

CASHIERING

SYSTEMWIDE

**Audit Report 11-42
November 3, 2011**

Members, Committee on Audit

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Melinda Guzman, Vice Chair
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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
ICSUAM	Integrated California State University Administrative Manual
OUA	Office of the University Auditor

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 six campuses from March 21, 2011, through August 4, 2011, and audited the procedures in effect at that time. Campus-specific findings and recommendations have been discussed and reported individually.

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 August 4, 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]

Systemwide cashiering policies relating to accountability for items sold on campus needed improvement. For example, policies did not address pre-numbering or other measures to prevent duplication of ticket stock, logging or tracking ticket and permit stock, or performing inventory reconciliations to items sold.

SYSTEM ACCESS [6]

Communication and training were not adequate to ensure compliance with California State University policies related to information security.

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.

During the course of the audit, we visited six campuses: Bakersfield, Dominguez Hills, Fresno, Humboldt, Monterey Bay, and San Luis Obispo. We interviewed campus personnel and audited procedures in effect at the time of the audit.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

CASHIERING

Systemwide cashiering policies relating to accountability for items sold on campus needed improvement.

We noted that although the recently updated Integrated California State University Administrative Manual (ICSUAM) included certain policies and procedures for performing ticket count reconciliations, it did not address other methods of maintaining accountability for items sold. Such methods included, but were not limited to, pre-numbering or other measures to prevent duplication of ticket stock, logging or tracking ticket and permit stock, or performing inventory reconciliations of items on-hand to items sold.

ICSUAM §3102.03, *Acceptance of Cash and Cash Equivalents*, dated July 1, 2011, states that an official California State University (CSU) cash receipt should be recorded for each collection. In circumstances where it is not practical (e.g., event parking) to process a receipt, other mitigating controls must be implemented, such as ticket count reconciliations against cash collected.

Government Code §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The assistant vice chancellor and controller stated that due to time and staffing constraints, the recently published systemwide cashiering policies focused on addressing key cashiering controls. He also stated that accountability for items sold was not initially identified as a key control requiring immediate attention, as sales are not a significant component of campus cashiering operations.

Limited policy guidance relating to items sold increases the risk of misunderstandings related to the performance of duties and functions, compromises accountability for item inventories and sales, and increases the risk that errors and irregularities will not be detected.

Recommendation 1

We recommend that the chancellor's office review and update existing systemwide policy to provide guidance relating to accountability for items sold on campus.

Management Response

We concur. The existing systemwide policy will be reviewed and guidance will be issued to address accountability for items sold on campus. This will be completed by May 3, 2012.

SYSTEM ACCESS

Communication and training were not adequate to ensure compliance with CSU policies related to information security.

Specifically, we found that although systemwide policies existed for managing access to information systems, campuses were not following these policies to monitor and manage access to the cashiering system.

ICSUAM §8060.0, *Access Control*, dated April 19, 2010, states that access to campus information assets containing protected data as defined in the CSU Data Classification Standard may be provided only to those having a need for specific access in order to accomplish an authorized task. 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.

Management at the campuses cited various reasons for not following systemwide policies to formally monitor and manage access to the cashiering system, including a lack of awareness of the requirement that access to this system must be formalized and a lack of management oversight. The chief information security officer stated that based on her review of the campus audit reports, it did not appear that the campuses were following the CSU access control policy.

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

Recommendation 2

We recommend that the chancellor's office communicate with campus information security officers the necessity of training cashiering systems administrators in order to ensure that access to the cashiering system is managed and monitored in accordance with systemwide policy.

Management Response

We concur. During the September 2011 Information Security Advisory Committee meeting, the chief information security officer (CISO) informed the campus information security officers (ISOs) about the account management issues identified in the cashier audit. The CISO asked the ISOs to work with their cashiering departments to ensure they have appropriate account management processes implemented and documented.

APPENDIX A: PERSONNEL CONTACTED

Name

Title

Office of the Chancellor

Benjamin F. Quillian	Executive Vice Chancellor and Chief Financial Officer
George Ashkar	Assistant Vice Chancellor and Controller, Financial Services
Lori Erdman	Chief of Staff, Business and Finance
Cheryl Washington	Chief Information Security Officer

California State University, Bakersfield

Horace Mitchell	President
Marge Becas	Administrative Analyst, Student Financial Services
Cindy Breor	Administrative Assistant, Fiscal Services & Facilities
Donna Candelaria	Business Office Coordinator, Athletics
Brian Chen	PeopleSoft Security Administrator, Administrative Computing Services
Casilda Estrada	Health Services Assistant
Kellie Garcia	Director, Human Resources
Cindy Goodman	Associate Athletic Director
Eva Hebebrand	Manager, Student Financial Services
Kimber Hines	Account Technician III, Student Financial Services
Michael Neal	Vice President, Business and Administrative Services
Nancy Okane	Administrator, Radiographic Services
Vetta Uraine	Office Coordinator, Theater Education
Doug Wade	Assistant Vice President, Fiscal Services

California State University, Dominguez Hills

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

APPENDIX A: PERSONNEL CONTACTED

California State University, Fresno

John D. Welty	President
Josephine Almeida	Manager, Student Financial Services
Amy Armstrong	Parking Administrator, Parking Operations
Brad Barker	Database Administrator, Systems Architect
Michael Caldwell	Chair, Music Department
Carole Carlon	Accounting Technician II
Sonia Davis	Administrative Assistant, Music Department
Christine Evans	Head of Circulation Services
Mark Facchini	Pharmacist II
Anthony Forestiere	University Controller
Charlene Julius	Administrative Coordinator, Scholarship Office
Jeannie Leanos	Traffic Officer, Parking Operations
Nellie Lee	Medical Records Supervisor
Cecilia McAllister	Account Specialist, Music Department
Clinton Moffitt	Associate Vice President for Financial Services
Jan Parten	Director of Human Resources
Dirk Ruthrauff	Director, Health and Psychological Services
Shirley Staton	Accounting Technician II
Gina Tamez	Cashier Supervisor
Cynthia Teniente-Matson	Vice President for Administration/Chief Financial Officer
Gregory Varela	Program Coordinator, Scholarship Office
Linda Vivian	Accounting Technician III

Humboldt State University

Rollin C. Richmond	President
Dave Bugbee	Contracts and Procurement Director
Barbara Cline	Administrative Support, Music
Dan Collen	Athletics Director
Mike Douglas	Buyer I, Plant Operations
Allison Freeman	Accounting Analyst, Student Financial Services
Holly Freitas	Assistant Director, Housing and Dining Services
Carl Hansen	Dean of Extended Education
Lynda Henderson	Housing Cashier
Karyn Hoppe	Information Services Coordinator, University Police Department
Emily Kupec	Financial Analyst
Burt Nordstrom	Vice President, Administrative Affairs
Brandon Price	Accountant Technician I, Financial Services Accounting
Shelli Ramirez	Cashier, Student Financial Services
Lynne Sandstrom	Director, Financial Services
Laurie Sheppard	Athletics Business Manager
Debbie Snead	Lead Cashier, Student Financial Services
Carol Terry	Associate Vice President, Business Services
Sandy Wieckowski	Student Financial Services Supervisor

APPENDIX A: PERSONNEL CONTACTED

California State University, Monterey Bay

Dianne F. 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 Polytechnic State University, San Luis Obispo

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



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MEMORANDUM

DATE: January 13, 2012

TO: Larry Mandel
University Auditor

FROM: Benjamin F. Quillian *B.F.Q.*
Executive Vice Chancellor and
Chief Financial Officer

SUBJECT: Management Response to Recommendations of Audit Report #11-42,
Cashiering, Systemwide

In response to the "Incomplete Draft" report dated November 10, 2011, we are providing the enclosed management responses.

Should you have any questions, please feel free to contact me.

BFQ:lje

Attachment

c: George Ashkar, Assistant Vice Chancellor/Controller, Financial Services
Cheryl Washington, Chief Information Security Officer

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

CASHIERING
SYSTEMWIDE
Audit Report 11-42

CASHIERING

Recommendation 1

We recommend that the chancellor's office review and update existing systemwide policy to provide guidance relating to accountability for items sold on campus.

Management Response

We concur. The existing systemwide policy will be reviewed and guidance will be issued to address accountability for items sold on campus. This will be completed by May 3, 2012.

SYSTEM ACCESS

Recommendation 2

We recommend that the chancellor's office communicate with campus information security officers the necessity of training cashiering systems administrators in order to ensure that access to the cashiering system is managed and monitored in accordance with systemwide policy.

Management Response

We concur. During the September 2011 Information Security Advisory Committee meeting, the chief information security officer (CISO) informed the campus information security officers (ISOs) about the account management issues identified in the cashier audit. The CISO asked the ISOs to work with their cashiering departments to ensure they have appropriate account management processes implemented and documented.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

February 6, 2012

CHICO

MEMORANDUM

DOMINGUEZ HILLS

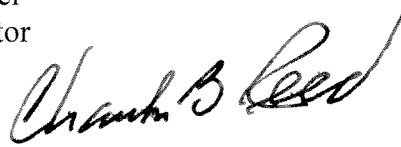
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 11-42 on *Cashiering*, Systemwide

LONG BEACH

LOS ANGELES

In response to your memorandum of February 6, 2012, I accept the response as submitted with the draft final report on *Cashiering*, Systemwide.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS