August 2, 2013

Dr. Timothy P. White
Chancellor
The California State University
401 Golden Shore
Long Beach, CA 90802

Dear Dr. White:

Pursuant to a request from your office on February 12, 2013, the Office of the University Auditor has conducted an investigation in response to an allegation raised by California State University, Fullerton campus administration. Specifically, it was alleged that between November 2011 and November 2012, approximately $58,000 in sales revenues from the Performing Arts Center Box Office (box office) in the form of cash and checks were not delivered to the California State University, Fullerton Auxiliary Services Corporation (ASC) for deposit.

To investigate the allegations, we reviewed the campus’s calculations and various supporting documentation from both the box office and ASC records that were used in their analysis of revenues and deposits between July 2011 and December 2012. We also obtained additional information and documentation including email and computer files of the former Audience Services and Fiscal Manager, who is no longer employed at the campus. In addition, we reviewed relevant criteria and interviewed current campus and ASC personnel.

Included within the report are the results of the investigation along with specific recommendations which, we believe, would benefit campus fiscal and operational management.

Sincerely,

[Signature]
Larry Mandel
University Auditor
CONTENTS

EXECUTIVE SUMMARY

Allegation .................................................................................................................................................. 1

INTRODUCTION

Background ............................................................................................................................................... 2
Scope and Method of Investigation ........................................................................................................... 2

RESULTS OF INVESTIGATION

Allegation .................................................................................................................................................. 3
Investigation Results .................................................................................................................................. 3

RECOMMENDATIONS

Recommendations ..................................................................................................................................... 7

APPENDICES

Appendix A: Campus Response
Appendix B: Chancellor’s Acceptance

ABBREVIATIONS

ASC     Auxiliary Services Corporation
CSU     California State University
CSU Fullerton    California State University, Fullerton
ICSUAM  Integrated California State University Administrative Manual
IDT     Interdepartmental Transfer
OUA     Office of the University Auditor
EXECUTIVE SUMMARY

ALLEGATION

It was alleged that between November 2011 and November 2012, approximately $58,000 in sales revenues from the Performing Arts Center Box Office (box office) in the form of cash and checks were not delivered to the California State University, Fullerton Auxiliary Services Corporation (ASC) for deposit.¹

INVESTIGATION RESULTS

We concur with the campus’s calculations indicating that approximately $58,000 in box office sales revenues consisting of cash and checks was not deposited with ASC and is therefore missing. Specifically, after reviewing the campus’s calculations, we noted one minor ($31) difference, but agreed that the available data indicated that $58,694, consisting of $45,011 in cash and $13,683 in checks, was received but not deposited into the box office account maintained by ASC.

¹ Although the identified missing funds were from sales revenues between November 2011 and November 2012, the review period was July 2011 to December 2012.
INTRODUCTION

BACKGROUND

College of the Arts, Performing Arts Center Box Office

CSU Fullerton’s College of the Arts offers programs in the visual arts, music, dance, and theatre. The campus has extensive specialized studio and performance spaces that offer students, faculty, and staff the opportunity to pursue professional and creative excellence in each of these mediums. Numerous events are held in these spaces each year, and tickets are sold through the Performing Arts Center Box Office (box office). In July 2011, the box office began using a new software program called Theatre Manager to process and track sales data.

Auxiliary Services Corporation

The CSU Fullerton Auxiliary Services Corporation (ASC) is a nonprofit public corporation that promotes and assists the educational mission of CSU Fullerton. ASC provides accounting services for various campus programs including the box office.

Campus Actions and Notifications

In May 2012, campus personnel noted discrepancies in the distribution of funds within the College of the Arts. Their review at the time concluded there was a clerical error, but nevertheless, the campus began implementing new cash-handling procedures. However, additional questions arose in January 2013 pertaining to an overdrawn account. Upon further investigation, the campus identified approximately $58,000 in sales revenues they believed were not delivered for deposit. On January 30, 2013, the campus president wrote to the chancellor asking for assistance from the Office of the University Auditor (OUA). On February 12, 2013, the chancellor requested that the OUA conduct an investigation.

SCOPE AND METHOD OF INVESTIGATION

To investigate the allegation, we reviewed the campus’s calculations and various supporting documentation from both the box office and ASC records that were used in their analysis of revenues and deposits between July 2011 and December 2012. We also obtained additional information and documentation including email and computer files of the former Audience Services and Fiscal Manager (box office fiscal manager), who is no longer employed at the campus. In addition, we reviewed relevant criteria and interviewed current campus and ASC personnel.
RESULTS OF INVESTIGATION

ALLEGATION

It was alleged that between November 2011 and November 2012, approximately $58,000 in sales revenues from the Performing Arts Center Box Office (box office) in the form of cash and checks were not delivered to the California State University, Fullerton (CSU Fullerton) Auxiliary Services Corporation (ASC) for deposit.²

INVESTIGATION RESULTS

We concur with the campus’s calculations indicating that approximately $58,000 in box office sales revenues consisting of cash and checks was not deposited with ASC and is therefore missing. Specifically, after reviewing the campus’s calculations, we noted one minor ($31) difference, but agreed that the available data indicated that $58,694, consisting of $45,011 in cash and $13,683 in checks, was received but not deposited into the box office account maintained by ASC.

Cash Receipts Process

As noted above, CSU Fullerton’s College of the Arts offers programs in the visual arts, music, dance, and theatre. Various events related to those disciplines were held at the campus each year, with revenues collected by the box office; accounting for the funds was handled by ASC.³ Once collected, all box office revenues were initially deposited into the same account and each department’s share was subsequently transferred to their respective account, with the box office retaining a surcharge amount for its services. Cash and checks collected by the box office were counted on-site and then hand-carried by box office personnel to the ASC. ASC staff verified the check total, noted the cash total provided by the box office personnel, and completed a cash receipt form.⁴ The ASC deposited the money with the bank, after which ASC provided another cash receipt form to verify the amount of cash and checks actually deposited.

The Monday after a week of performances, the box office fiscal manager was supposed to prepare an Interdepartmental Transfer (IDT) form to transfer funds to the appropriate departments.⁵ In May 2012, one of the departments reported that an IDT had not been processed. The Director of Marketing and Patron Services for the College of the Arts (director) then found other IDTs that had been prepared by the box office but not processed, resulting in funds not being transferred to the departments. When those IDTs were submitted for processing, the deposit account did not have sufficient funds to cover the transfers. The director subsequently noticed other problems with IDTs prepared by the box office fiscal manager, such as lack of detail regarding the dates of ticket sales and a transfer amount that was not supported by the backup documentation.

² Although the identified missing funds were from sales revenues between November 2011 and November 2012, as noted in the scope, the review period was July 2011 to December 2012.
³ The campus and ASC entered into a formal Memorandum of Understanding for this arrangement effective January 1, 2012. Although ASC policies may have applied prior to January 1, 2012, our focus below is on CSU and campus policies as those are the policies that applied during most of the period reviewed and that apply currently.
⁴ ASC staff did not open the sealed envelopes containing the cash; they used the amount noted on the sealed envelopes by box office personnel.
⁵ This process changed in 2013, but was in place during the period we reviewed.
After discovering that some IDTs had not been processed, a new system was established to ensure the IDTs were prepared timely and that proper backup documentation was attached. No new questions arose until January 2013 when it was discovered that the deposit account was overdrawn. At this point, the director began an analysis to compare sales revenues to amounts deposited with ASC and noted several discrepancies, which the campus later asked us to review and verify.

**Comparison of Sales Revenues to Deposits**

A comparison of sales revenue data to amounts actually deposited indicated $58,694 in revenues was not deposited.

In July 2011, the beginning of the period reviewed, the box office began using a new software program called Theatre Manager to track ticket sales and revenues. It is important to note that we did not test or validate the software for accuracy or reliability; we used the data reflected in the system as provided by campus management.

As mentioned, campus management began to have concerns about the IDT preparation and processing. In January 2013, the director prepared a summary of revenue and deposit information, which included information from IDT forms and Theatre Manager reports of sales revenues as compared to deposits reflected in the ASC records. That summary noted a total of $58,725 that was reflected as sales revenues per the Theatre Manager reports but never deposited according to the ASC records. When we reviewed this information, we noted $31 less that was missing, but substantively agreed with the campus’s total. Based on the available data, $58,694 in sales revenues was missing, consisting of $45,011 in cash and $13,683 in checks.

During our review of the sales revenues and deposits, we noted various related deficiencies that may have contributed to the loss of funds or at least to the ability to detect the losses earlier. In addition, we believe the missing funds are likely the result of criminal activity.

**Lack of Documented Procedures and Lack of Clarity Regarding Applicable Policies**

It was unclear what box office procedures were in place during most of the review period. Specifically, although the campus put new box office procedures in place in November 2012, the director told us that any procedures prior to November 2012 would have been implemented by her predecessor. However, the director was not successful in locating any printed copies of procedures her predecessor may have implemented. Although campus management was unable to provide us with specific box office procedures that were in place prior to November 2012, we found a document titled “Verification of Funds Report” that outlined the procedures from the time the ticket order was processed until deposits and transfers were verified. Due to staff turnover, we were unable to determine whether those procedures had been officially approved and adopted or whether this was simply a draft. The document had been emailed by the former box office fiscal manager to the box office manager in November 2011. Neither of those individuals was still at the campus, so we did not verify the document’s applicability.

Having approved, documented procedures specific to the box office is a sound business practice and helps safeguard assets and detect loss from fraud or negligence.
Although the box office is a campus-owned program, its accounting services are administered by the ASC; campus and ASC administrators therefore believe that the box office should follow ASC policies related to cash management. However, the Integrated California State University Administrative Manual (ICSUAM), Section 13680, states that university funds held as agency or trust funds must be controlled and administered in accordance with California State University (CSU) policies and procedures. Without clarity as to which policies apply, box office personnel, administrators, and others do not have assurance that the box office is in compliance with the appropriate policies and that their procedures fulfill the policy requirements.

Reconciliations Not Performed

Box office personnel did not perform reconciliations of sales revenues to bank records to ensure the revenues were appropriately deposited. Although we did not verify the applicability of the procedures outlined in the “Verification of Funds Report” mentioned above, one monthly procedure it outlined was for the office manager and the box office fiscal manager to independently verify transactions that occurred in the previous month to the ASC Account Statement. That was to be accomplished by verifying that the general ledger amounts matched the deposit slip, the IDT form, and the ASC Account Statement. Whether or not this was an official, approved procedure, reconciliations are a sound business practice and are required under CSU policy. However, reconciliations should be performed by someone who is not responsible for handling cash receipts/deposits; i.e., this should not have been a task assigned to the box office fiscal manager since he handled cash receipts and hand-carried the deposits to ASC. In this case, whether or not the box office fiscal manager had been assigned to complete the reconciliations, we found no evidence that any such reconciliations were prepared.

If sound reconciliation procedures had been implemented and followed, it is likely that any missing funds would have been either prevented or at least discovered timely.

The box office’s current procedures went into effect November 30, 2012, and include a reconciliation process that, according to the director, was instituted in February 2013. However, the procedures lacked clarity regarding the sources of information being reconciled and did not outline a review/approval process for the reconciliations, though the director told us she does review them.

The ICSUAM, Section 3102.09, states that it is the policy of the CSU that all bank and centralized CSU bank statements be regularly reconciled to campus books. Each campus must prepare written procedures to implement this policy. The campus’s current cash management policy, Section I.4.b., notes that monthly reconciliation of deposit records must be performed to ensure that all deposits are deposited into a university depository account and properly recorded on the general ledger in an accurate and timely manner.

Late Deposits

As noted above, some IDT forms were not processed or lacked detail or supporting documentation. In addition, we noted that deposits were not made promptly. For example, no deposits were made between
December 5, 2011, and February 23, 2012, or between March 9 and May 29, 2012. For a selection of transactions, we also reviewed copies of the checks included in the deposits. The May 29, 2012, deposit included checks dated as far back as November 2011, with most of the checks dated March and April 2012.

Deposits should be made promptly and reconciliations done timely to prevent mishandling of money, safeguard assets, and detect loss from fraud or negligence.

According to ICSUAM, Section 3102.11, collections at cashiering locations and departments should be deposited at the designated main cashiering station at least weekly or whenever collections exceed $500. The CSU Fullerton Cash Management Policy IXB.5.e, in place during the period reviewed, stated that collections at satellite stations and departments must be deposited at the designated main cashiering station or with the bank directly the same day, or at a minimum on the following business day or whenever collections exceed $500.

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6 Although the December 5, 2011, to February 23, 2012, includes the holiday season when not many shows were scheduled, there were still 11 additional shows in December and three more prior to February 23, 2012, when the deposit was finally made.
RECOMMENDATIONS

Our investigation was administrative in nature. The conclusions we drew were made within that context. Recommendations that would mitigate the recurrence of similar findings are presented below.

1. Possible Criminal Activity

We recommend that the campus consider contacting law enforcement officials regarding the possible criminal activity identified in the report to determine whether further action is warranted/appropriate.

Campus Response

We concur. We will consult with the University Police to determine what further action should be taken. This will be completed by August 31, 2013.

2. Lack of Documented Procedures and Lack of Clarity Regarding Applicable Policies

We recommend that the campus and the ASC revise the Memorandum of Understanding regarding the box office to clarify that the box office should follow CSU policies and procedures.

Campus Response

We concur. The Memorandum of Understanding will be amended to clarify that the box office should follow CSU policies and procedures. This will be completed by September 30, 2013.

3. Reconciliations Not Performed

We recommend that the campus:

a. Clarify box office procedures related to reconciliations; specifically, identify which source documents are being used to perform the reconciliation of cash receipts to deposits.

b. Add a box office procedure to have an appropriate individual review and approve the monthly reconciliations.

Campus Response

a. We concur. Box office reconciliation procedures will be clarified, which will include identifying source documents used to reconcile cash receipts to deposits.

b. We concur. A box office procedure will be added to have an individual review and approve monthly reconciliations.

Both items will be completed by October 31, 2013.
4. Late Deposits

We recommend that the campus add information to the box office procedures regarding the specific timelines for deposits.

Campus Response

We concur. Specific timelines for deposits will be added to box office procedures. This will be completed by September 30, 2013.
MEMORANDUM

DATE: August 2, 2013

TO: Larry Mandel, University Auditor

FROM: Stephen G. Garcia, Interim Vice President for Administration & Finance/Chief Financial Officer

SUBJECT: Campus Responses to Recommendations of Performing Arts Center Box Office, Investigative Report No. 13-91

Please find enclosed California State University, Fullerton’s official response to the four (4) recommendations contained in Performing Arts Center Box Office, Investigative Report No. 13-91.

We would like to thank the University Auditor and his staff for conducting the investigation in a professional manner and identifying areas where our procedures or internal controls could be strengthened. The campus is committed to addressing the issues identified in the report.

If you have any questions or require additional information, please contact Steven Yim, Controller, at (657) 278-4075 or syim@fullerton.edu.

Attachments

cc: Dr. Mildred García, President
Lisa Kopecky, Assistant Vice President for Academic Operations and Finance
Tariq Marji, Chief Financial Officer, CSU Fullerton Auxiliary Services Corporation
Steven Yim, Controller
1. **Possible Criminal Activity**

We recommend that the campus consider contacting law enforcement officials regarding the possible criminal activity identified in the report to determine whether further action is warranted/appropriate.

**Campus Response**

We concur. We will consult with the University Police to determine what further action should be taken. This will be completed by August 31, 2013.

2. **Lack of Documented Procedures and Lack of Clarity Regarding Applicable Policies**

We recommend that the campus and the ASC revise the Memorandum of Understanding regarding the box office to clarify that the box office should follow CSU policies and procedures.

**Campus Response**

We concur. The Memorandum of Understanding will be amended to clarify that the box office should follow CSU policies and procedures. This will be completed by September 30, 2013.

3. **Reconciliations Not Performed**

We recommend that the campus:

a. Clarify box office procedures related to reconciliations; specifically, identify which source documents are being used to perform the reconciliation of cash receipts to deposits.

b. Add a box office procedure to have an appropriate individual review and approve the monthly reconciliations.

**Campus Response**

a. We concur. Box office reconciliation procedures will be clarified, which will include identifying source documents used to reconcile cash receipts to deposits.
b. We concur. A box office procedure will be added to have an individual review and approve monthly reconciliations.

Both items will be completed by October 31, 2013.

4. **Late Deposits**

We recommend that the campus add information to the box office procedures regarding the specific timelines for deposits.

**Campus Response**

We concur. Specific timelines for deposits will be added to box office procedures. This will be completed by September 30, 2013.
August 2, 2013

MEMORANDUM

TO:        Mr. Larry Mandel
           University Auditor

FROM:      Timothy P. White
           Chancellor

SUBJECT:   Draft Final Investigative Report 13-91
           Special Investigation, Performing Arts Center Box Office
           California State University, Fullerton

In response to your memorandum of August 2, 2013, I accept the response as submitted with the draft final report on the Special Investigation, Performing Arts Center Box Office at California State University, Fullerton.

TPW/amd