CONTENTS

Executive Summary ...................................................................................................................................... 1

Introduction ................................................................................................................................................... 2
  Background ............................................................................................................................................... 2
  Purpose ...................................................................................................................................................... 3
  Scope and Methodology ............................................................................................................................ 4

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Cashiering ..................................................................................................................................................... 5

System Access ............................................................................................................................................... 6

Accounting Records .................................................................................................................................. 8
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus Response
APPENDIX C: Chancellor’s Acceptance

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 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 the California State University, Bakersfield campus from July 11, 2011, through August 4, 2011, 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 in the oversight and monitoring of departments that accept cash and cash equivalents. This condition, 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 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]

Accountability for ticket sales and proper safeguarding of cash were not always maintained at the music and theater departments.

SYSTEM ACCESS [6]

The campus did not have written policies for granting access to the cashiering system, nor did it have an authorization form to document for the granting, modification, and/or termination of access to cashiering systems.

ACCOUNTING RECORDS [8]

The campus did not have written policies and procedures for the approval and management review of voided transactions.
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, to 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.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASHIERING

Accountability for ticket sales and proper safeguarding of cash were not always maintained at the music and theater departments.

We found that:

- Departmental cash handling policies conflicted with campus policies for safeguarding of funds, as they stated that event coordinators should take the cashbox home for safekeeping if the safe or campus police are unavailable. In some cases, event coordinators took cash receipts from weekend and evening events home for safekeeping.

- Event coordinators did not always follow systemwide guidelines for using volunteers. Specifically, they often informally appointed family members or volunteers to assist in handling cash receipts and bookkeeping for events.

- The departments did not have a method for tracking event tickets, which were not numbered and could be easily duplicated.

- The departments did not have procedures to perform reconciliations between ticket sales and cash collected, and such reconciliations were not always performed or documented.

- The departments did not have procedures to perform reconciliations between ticket sales and revenue recorded in the general ledger, and such reconciliations were not performed.

State Administrative Manual (SAM) §8070 states that state officers and employees who receive and disburse money will be held accountable for the money in their custody. They will be held personally responsible for any cash discrepancies. Each department is responsible for establishing standards of performance for their cashiers and prescribing corrective actions to be utilized when performance standards are not satisfied.

Human Resources Coded Memorandum 2005-26, California State University Volunteer Policy, dated June 14, 2005, provides specific requirements and guidelines for the use of volunteers.

SAM §7901 states that the accuracy of a department’s accounting records may be proved partially by making certain reconciliations and verifications.

California State University, Bakersfield Satellite Cashiering Cash Handling Guidelines state that cash must be secured in a locker drawer during normal working hours and in a safe during non-working hours.

The assistant vice president for fiscal services stated that although campus policies and procedures spell out how departments are to handle cash and tickets during events, these procedures were not followed by all staff.
Failure to properly safeguard funds increases campus exposure to loss from inappropriate acts, and failure to reconcile sales increases the risk that errors and irregularities will not be detected and compromises accountability.

**Recommendation 1**

We recommend that the campus:

a. Ensure that departmental cash handling policies align with campus policies for safeguarding of funds, and that cash receipts are adequately secured after weekend and evening events.

b. Ensure that event coordinators follow systemwide guidelines for using volunteers.

c. Develop and implement a method for tracking event tickets.

d. Develop and implement procedures to reconcile ticket sales and cash collected, and ensure that such reconciliations are performed and documented.

e. Develop and implement procedures to reconcile ticket sales to revenue recorded in the general ledger, and ensure such reconciliations are performed.

**Campus Response**

We concur.

a. The campus will revise cash handling policies to ensure funds remain safeguarded and cash receipts are secure after weekend and evening events.

b. The campus will conduct training with event coordinators to ensure systemwide campus guidelines are offered to volunteers and employees working these events.

c.-e. The campus will develop procedures and methods to track event tickets, ticket sales, and event ticket reconciliations.

Expected completion date is January 31, 2012.

**SYSTEM ACCESS**

Access to cashiering systems needed improvement.

We found that:

- The campus did not have formal written policies and procedures for granting access to cashiering systems.
The campus did not have an authorization form to document the granting, modification, and/or termination of access to cashiering systems.

SAM §5325 states that each agency is responsible to provide security roles and responsibilities to employees, contractors, and third-party users. This will ensure the users are informed of their roles and responsibilities for using agency information assets, reduce the risk of inappropriate use, and includes a documented process to remove access when changes occur. Personnel practices related to security management include, among other areas, training of agency employees with respect to security responsibilities and policies, signing of acknowledgments of security responsibility by all employees, and termination procedures that ensure that agency information assets are not accessible to former employees.

Integrated California State University Administrative Manual §8060.0, Access Control, dated April 19, 2010, states that campuses must have a documented process for provisioning approved additions, changes, and terminations of access rights and reviewing access of existing account holders.

The assistant vice president for fiscal services stated that the lack of formal policies and authorization forms occurred due to a lack of management oversight.

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

**Recommendation 2**

We recommend that the campus:

a. Develop written policies and procedures for granting access to the cashiering systems.

b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.

**Campus Response**

We concur. Our campus will develop policies and procedures that document the appropriate granting of access to the cashiering system. These policies and procedures will provide authorization for modifying and terminating granted access, as well.

Expected completion date is January 31, 2012.
ACCOUNTING RECORDS

The campus did not have written policies and procedures for approval and management review of voided transactions.

Specifically, we found that:

- There was no formal approval process for cashiers to follow when voiding transactions, and cashiers were able to void their own transactions in the CashNet system without management approval.

- There were no procedures in place for management review or monitoring of voided transactions.

SAM §20050 states one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

The assistant vice president for fiscal services stated that although the lead cashier reviewed the voided transactions at the end of the day, they had not created formal policies for management approval.

Lack of accounting policies and procedures increases the risk of misunderstandings related to the performance of duties and functions, and failure to adequately monitor accounting processes increases the risk of fraudulent or unauthorized activities.

**Recommendation 3**

We recommend that the campus develop and implement policies and procedures for the approval and management review of voided transactions.

**Campus Response**

We concur. Our campus will develop and implement procedures that document the review and approval of voided transactions.

Expected completion date is January 31, 2012.
**APPENDIX A:**
**PERSONNEL CONTACTED**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horace Mitchell</td>
<td>President</td>
</tr>
<tr>
<td>Marge Becas</td>
<td>Administrative Analyst, Student Financial Services</td>
</tr>
<tr>
<td>Cindy Breor</td>
<td>Administrative Assistant, Fiscal Services and Facilities</td>
</tr>
<tr>
<td>Donna Candelaria</td>
<td>Business Office Coordinator, Athletics</td>
</tr>
<tr>
<td>Brian Chen</td>
<td>PeopleSoft Security Administrator, Administrative Computing Services</td>
</tr>
<tr>
<td>Casilda Estrada</td>
<td>Health Services Assistant</td>
</tr>
<tr>
<td>Kellie Garcia</td>
<td>Director, Human Resources</td>
</tr>
<tr>
<td>Cindy Goodman</td>
<td>Associate Athletic Director</td>
</tr>
<tr>
<td>Eva Hebebrand</td>
<td>Manager, Student Financial Services</td>
</tr>
<tr>
<td>Kimber Hines</td>
<td>Account Technician III, Student Financial Services</td>
</tr>
<tr>
<td>Michael Neal</td>
<td>Vice President, Business and Administrative Services</td>
</tr>
<tr>
<td>Nancy Okane</td>
<td>Administrator, Radiographic Services</td>
</tr>
<tr>
<td>Vetta Uraine</td>
<td>Office Coordinator, Theater Education</td>
</tr>
<tr>
<td>Doug Wade</td>
<td>Assistant Vice President, Fiscal Services</td>
</tr>
</tbody>
</table>
October 19, 2011

Mr. Larry Mandel
University Auditor
Office of the Chancellor
California State University
401 Golden Shore 4th Floor
Long Beach CA 90802-4210

Re: University Response to Recommendations #1, 2 & 3 Contained in Report Number 11-41 - Cashiering - CSU Bakersfield

Dear Mr. Mandel:

Attached are the University’s responses to the recommendations contained in Report Number 11-41, Cashiering Audit.

If you have any questions or concerns, please contact my office at (661) 654-2287.

Sincerely,

Michael A Neal
Vice President for Business
and Administrative Services

c: Horace Mitchell, CSUB President
CASHIERING

CALIFORNIA STATE UNIVERSITY,
BAKERSFIELD

Audit Report 11-41

CASHIERING

Recommendation 1

We recommend that the campus:

a. Ensure that departmental cash handling policies align with campus policies for safeguarding of funds, and that the cash receipts be adequately secured throughout weekend and evening events.

b. Ensure that event coordinators follow system-wide guidelines for using volunteers.

c. Develop and implement a method for tracking event tickets.

d. Develop and implement procedures to reconcile ticket sales and cash collected, and ensure that such reconciliations are completed and documented.

e. Develop and implement procedures to reconcile ticket sales to the revenue recorded in the general ledger, and ensure such reconciliations are accomplished.

Campus Response

We concur.

a. The campus will revise cash handling policies to ensure funds remain safeguarded and cash receipts are secure in the course of after weekend and evening events.

b. The campus will conduct training with Event Coordinators to ensure system-wide campus guidelines will be offered to volunteers and employees working these events.

c-e. The campus will develop procedures and methods to track event tickets, ticket sales and event ticket reconciliations.

Expected completion date is January 31, 2012.
SYSTEM ACCESS

Recommendation 2

We recommend that the campus:

a. Develop written policies and procedures for granting access to the cashiering systems.

b. Create and implement an authorization form to document the granting, modification, and/or termination of access to cashiering systems.

Campus Response

We concur. Our campus will develop policies and procedures that document the appropriate granting of access to the cashiering system. As well, these policies and procedures will provide authorization for modifying and terminating granted access.

Expected completion date is January 31, 2012.

ACCOUNTING RECORDS

Recommendation 3

We recommend that the campus develop and implement policies and procedures for the approval and management review of voided transactions.

Campus Response

We concur. Our campus will develop and implement procedures that document the review and approval of voided transactions.

Expected completion date is January 31, 2012.
November 14, 2011

MEMORANDUM

TO: Mr. Larry Mandel  
   University Auditor

FROM: Charles B. Reed  
       Chancellor

SUBJECT: Draft Final Report 11-41 on Cashiering,  
         California State University, Bakersfield

In response to your memorandum of November 14, 2011, I accept the response as submitted with the draft final report on Cashiering, California State University, Bakersfield.

CBR/amd