

CASHIERING

**CALIFORNIA STATE UNIVERSITY,
MONTEREY BAY**

**Audit Report 11-40
August 19, 2011**

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ABBREVIATIONS

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

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, Monterey Bay campus from June 13, 2011, through July 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 July 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]

Cashiering processes at transportation and parking services (TAPS) and the athletics department needed improvement. For example, deposits at TAPS were not always made or reconciled in a timely manner, athletic event ticket stock was not inventoried or reconciled to payments received, and the athletics department did not maintain proper segregation of duties.

SYSTEM ACCESS [7]

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

ACCOUNTING RECORDS [8]

The campus had not implemented policies and procedures for the accounting treatment and management review of uncleared collections.

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 June 30, 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

Cashiering processes at transportation and parking services (TAPS) and the athletics department needed improvement.

We found that:

- ▶ Deposits at TAPS were not always made or reconciled in a timely manner. TAPS only reconciled cash receipts to sales every three to four weeks, at which time receipts were transferred to the main cashier for deposit.
- ▶ Cashiers at TAPS shared a single cash drawer.
- ▶ The athletics department's written record of individuals with knowledge of the safe combination was outdated. Also, the record did not include the safe at the Otter Sports Center and the lockbox at the Aquatics Center.
- ▶ The athletics department did not maintain a log for payments received in the mail, including checks not payable to the campus.
- ▶ Athletic event ticket stock was not inventoried or reconciled to payments received.
- ▶ Deposit reconciliations at the athletics department were not signed and dated by cashiers and supervisors. In addition, ending amounts of cash-on-hand were not documented.
- ▶ The athletics department did not maintain proper segregation of duties. Specifically, the assistant athletics director opened and processed mail payments, received and processed counter payments, approved the closing cash counts for the student cashiers, authorized refund payments, and prepared and reviewed bank deposits.

California State University, Monterey Bay *Cash Handling for Satellite Cashiers Policy* states that department deposits must be made in a timely manner, within three calendar days.

State Administrative Manual (SAM) §8032.1 states that agencies are required to deposit receipts in a timely and economical manner. Accumulated receipts of any amount will not remain undeposited for more than ten working days.

SAM §8022 states that cash or checks transferred between employees will be documented from the time of receipt to deposit.

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 §8022 states that all incoming collections will be documented by the person opening the mail. These collections may be either payable or not payable to the state department. It further states that cash or checks not payable to the department, but transferred between employees, will be documented from the time of receipt to deposit.

SAM §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications. All reconciliations will be prepared monthly within 30 days of the preceding month.

SAM §7908 states all reconciliations will show the preparer's name, reviewer's name, date prepared, and date reviewed.

SAM §8032.3 states that except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that receipts have been deposited intact. The supervisor will perform no other function in connection with the deposit.

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 police sergeant stated that he and his staff were unaware of the time requirement for deposit and reconciliation of cash receipts. He further stated that the shared cash drawer was due to staffing constraints. The assistant athletics director stated that improper segregation of duties and other issues noted were caused by recent staffing changes to the department.

Inadequate control over cash receipts increases campus exposure to loss and liability from inappropriate acts, compromises accountability, and increases the risk that errors and irregularities will not be detected.

Recommendation 1

We recommend that the campus:

- a. Make and reconcile deposits at TAPS in a timely manner.
- b. Ensure that cash drawers are not shared at TAPS, or implement compensatory mitigating controls.
- c. Change the combination to the athletics safe and update the written record of the individuals with knowledge of the safe combination at the athletics department, and update the record to include the safe at the Otter Sports Center and the lockbox at the Aquatics Center.
- d. Maintain a log for all mail payments received by the athletics department.
- e. Ensure that athletic event ticket stock is inventoried and reconciled.

- f. Ensure that cashiers and supervisors sign and date deposit reconciliations at the athletics department, and document ending amounts of cash-on-hand.
- g. Appropriately segregate cashiering duties at the athletics department, or establish mitigating controls.

Campus Response

We concur. We will ensure that reconciliations (deposits, tickets) are promptly and correctly performed, safe access records are maintained and combinations are changed when necessary, payments received by mail in the athletics department are logged, and that athletic ticket inventories are maintained. In reference to cash handling, we will either segregate cashiering responsibilities, or implement adequate mitigating controls, and/or perform a risk assessment to determine the most suitable solution. These remedies will be implemented not later than January 2012.

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 system.
- ▶ The campus did not have an authorization form to document the granting, modification, and/or termination of access to the cashiering system.

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. Access to campus-protected information assets must be denied until specifically authorized. Appropriate campus managers and data owners must review, at least annually, user access rights to information assets containing protected data.

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.

The cashiering and student accounting services manager stated that she approves CashNet users through emails, meetings, and phone calls, and that she was unaware that procedures for adding CashNet users needed to be formalized.

Failure to adequately control user access to 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 the cashiering system.
- b. Create an authorization form to document approval for the granting, modification, and/or termination of access to the cashiering system.

Campus Response

We concur. The campus will develop and implement procedures and an authorization form to control access to the cashiering system. These procedures will be implemented not later than November 2011.

ACCOUNTING RECORDS

The campus had not implemented policies and procedures for the accounting treatment and management review of uncleared collections.

Specifically, we found that:

- ▶ Reconciliations of the uncleared collections account were not being prepared within 30 days of the preceding month.
- ▶ Reconciling items posted to the uncleared collections account were not cleared and resolved at least once each quarter. Items dated as early as August 2010 were not cleared and resolved until June 2011.

SAM §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

SAM §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications. All reconciliations will be prepared monthly within 30 days of the preceding month.

SAM §10508 states varying circumstances determine the clearance of uncleared collections transactions, but items should be cleared at least once each quarter.

The cashiering and student accounting services manager stated that the uncleared collections account was not being reconciled due to the lack of activity in the account.

Lack of accounting policies and procedures increases the risk of misunderstandings related to the performance of duties and functions and may result in inconsistent treatment and handling of issues.

Recommendation 3

We recommend that the campus:

- a. Implement policies and procedures related to the accounting treatment and management review of uncleared collections.
- b. Reconcile the uncleared collections account within 30 days of the preceding month.
- c. Resolve and clear reconciling items posted to the uncleared collections account at least once each quarter.

Campus Response

We concur. The campus has developed and implemented procedures to ensure control over uncleared collections, timely reconciliations, and clearing of outstanding items. The campus will provide documentation of the corrective activity to the Office of the University Auditor not later than November 2011.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Dianne Harrison	President
Rachelle Bass	Assistant Director of Student Services, Campus Service Center
Pete Fernandez	Student Information Systems Lead Analyst
John Fitzgibbon	Associate Vice President for Finance
Veronica Flores	Director of Student Information Systems
Christine Frederick	Cashiering and Student Accounting Services Manager
Ronnie Higgs	Vice President for Student Affairs
Gehane Kiama	Corporation Human Resources Manager
Regina Lualemana	Administrative Support Coordinator, Extended Education and International Programs
Malou Manalo	Cashier/Accounting Technician
Tali Manouki	Cashier/Accounting Technician
William Musselman	Director of Accounting
Venkata Paruchuru	Lead Administrative Systems Analyst
Christine Pressas	Transportation and Parking Services Administrative Coordinator
Dennis Santin	Generally Accepted Accounting Principles Accounting Coordinator
Kevin Saunders	Vice President for Administration and Finance
Vania Silveira	Student Activities Office Coordinator
David Snell	Police Sergeant
Joyce Stine	Finance Administrative Coordinator
Alvin Zitlau	Assistant Athletics Director for Business and Operations
Barbara Zollna	General Accounting and Reporting Manager



CALIFORNIA STATE UNIVERSITY
Monterey Bay

OFFICE OF THE VICE PRESIDENT
FOR ADMINISTRATION AND FINANCE

100 CAMPUS CENTER, BUILDING 84D
SEASIDE, CA 93955-8001
831-582-3398
FAX 831-582-3339
WWW.CSUMB.EDU

September 13, 2011

University Auditor Larry Mandel
California State University
Office of the University Auditor
401 Golden Shore, 4th Floor
Long Beach, CA 90802

RECEIVED
UNIVERSITY AUDITOR

SEP 15 2011

THE CALIFORNIA STATE
UNIVERSITY

Subject: Campus Response, Audit Report 11-40 Cashiering

Dear Larry:

Attached is our response to the Incomplete Draft Audit Report 11-40, dated August 16, 2011. A Word file of the response is attached in the email transmittal of this cover letter.

Please contact AVP John Fitzgibbon if you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Saunders".

Kevin R. Saunders
Vice President

Attachment

cc: President Harrison
Senior Director Schlack
VP Higgs
AVP Fitzgibbon
Director Musselman

CASHIERING

CALIFORNIA STATE UNIVERSITY, MONTEREY BAY

Audit Report 11-40

CASHIERING

Recommendation 1

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- b. Ensure that cash drawers are not shared at TAPS, or implement compensatory mitigating controls.
- c. Change the combination to the athletics safe and update the written record of the individuals with knowledge of the safe combination at the athletics department, and update the record to include the safe at the Otter Sports Center and the lockbox at the Aquatics Center.
- d. Maintain a log for all mail payments received by the athletics department.
- e. Ensure that athletic event ticket stock is inventoried and reconciled.
- f. Ensure that cashiers and supervisors sign and date deposit reconciliations at the athletics department, and document ending amounts of cash-on-hand.
- g. Appropriately segregate cashiering duties at the athletics department, or establish mitigating controls.

Campus Response

We concur. We will ensure that reconciliations (deposits, tickets) are promptly and correctly performed, safe access records are maintained and combinations are changed when necessary, payments received by mail in the athletics department are logged, and that athletic ticket inventories are maintained. In reference to cash handling, we will either segregate cashiering responsibilities, or implement adequate mitigating controls, and/or perform a risk assessment to determine the most suitable solution. These remedies will be implemented not later than January, 2012.

SYSTEM ACCESS

Recommendation 2

We recommend that the campus:

- a. Develop policies and procedures for granting access to the cashiering system.
- b. Create an authorization form to document approval for the granting, modification, and/or termination of access to the cashiering system.

Campus Response

We concur. The campus will develop and implement procedures and an authorization form to control access to the cashiering system. These procedures will be implemented not later than November, 2011.

ACCOUNTING RECORDS

Recommendation 3

We recommend that the campus:

- a. Implement policies and procedures related to the accounting treatment and management review of uncleared collections.
- b. Reconcile the uncleared collections account within 30 days of the preceding month.
- c. Resolve and clear reconciling items posted to the uncleared collections account at least once each quarter.

Campus Response

We concur. The campus has developed and implemented procedures to ensure control over uncleared collections, timely reconciliations and clearing of outstanding items. The campus will provide documentation of the corrective activity to the Office of the University Auditor not later than November, 2011.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

September 20, 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 11-40 on *Cashiering*,
California State University, Monterey Bay

LONG BEACH

LOS ANGELES

In response to your memorandum of September 20, 2011, I accept the response as submitted with the draft final report on *Cashiering*, California State University, Monterey Bay.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/amd

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS