MAIN AND SATELLITE CASHIERING
CALIFORNIA STATE UNIVERSITY,
SACRAMENTO

Audit Report 10-22
May 24, 2010

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THE CALIFORNIA STATE UNIVERSITY
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ABBREVIATIONS

CCE       College of Continuing Education
CSU       California State University
CY        Calendar Year
FISMA     Financial Integrity and State Manager’s Accountability Act
GC        Government Code
OUA       Office of the University Auditor
SAM       State Administrative Manual
SFSC      Student Financial Services Center
UTAPS     University 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 two quarters of 2009, the Board of Trustees, at its January 2010 meeting, directed that Main and Satellite Cashiering be reviewed. The Office of the University Auditor had previously reviewed main and satellite cashiering activities in the biennial Financial Integrity and State Manager’s Accountability (FISMA) audits, the last of which was performed on campus in 2008.

We visited the California State University, Sacramento campus from January 25, 2010, through February 5, 2010, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: administration of CashNet system access, accountability for cash receipts in athletics, and athletic event ticket inventory. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls of main and satellite cashiering activities in effect as of February 5, 2010, taken as a whole, were sufficient to meet the objectives stated below 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.

CASHNET SYSTEM ACCESS [5]

Administration of CashNet system access needed improvement.

SATELLITE CASHIERING [6]

Of the three satellite cashiering areas visited, accountability for cash receipts needed improvement only in the athletics department. Additionally, athletic event ticket inventory was not properly controlled and safeguarded.
INTRODUCTION

BACKGROUND

Main and satellite 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 the main and satellite cashiering facilities.

The main cashier at each campus handles the majority of cash transactions for the campus. Responsibilities for the main cashier include, but are not limited to, 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 includes the collection of cash at various 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, among others. These locations are most commonly known as change funds and petty cash funds, although at these locations various cash receipts may be accepted for the sale of tickets and merchandise, as well as for the collection of various fees. Typical responsibilities at these locations include collections, mostly in the form of checks, credit cards, and debit cards, but cash is also used.

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 (CY) 2010, the OUA audit risk assessment methodology changed, based on a fiscal year 2009/2010 systemwide risk assessment. Using the new procedure, the OUA worked with CSU campus executive management to identify high-risk areas in each campus. As a result of this change in risk assessment, FISMA audits were reevaluated and specific components were identified as having greater risk than others; one of those being main and satellite cashiering, because it involved liquid assets and focused on cash management and the related responsibilities and safeguards. Senior management at the CSU campuses and the CSU systemwide Office of Risk Management recommended cash as a high-risk area for audit. The main and satellite cashiering audits were developed internally to address the known and anticipated cash-related risks at the CSU campuses.
Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the main and satellite cashiering activity 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:

- Accountability for cash items is established at the earliest possible time after receipt and maintained to prevent misappropriation of funds.
- Procedures exist to ensure that all collections are deposited in an approved depository or otherwise adequately safeguarded, and correctly recorded in the accounting records.
- The campus is attempting to collect all receipts pursuant to state/federal laws and regulations.
- Cash receipts business processes, policies, and procedures are well-defined, adequately documented, and reflect appropriate internal controls.
- Data security and access controls for computer systems used in the cash receipts process are in place.
- Cashiering locations are provided appropriate physical security.
- Segregation of duties in cash receipt activities is established and sufficiently maintained.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment B, Audit Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that main and satellite cashiering includes 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 25, 2010, through February 5, 2010. In instances wherein it was necessary to review annualized data, CY 2008 and 2009 were the periods reviewed.

A preliminary risk-assessment of campus main and satellite cashiering operations was used to select those areas or activities with highest risk for our audit testing. This assessment was based upon a systematic process using management’s feedback and professional judgments on probable adverse conditions and other pertinent information including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- Procedures for receipting and storing cash.
- Segregation of duties involving cash receipting.
- 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.
- The administration and reconciliation of bank accounts used for cash receipts.
- Periodic campus performance of cash counts.
- Proper establishment and administration of change and purchase funds.
- Data security and access restrictions to cashiering and accounting systems.
CASHNET SYSTEM ACCESS

Administration of CashNet system access needed improvement.

We reviewed CashNet access for the student financial services center main cashier (SFSC), athletics, College of Continuing Education (CCE), and university transportation and parking (UTAPS).

We found that:

- One individual in the athletics department had cashiering access in CashNet, although her job duties did not include cashiering.

- Five individuals in the CCE had cashiering access in CashNet, despite either no longer being employed by the campus or no longer having cashiering included in their job duties.

- Twenty-four individuals in UTAPS had cashiering access in CashNet, despite either no longer being employed by the campus or no longer having cashiering included in their job duties.

State Administrative Manual (SAM) §4842.2 states that appropriate risk management procedures should be implemented to provide termination practices that ensure that information assets are not accessible to former employees. Effective termination practices include removal of system access upon employee termination or transfer.

The assistant director of SFSC and university cashier stated that, at year-end, SFSC sent the list of CashNet users to the departments for review, and the departments were responsible for submitting a corrected user list to SFSC. She added that departments were responsible for notifying SFSC during the year if an employee’s CashNet access should be changed or deleted. The assistant director stated that in two of these instances, the revisions were not completed by the departments because the responsible employee was on a leave of absence and because of oversight due to workload commitments. She further stated that the third instance occurred when CashNet was originally implemented and an employee was inadvertently given cashiering access instead of inquiry access.

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

**Recommendation 1**

We recommend that the campus:

a. Update CashNet access as appropriate for the individuals identified above.

b. Review and update CashNet access for the remaining departments not tested.

c. Follow existing policies and procedures for the administration of CashNet user accounts.
Campus Response

We concur.

a. As of February 4, 2010, CashNet access was corrected for the 30 individuals identified as a result of the audit.

b. As of August 31, 2010, SFSC will conduct a review of all CashNet users to ensure appropriate access and will implement the necessary changes.

c. By August 31, 2010, SFSC will inform CashNet users and their supervisors of the requirement to comply with established policies and procedures, specifically regarding the status of cashiering access.

SATELLITE CASHIERING

ACCOUNTABILITY FOR CASH RECEIPTS

Accountability for cash receipts needed improvement at one of the three satellite cashiering areas visited.

With regard to cash receipts controls in athletics, we found that:

- The department did not always utilize two agency employees to transfer coin and currency in excess of $3,000 to the main cashiering office.
- Checks received for ticket sales were not always endorsed by the end of the day received.
- Cash overages and shortages were not recorded in the accounting records.
- Cash drawers used by the cashiers did not have a lock to secure the drawers when not in use.

SAM §8032.4 states that 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. A single employee will not transport more than $3,000 in coin and currency at one time.

SAM §8023 states that all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.

SAM §7816 states that an account is maintained for each cashier that is held accountable for cash shortages. The accounts are debited when cash shortages occur and are credited when restitutions are received from the cashier or discharge from accountability is received from the State Board of Control.
California State University, Sacramento Change Fund Procedures state that for shortages, the cashier must short their deposit being sent to the bank and bring their change fund to the correct balance. A shortage correction sheet with the correct shortage account number for their department must be sent with their batch reconciliation the following business day. For overages, the cashier must receipt the overage amount to the correct overage account for their department. Overages should not be held in cash drawers.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

The associate athletic director of internal affairs/senior woman administrator stated that the director of ticket operations was unaware of the various state requirements related to cash controls due to incomplete written desk procedures and a lack of succession training.

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

**Recommendation 2**

We recommend that the campus:

a. Develop and implement policy and procedures to ensure that no single employee will transport more than $3,000 in coin and currency at one time.

b. Provide an endorsement stamp to the department, and reinforce established procedures to ensure that the department endorses checks no later than the end of the working day.

c. Reinforce campus procedures to ensure that overages and shortages are monitored and recorded in the accounting records.

d. Develop and implement policy and procedures to ensure that cash drawers are properly safeguarded when not in use.

e. Provide appropriate training to ensure employee awareness of state and local policy requirements for the control of cash receipts.

**Campus Response**

a. As of September 30, 2010, intercollegiate athletics will implement policy and procedures to ensure that no single employee will transport more than $3,000 in coin and currency at one time.

b. As of February 8, 2010, the director of ticket operations received an endorsement stamp and has been properly endorsing checks no later than the end of the business day.
c. As of September 30, 2010, financial services will implement procedures to ensure that overages and shortages are recorded in the accounting records. Additionally, intercollegiate athletics will implement procedures to ensure that overages and shortages are monitored.

d. As of August 31, 2010, intercollegiate athletics will order and use locking cash drawers in the football and basketball ticket offices. As of September 30, 2010, intercollegiate athletics will implement a process for ticket cashiers to ensure that cash and cash drawers are properly safeguarded when not in use.

e. As of September 30, 2010, financial services will assist intercollegiate athletics with appropriate training to ensure employee awareness of state and local policy requirements for the control of cash receipts.

ATHLETIC EVENT TICKET INVENTORY

Athletic event ticket inventory was not properly controlled and safeguarded.

We found that:

- Blank and pre-printed ticket stock maintained in the ticket box offices was not secured in locked cabinets.
- Access to the athletic event ticket inventory was not appropriately restricted, as facilities staff had keys to the ticket offices.
- A log of tickets placed in the ticket offices was not maintained and the campus did not reconcile tickets sold to ticket stock.
- Voided tickets were discarded by the ticket manager without authorization or any records maintained for the voids.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization as well as recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The associate athletic director of internal affairs/senior woman administrator stated that the director of ticket operations was unaware of the various state requirements related to ticket inventory, due to incomplete written desk procedures and a lack of succession training.

Failure to secure ticket inventory and complete reconciliations of ticket inventory increases the risk that errors and irregularities will not be detected, and compromises accountability.
Recommendation 3

We recommend that the campus:

a. Develop and implement policy and procedures to ensure that athletic event ticket inventory is secure.

b. Implement an independent athletic event ticket reconciliation process.

c. Provide appropriate training to ensure awareness of requirements for ticket inventory control.

Campus Response

We concur.

a. As of September 30, 2010, intercollegiate athletics will implement policy and procedures to ensure that athletic event ticket inventory is properly secured.

b. As of September 30, 2010, financial services and intercollegiate athletics will implement reconciliation processes for athletic event tickets.

c. As of September 30, 2010, financial services will assist intercollegiate athletics with appropriate training to ensure employee awareness for ticket inventory control.
APPENDIX A: PERSONNEL CONTACTED

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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Alexander Gonzalez</td>
<td>President</td>
</tr>
<tr>
<td>Jennifer Barrett</td>
<td>Accountant II, Accounting Services</td>
</tr>
<tr>
<td>Gina Curry</td>
<td>Director, Student Financial Services Center and University Bursar</td>
</tr>
<tr>
<td>Felice Dinsfriend</td>
<td>Financial Services Manager, College of Continuing Education</td>
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<tr>
<td>Nancy Fox</td>
<td>Director of University Transportation and Parking Services</td>
</tr>
<tr>
<td>Stephen Garcia</td>
<td>Vice President for Administration</td>
</tr>
<tr>
<td>Annette Ha</td>
<td>Budget Analyst, University Transportation and Parking Services</td>
</tr>
<tr>
<td>Yavette Hayward</td>
<td>Senior Management Auditor, Auditing Services</td>
</tr>
<tr>
<td>Justine Heartt</td>
<td>Interim Associate Vice President Financial Services</td>
</tr>
<tr>
<td>Emelina Logan</td>
<td>Credit Registration Services Manager, College of Continuing Education</td>
</tr>
<tr>
<td>Gina Lombardo</td>
<td>Director of OneCard &amp; Photocopy Services, Business and Administrative Services</td>
</tr>
<tr>
<td>Lois Mattice</td>
<td>Associate Athletic Director of Internal Affairs/Senior Woman Administrator, Intercollegiate Athletics</td>
</tr>
<tr>
<td>Kathi McCoy</td>
<td>Director of Auditing Services</td>
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<tr>
<td>Theo Povondra</td>
<td>Accountant II, Accounting Services</td>
</tr>
<tr>
<td>LaVerne Simmons-Barnett</td>
<td>Interim Director of Accounting, Accounting Services</td>
</tr>
<tr>
<td>T’Ante Sims</td>
<td>Director of Ticket Operations, Intercollegiate Athletics</td>
</tr>
<tr>
<td>Kimberly Smith</td>
<td>Administrative Coordinator, College of Continuing Education</td>
</tr>
<tr>
<td>Caryl Vickers-Harper</td>
<td>Assistant Director, Student Financial Services Center and University Cashier</td>
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July 12, 2010

Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore  
Long Beach, CA 90802-4210

Subject:  Campus Response to Recommendations of Cashiering Audit, Report #10-22

Dear Mr. Mandel:

Please find enclosed California State University, Sacramento’s response to the recommendations of the audit. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or require additional information, please contact Kathi McCoy, Director of Auditing Services, at 916 278-7439.

Sincerely,

[Signature]

Stephen G. Garcia  
Vice President & Chief Financial Officer

SGG: sf

Attachment

cc:  Gina Curry, Director, Student Financial Services Center; University Bursar  
      Alexander Gonzalez, President  
      Justine Heartt, Interim Associate Vice President for Financial Services  
      Kathi McCoy, Director, Auditing Services  
      Terry Wanless, Athletics Director
CASHNET SYSTEM ACCESS

Recommendation 1

We recommend that the campus:

a. Update CashNet access as appropriate for the individuals identified above.

b. Review and update CashNet access for the remaining departments not tested.

c. Follow existing policies and procedures for the administration of CashNet user accounts.

Campus Response

We concur.

a. As of February 4, 2010, CashNet access was corrected for the 30 individuals identified as a result of the audit.

b. As of August 31, 2010, SFSC will conduct a review of all CashNet users to ensure appropriate access, and implement the necessary changes.

c. By August 31, 2010, SFSC will inform CashNet users and their supervisors of the requirement to comply with established policies and procedures, specifically regarding the status of cashiering access.

SATELLITE CASHIERING

ACCOUNTABILITY FOR CASH RECEIPTS

Recommendation 2

We recommend that the campus:

a. Develop and implement policy and procedures to ensure that no single employee will transport more than $3,000 in coin and currency at one time.
b. Provide an endorsement stamp to the department, and reinforce established procedures to ensure that the department endorses checks no later than the end of the working day.

c. Reinforce campus procedures to ensure that overages and shortages are monitored and recorded in the accounting records.

d. Develop and implement policy and procedures to ensure that cash drawers are properly safeguarded when not in use.

e. Provide appropriate training to ensure employee awareness of state and local policy requirements for the control of cash receipts.

Campus Response

We concur.

a. As of September 30, 2010, Intercollegiate Athletics will implement policy and procedures to ensure that no single employee will transport more than $3,000 in coin and currency at one time.

b. As of February 8, 2010, the director of ticket operations received an endorsement stamp, and has been properly endorsing checks no later than the end of the business day.

c. As of September 30, 2010, Financial Services will implement procedures to ensure that overages and shortages are recorded in the accounting records. Additionally, Intercollegiate Athletics will implement procedures to ensure that overages and shortages are monitored.

d. As of August 31, 2010, Intercollegiate Athletics will order and use locking cash drawers in the Football and Basketball ticket offices. As of September 30, 2010, Intercollegiate Athletics will implement a process for ticket cashiers to ensure that cash and cash drawers are properly safeguarded when not in use.

e. As of September 30, 2010, Financial Services will assist Intercollegiate Athletics with appropriate training to ensure employee awareness of state and local policy requirements for the control of cash receipts.

ATHLETIC EVENT TICKET INVENTORY

Recommendation 3

We recommend that the campus:

a. Develop and implement policy and procedures to ensure that athletic event ticket inventory is secure.

b. Implement an independent athletic event ticket reconciliation process.
c. Provide appropriate training to ensure awareness of requirements for ticket inventory control.

**Campus Response**

We concur.

a. As of September 30, 2010, Intercollegiate Athletics will implement policy and procedures to ensure that athletic event ticket inventory is properly secured.

b. As of September 30, 2010, Financial Services and Intercollegiate Athletics will implement reconciliation processes for athletic event tickets.

c. As of September 30, 2010, Financial Services will assist Intercollegiate Athletics with appropriate training to ensure employee awareness for ticket inventory control.
August 12, 2010

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
     Chancellor

SUBJECT: Draft Final Report 10-22 on Main and Satellite Cashiering,
         California State University, Sacramento

In response to your memorandum of August 12, 2010, I accept the response as
submitted with the draft final report on Main and Satellite Cashiering,
California State University, Sacramento.

CBR/amd