MAIN AND SATELLITE CASHIERING
SAN FRANCISCO STATE UNIVERSITY

Audit Report 10-25
May 18, 2010

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ABBREVIATIONS

CSU  California State University
FISMA  Financial Integrity and State Manager’s Accountability Act
GC  Government Code
OUA  Office of the University Auditor
SAM  State Administrative Manual
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 2009.

We visited the San Francisco State University campus from February 23, 2010, through March 5, 2010, 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 main and satellite 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 main and satellite cashiering activities in effect as of March 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.

SATELLITE CASHIERING [5]

Cash and athletic event ticket inventory was not properly controlled and safeguarded at one of the four satellite cashiering areas visited.
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 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 February 23, 2010, through March 5, 2010. In instances wherein it was necessary to review annualized data, calendar years 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.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SATELLITE CASHIERING

Cash and athletic event ticket inventory was not properly controlled and safeguarded at one of the four satellite cashiering areas visited.

Based on our selection criteria, we reviewed cashiering controls at the testing center, athletics, university housing, and student health services and found control weaknesses only in athletics.

We found that:

- The department did not maintain a written record of the date when the combination to the safe was last changed, but estimated it had been over ten years since the last change.

- The safe was not adequately secured, as it was not anchored to the building.

- Blank athletic event ticket inventory maintained in the event coordinator’s office was not secured in a locked cabinet.

- A reconciliation of athletic event ticket inventory was not performed.

State Administrative Manual (SAM) §8024 requires the campus to retain a record listing the names of persons knowing the present safe combination and the date the combination was last changed, and to change the safe combination when employees leave a department.

SAM §8025 states that, as a deterrent to burglary, state agencies will securely anchor a safe to the building and, where practical, to the building’s foundation.

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.

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

The athletics director stated that not maintaining a record of changes to the safe combination was an oversight and that significant cost would have to be incurred in order to anchor the safe in its current location. He further stated that standard operating procedures did not include guidance on storage and reconciliation of athletic event ticket inventory.

Inadequate control over cash receipts and sensitive information increases campus exposure to loss from inappropriate acts. Failure to secure athletic event ticket inventory and complete reconciliations of ticket inventory increases the risk that errors and irregularities will not be detected and compromises accountability.


**Recommendation 1**

We recommend that the campus:

a. Change the combination to the athletics safe, and maintain updated written records of the date the combination was last changed.

b. Secure the athletics safe.

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

d. Implement an independent athletic event ticket inventory reconciliation process.

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

**Campus Response**

We concur.

We will purchase a new safe with a functionality that allows for periodic combination changes. We will implement a procedure by which we change the combination regularly and maintain change records for audit purposes. The new safe will be purchased and in use by August 31, 2010.

Management believes the new athletics department safe is sufficiently secure as is and accepts the risk of not anchoring it. The new safe weighs 350 pounds and when used holds approximately $300-$400. Rarely the level of cash in the safe rises as high as $700. Risk management requested proposals for removing a one square inch section of floor tile so that we can then drill a bolt into the cement to secure the safe. The lowest bid received was $1,200, which included abatement. Considering the risk and benefit of securing the safe by anchoring it to the floor, management accepts the risk and considers the safe sufficiently secure as is.

To ensure ticket inventory is secure, we will write and implement a policy that requires a periodic independent ticket inventory certification and documents the fact that tickets are secured in a locked cabinet. The tickets we use are pre-numbered. Our procedure will include using these pre-printed numbers to certify ticket inventory. We will train staff on the procedures. Estimated completion date is August 31, 2010.

Please also note that in order for a ticket to be created; it must be printed using a specific ticket-printing machine. The machine is kept and will continue to be kept in a separate locked cabinet, i.e. not the same cabinet the tickets are in.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert A. Corrigan</td>
<td>President</td>
</tr>
<tr>
<td>Edwin Billiot</td>
<td>University Bursar</td>
</tr>
<tr>
<td>Gerald Carrig</td>
<td>Director, Testing Center</td>
</tr>
<tr>
<td>Amanda Gazzo</td>
<td>Lead Cashier, Bursar’s Office</td>
</tr>
<tr>
<td>Mike Getman</td>
<td>Business Manager, Athletics</td>
</tr>
<tr>
<td>Jackie Green</td>
<td>Associate Bursar, Student Accounts, Bursar’s Office</td>
</tr>
<tr>
<td>Ryan Jung</td>
<td>Cashier, University Housing</td>
</tr>
<tr>
<td>Franz Lozano</td>
<td>Budget Officer, Budget Administration and Operations</td>
</tr>
<tr>
<td>Excel Mercado</td>
<td>Associate Bursar, Cashier Operations, Bursar’s Office</td>
</tr>
<tr>
<td>Leroy M. Morishita</td>
<td>Executive Vice President and Chief Financial Officer, Administration and Finance</td>
</tr>
<tr>
<td>Jamil Sheared</td>
<td>Event Coordinator, Athletics</td>
</tr>
<tr>
<td>Mike Simpson</td>
<td>Director, Athletics</td>
</tr>
<tr>
<td>Alastair K. Smith</td>
<td>Director, Student Health Services</td>
</tr>
<tr>
<td>Stacey Thompson</td>
<td>Business Manager, Student Health Services</td>
</tr>
<tr>
<td>Conrad Tobias</td>
<td>Resident Accounts Coordinator, University Housing</td>
</tr>
<tr>
<td>Helen Wang</td>
<td>Fiscal Manager, University Housing</td>
</tr>
<tr>
<td>Clarice Wong</td>
<td>Billing Coordinator, Student Health Services</td>
</tr>
<tr>
<td>Corazon Wong</td>
<td>Director, Student Financial Operations</td>
</tr>
<tr>
<td>Agnes Wong-Nickerson</td>
<td>Interim Associate Vice President, Fiscal Affairs</td>
</tr>
</tbody>
</table>
August 6, 2010

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, California 90802-4275

Dear Mr. Mandel:

We have reviewed the Office of the University Auditor Report #10-25 on Main and Satellite Cashiering at San Francisco State University. Our revised response to the recommendation is attached and will also be forwarded to your staff electronically. We are taking actions to implement the recommendation.

Documentation demonstrating implementation of recommendations completed will be forwarded to you separately. Questions regarding the responses may be directed to Leroy M. Morishita, Executive Vice President and CFO for Administration & Finance, at 415/338-2521 or Heather Boshears, Internal Auditor, at 415/405-4343.

Sincerely,

[Signature]
Robert A. Corrigan
President

HB/id

Attachments

cc:   Leroy M. Morishita, Executive Vice President and CFO, Administration & Finance
      Lori Gentles, Associate Vice President, Human Resources, Safety & Risk Management
      Agnes Wong Nickerson, Associate Vice President for Fiscal Affairs
      Mike Simpson, Director, Athletics Department
      Michael Martin, Executive Director, Risk Management, HRSRM
      Corazon Wong, Director, Student Financial Services and Fiscal Affairs Business Systems
      Edwin Billiot, Bursar, Bursar’s Office, Fiscal Affairs
      Heather Boshears, Internal Auditor
MAIN AND SATELLITE CASHIERING
SAN FRANCISCO STATE UNIVERSITY
Audit Report 10-25

SATELLITE CASHIERING

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August 12, 2010

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: Draft Final Report 10-25 on *Main and Satellite Cashiering*, San Francisco State University

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*, San Francisco State University.

CBR/amd