguez Hills

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

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

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS