

**Larry Mandel**  
Vice Chancellor and  
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May 26, 2017

Dr. Tomás D. Morales, President  
California State University, San Bernardino  
5500 University Parkway  
San Bernardino, CA 92407-2393

Dear Dr. Morales:

**Subject: Audit Report 17-55, *Cashiering*, California State University, San Bernardino**

We have completed an audit of *Cashiering* as part of our 2017 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel  
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor

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## **CASHIERING**

**California State University,  
San Bernardino**

Audit Report 17-55  
May 5, 2017

## EXECUTIVE SUMMARY

### OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of campus operational, administrative, and financial controls related to the cashiering function; to evaluate adherence to the Integrated California State University Administrative Manual (ICSUAM) financial policies; and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

### CONCLUSION

Based upon the results of the work performed within the scope of the audit, controls evaluated were not adequate, appropriate, or effective to provide reasonable assurance that risks were being managed and objectives were met.

In general, we noted that California State University, San Bernardino (CSUSB) needed to improve its administration of satellite cashiering locations in nearly all of the significant areas we reviewed. Several of our observations were the result of the vast number of areas on campus where cash or cash equivalents were being collected and the fact that the campus did not have an adequate structure in place to track and authorize official cashiering locations. We also found that although the campus had comprehensive cash-handling policies, it did not have a process to ensure that all cashiers were trained, and that all requirements for handling cash receipts were met. For instance, we noted that deposits were not always made in accordance with ICSUAM or campus requirements, segregation of duties regarding cash receipts was inadequate at most locations, and cash receipts received were not always reconciled to source documentation or deposits made.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. AUTHORIZATION AND OVERSIGHT

#### OBSERVATION

Campus authorization and oversight of cashiering locations was inadequate.

We found that the lists used by student financial services (SFS) to document official cashiering locations and locations with petty cash or change funds were incomplete. We identified 14 locations that collected cash or cash equivalents and one location with a petty cash fund that were not on the SFS lists.

In addition, we selected 11 cashiering locations for detailed review and found that:

- None of the locations had completed authorization forms on file designating them as official cashiering locations.
- None of the four locations that accepted credit or debit cards had evidence of authorization to accept these types of payments.
- One of the six locations with petty cash or change funds did not have a completed authorization form on file for the change fund.

Appropriate authorization and oversight of cashiering locations helps to ensure that the campus is aware of all areas handling cash or cash equivalents and that employees are properly trained and cognizant of related policies and procedures, and decreases campus exposure to loss or misappropriation of funds.

#### RECOMMENDATION

We recommend that the campus:

- a. Determine whether the 14 cashiering locations and one petty cash fund that were not on the SFS list should be added to the lists, and if so, obtain proper approvals.
- b. Evaluate the current process for identifying cashiering locations, including those locations that have petty cash funds, change funds, locked money bags, or safes, so that these locations can be evaluated to determine whether they should be designated as official cashiering locations and subsequently monitored.
- c. Complete and maintain authorization forms for official cashiering locations, locations authorized to accept credit or debit payments, and locations with authorized petty cash or change funds.

#### **MANAGEMENT RESPONSE**

We concur. Our action plan is to:

- a. Determine whether the 14 cashiering locations and one petty cash fund that were not on the SFS list should be added to the lists, and if so, obtain proper approvals.
- b. Evaluate the current process for identifying cashiering locations, including those locations that have petty cash funds, change funds, locked money bags, or safes, so that these locations can be evaluated to determine whether they should be designated as official cashiering locations and subsequently monitored.
- c. Complete and maintain authorization forms for official cashiering locations, locations authorized to accept credit or debit payments, and locations with authorized petty cash or change funds.

The anticipated implementation date for these objectives is November 3, 2017.

## **2. CASH AND CASH-HANDLING ACTIVITIES**

#### **OBSERVATION**

Campus cashiering locations did not always comply with campus and systemwide cash-handling requirements.

We reviewed cash-handling practices at 11 cashiering locations that deposited funds into accounts held by the campus or an auxiliary organization and found that:

- Seven locations did not deposit receipts at least weekly or whenever collections exceeded \$500.
- Five locations did not have adequate segregation of duties when accepting, reconciling, and depositing cash or cash equivalents, or when verifying deposit counts.
- Four locations with sales of goods or services either did not reconcile receipts to sales, or did not reconcile sales to inventory counts.
- Five locations did not have two employees transport deposits, as required by systemwide policy.
- Four locations either did not provide pre-numbered receipts for in-person payments or did not track mailed payments.
- Two locations did not endorse checks on the day they were received, as they did not have endorsement stamps.
- Two of the five locations that had safes did not maintain a log of individuals who had access to the safe and the date when the combination was last changed.

- One location allowed employees who were not designated as cash handlers to accept cash.

We also found that SFS did not have a process to ensure that all cash-handling employees received cash-handling training upon employment and annually thereafter, as required by the campus policy. As a result, the campus could not provide us with evidence that required initial and/or annual training had been completed by the employees handling cash or cash equivalents at any of the 11 cashiering locations reviewed.

Appropriate oversight and administration of cash-handling locations ensures that employees are properly trained and cognizant of related policies and procedures and decreases campus exposure to loss or misappropriation of funds.

#### **RECOMMENDATION**

We recommend that the campus:

- a. Create a process to monitor training provided to cash-handling employees to ensure that training is provided in accordance with campus policy and training documentation is maintained.
- b. Provide guidance and training to all key personnel involved in cash-handling activities, including appropriate employees at all cashiering locations. This training should emphasize, but not be limited to, timely cash and check deposits, safeguarding of funds, segregation of duties, reconciliation of cash receipts to source documentation, deposits, inventory counts, and other areas identified above.

#### **MANAGEMENT RESPONSE**

We concur. The campus action plan is to:

- a. Create a process to monitor training provided to cash-handling employees to ensure that training is provided in accordance with campus policy and training documentation is maintained.
- b. Provide guidance and training to all key personnel involved in cash-handling activities, including appropriate employees at all cashiering locations. This training should emphasize, but not be limited to, timely cash and check deposits, safeguarding of funds, segregation of duties, reconciliation of cash receipts to source documentation, deposits, inventory counts, and other areas identified above.

The anticipated implementation date for these objectives is November 3, 2017.

### 3. DELEGATION OF AUTHORITY

#### **OBSERVATION**

There was no written delegation from the campus CFO to the director of university accounting to designate and authorize official campus cash collection points.

A proper delegation of authority provides assurance that cashiering locations are authorized in accordance with ICSUAM and campus policies.

#### **RECOMMENDATION**

We recommend that the campus obtain a written delegation of authority from the CFO to the individual responsible for designating and authorizing official campus cash collection points.

#### **MANAGEMENT RESPONSE**

We concur. Our action plan is to obtain a written delegation of authority from the CFO to the individual responsible for designating and authorizing official campus cash collection points.

Implementation of this objective has been completed. Supporting documentation will be forwarded to the Office of Audit and Advisory Services.

### 4. CREDIT CARD REFUND PROCESSING

#### **OBSERVATION**

The campus cash-handling policy did not reflect current practices relating to credit card refund processing.

Specifically, the campus cash-handling policy stated that credit card refunds should be processed by SFS using a campus refund request form signed by the individual authorized by each campus department. However, we found that two departments were allowed to process their own refunds using department-specific forms.

Clear and current policies relating to the processing of credit card refunds decrease the risk of inappropriate or unapproved refunds.

#### **RECOMMENDATION**

We recommend that the campus update its cash-handling policy regarding credit card refunds to reflect current practices.

#### **MANAGEMENT RESPONSE**

We concur. Our action plan is to update campus cash-handling policy regarding credit card refunds to reflect current practices.

| The anticipated implementation date for this objective is August 31, 2017.

## 5. ASI BOX OFFICE POLICY AND PROCEDURES

### OBSERVATION

Associated Students Incorporated's (ASI) box office policy and procedures required updating.

We found that:

- The policy did not align with the campus cash-handling policy and systemwide requirements relating to deposit frequency. Specifically, the box office policy only required receipts to be deposited when collections reached \$10,000 in cash or \$15,000 in cash or cash equivalents. However, campus and systemwide requirements require deposits to be made when collections exceeded \$500 in cash or cash equivalents, or at least weekly.
- The policy was last updated in 2012 and did not always reflect current practices. For example, some of the post-sale procedures in the policy were no longer relevant or accurate.

Consistent and current policies and procedures for cash and cash-equivalent management improve accountability of funds and compliance with systemwide requirements.

### RECOMMENDATION

We recommend that the campus, in conjunction with ASI, update and revise the ASI box office policy and procedures to align with campus and systemwide requirements relating to deposit frequency, and to reflect current practices.

### MANAGEMENT RESPONSE

We concur. Our action plan is such that the campus, in conjunction with ASI, will update and revise the ASI box office policy and procedures to align with campus and systemwide requirements relating to deposit frequency and to reflect current practices.

The anticipated implementation date for this objective is November 3, 2017.

## GENERAL INFORMATION

### BACKGROUND

Cashiering audits involve the assessment of internal accounting and administrative controls surrounding the cash and cash-equivalent management process from receipt of funds to deposit and reconciliation at the main and satellite cashiering facilities. Cash and cash equivalents are, by definition, liquid assets that may be subject to loss or misappropriation in the absence of a strong internal controls system.

The main or central cashier's office at each campus handles the majority of cash transactions for the university. It serves as the main point of collection for registration and other student fees paid with cash and cash equivalents, such as credit and debit cards, cashier's and personal checks, and money orders. The main cashier's office also performs other common transactions, including collection of payment for parking permits, petty cash reimbursement, disbursement of employee checks, and all other types of payment service needs, as well as deposits, recordkeeping, and the safeguarding of cash.

Satellite cashiering locations comprise all areas besides the main cashier that collect cash and cash equivalents. Examples of these locations may include athletics, public safety, parking and transportation, the student union, the student health center, housing, reprographics, libraries, and academic departments. Cash, checks, and credit cards may be accepted at these locations as payment for various items and fees, such as tickets and merchandise, application and supplies fees, donations, and registrations. Change and petty cash funds may also be held at these locations for small-dollar purchases or services.

The administration of cash-management activities is governed by ICSUAM §3000. The CFO or his/her delegate is responsible for implementing cash-management policies consistent with ICSUAM requirements and designating or authorizing official campus cash and cash-equivalent collection points. ICSUAM requires that cash and cash equivalents be accepted only at official or designated locations.

At CSUSB, all cashiering transactions performed by satellite cashiering locations, including campus auxiliaries, must be processed through SFS (the main cashier). Campus departments and auxiliary organizations responsible for collecting money must adhere to all applicable campus and systemwide policies and procedures. Campus department heads, managers, and cashiers are responsible for functions related to receipt and deposit management. All departments must obtain approval from the university accounting department to accept cash or cash equivalents.

### SCOPE

We visited the CSUSB campus from February 27, 2017, through April 7, 2017. Our audit and evaluation included the audit tests we considered necessary in determining whether administrative and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2015, through April 7, 2017.

Specifically, we reviewed and tested:

- Cash management administration and organization, including clear lines of authority and responsibility, and the maintenance of campus cash management policies and procedures.
- Processes to determine whether satellite cashiering locations have been properly authorized and employees have been trained in cash-management policies and procedures.
- Processes to ensure that segregation of duties is adequate, accountability is maintained, and safeguarding is adequate for cash and cash equivalents.
- Accurate and timely recordkeeping of cash receipts to the general ledger.
- Timely deposits and documentation of cash and cash-equivalent transfers.
- Proper establishment and administration of change funds and petty cash, including the performance of periodic unannounced cash counts.
- ASI box office ticket sales processes to ensure that tickets are properly accounted for and sold to the intended recipients at the established rates.

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.

Our testing and methodology, which was designed to provide a review of key administrative and financial controls, included walkthroughs and detailed testing on a limited number of transactions. Our review was limited to gaining reasonable assurance that essential elements of the campus cashiering program were in place and did not examine all aspects of the program. Specifically, our review focused on satellite or departmental cashiering locations and did not include the main cashier.

## CRITERIA

Our audit was based upon standards as set forth in California State University Board of Trustee policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- ICSUAM §3000, *General Accounting*
- CSU Auxiliary Organizations Sound Business Practices Guidelines
- Government Code §13402 and §13403
- CSUSB *Cash Handling Policy*
- CSUSB *ASI Box Office Policy and Procedures*

**AUDIT TEAM**

Senior Director: Michelle Schlack  
Senior Audit Manager: Wendee Shinsato  
Audit Manager: Cindy Merida  
Internal Auditors: Kelly Chen and Laura Vazquez