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May 23, 2018

Dr. Soraya M. Coley, President
California State Polytechnic University, Pomona
3801 W. Temple Avenue
Pomona, CA 91768

Dear Dr. Coley:

Subject: Audit Report 18-01, *Cashiering*, California State Polytechnic University, Pomona

We have completed an audit of *Cashiering* as part of our 2018 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 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



CASHIERING

**California State Polytechnic University,
Pomona**

Audit Report 18-01
April 26, 2018

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

We found the control environment for some of the areas reviewed to be in need of improvement.

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for the cashiering function as of February 23, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of satellite and departmental cashiering locations, with campus oversight provided by the central cashier's office in student accounting and cashiering services (SACS) and auxiliary oversight provided by Associated Students Inc. (ASI) and the Cal Poly Pomona Foundation, Inc. (Foundation). We identified opportunities for improvement in some areas, such as satellite location compliance with Foundation cash-handling procedures, documentation of employee training; timely recertification of Foundation projects handling cash, and documentation of a delegation of authority (DOA) to approve satellite cashiering locations.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. FOUNDATION CASH AND CASH-HANDLING ACTIVITIES

OBSERVATION

Satellite cashiering locations did not always comply with established cash-handling requirements.

We reviewed cash-handling practices at ten satellite cashiering locations that deposited funds into campus and auxiliary accounts and found that:

- One Foundation satellite cashiering location, the Arabian Horse Center (AHC), did not deposit receipts at least weekly or whenever collections exceeded \$500. We noted seven instances of noncompliance between January 1, 2016, and December 31, 2017. This is a repeat finding from the 2015 *College Review* audit.
- The AHC did not always update a log meant to capture deposits walked into, rather than sent via armored transport, the Foundation cashiering office. We noted four instances of noncompliance between January 1, 2016, and December 31, 2017.

Appropriate oversight and administration of satellite cashiering locations helps to ensure that employees follow established policies and procedures and reduces the campus exposure to risk related to loss, theft, or misappropriation of funds.

RECOMMENDATION

We recommend that the campus:

- a. Provide updated training on applicable cash-handling policies to personnel involved in cash-handling activities at the AHC.
- b. Review and revise procedures within the Foundation cashiering office to enhance monitoring of the log for walk-in deposits.

MANAGEMENT RESPONSE

We concur.

- a. The Foundation will work with the AHC to ensure all personnel involved in cash-handling activities receive proper training on applicable cash-handling policies and procedures.
- b. The Foundation will review and update the procedures for the cashiering office to enhance monitoring of the log for walk-in deposits.

Expected completion date: May 31, 2018

2. EMPLOYEE TRAINING DOCUMENTATION

OBSERVATION

Campus documentation of employee cash-handling training needed improvement.

We reviewed files for 20 campus and auxiliary employees and found that 10 did not contain documentation showing completion of required cash-handling training.

Appropriate oversight and documentation of employee training ensures that employees are properly trained and cognizant of related policies and procedures and reduces the campus exposure to risk related to loss, theft, or misappropriation of funds.

RECOMMENDATION

We recommend that the campus establish a process to monitor cash-handling training for all designated cashiers and maintain consistent documentation acknowledging that they have completed the training.

MANAGEMENT RESPONSE

We concur. The campus will develop a process to monitor cash-handling training for all designated cashiers and maintain consistent documentation acknowledging that they have completed the training.

Expected completion date: June 30, 2018

3. FOUNDATION AUTHORIZATION AND OVERSIGHT

OBSERVATION

The Foundation was not timely reauthorizing projects involving cashiering activities.

Due to the large number of project funds under administration, the Foundation instituted a process to require individuals accountable for the projects to re-certify the account agreement information rather than obtaining new agreements as they expired. We noted 20 instances in which certification of an agreement authorizing a project and its cash-handling status had not been conducted prior to expiration of the agreement.

Periodically reviewing and updating university project agreements allows the Foundation to determine whether cashiering activities at various college projects and programs are still necessary.

RECOMMENDATION

We recommend that the Foundation perform and document a review of current university-related project agreements to ensure that they are authorized.

MANAGEMENT RESPONSE

We concur. The Foundation will perform and document a review of current university-related project agreements to ensure that they are authorized.

Expected completion date: October 15, 2018

4. DELEGATION OF AUTHORITY

OBSERVATION

The campus did not formally document a required DOA from the chief financial officer to the associate vice president of finance and administrative services authorizing the establishment of satellite cashiering locations, in accordance with ICSUAM §6330, *Cash and Checks Handling*.

Formal documentation of the required DOA ensures compliance with systemwide requirements.

RECOMMENDATION

We recommend that the campus formally document a DOA for the associate vice president of finance and administrative services to approve cashiering locations, to ensure that the campus is in compliance with the requirements stated in ICSUAM §6330, *Cash and Checks Handling*.

MANAGEMENT RESPONSE

We concur. The campus will formally document a DOA for the associate vice president of finance and administrative services to approve cashiering locations, to ensure that the campus is in compliance with the requirements stated in ICSUAM §6330, *Cash and Checks Handling*.

Expected completion date: May 31, 2018

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 and §6000. The campus chief financial officer (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.

Cashiering processes at California State Polytechnic University, Pomona (CPP) are overseen by three organizations: the campus university main cashiering services in student accounting and cashiering, ASI, and the Foundation. The campus cashiering offices primarily process tuition and fees, while ASI and the Foundation provide cashiering and cash-handling services for numerous commercial enterprises, campus programs, departments, and organizations.

The campus CFO or his/her delegate is responsible for designating and authorizing official campus cash-collection points for the main campus and for approving cashiering locations outside of the main cashiering office. The director of ASI financial services is responsible for the supervision and oversight of cashiering at all ASI locations, and the director of enterprise accounting at the Foundation does the same for the cashiering locations under its purview. University departments and auxiliaries responsible for collecting money must adhere to all applicable state and university policies and procedures.

We reviewed the campus main cashiering office and two of its satellite locations, the ASI main cashier and two of its satellite locations, and four Foundation satellite locations. The campus main cashiering office and its satellite locations mainly collect course and service fees. The ASI

main cashier functions as a bank for student groups and mainly accepts deposits. The two ASI satellite locations collect money from sales and services provided. The four Foundation locations collect money from sales of products like food, merchandise, and tickets.

SCOPE

We visited the CPP campus from January 22, 2018, through February 23, 2018. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative and financial controls are in place and operative. The audit focused on procedures in effect from January 1, 2016, through February 23, 2018.

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.

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.

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*
- ICSUAM §6000, *Financing, Treasury, and Risk Management*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- Government Code §13402 and §13403
- *CPP Cash Handling Procedures*
- *ASI Cash Handling Policy and Procedures*
- *ASI Games Room Cash Handling Policy and Procedures*
- *ASI Campus Recreation Cash Handling Policy and Procedures*
- *Foundation Cash Receipts Deposits Policy*
- *Foundation Satellite Cash Handling Procedures*

AUDIT TEAM

Assistant Vice Chancellor and Deputy Chief Audit Officer: Janice Mirza
Audit Manager: Ann Hough
Senior Auditor: Jon Saclolo