MAIN AND SATELLITE CASHIERING

CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Audit Report 10-26
April 30, 2010

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ABBREVIATIONS

CDC       Child Development Center
CSU       California State University
CSUS      California State University, Stanislaus
GC        Government Code
HRL       Housing and Residential Life
FISMA     Financial Integrity and State Manager’s Accountability Act
OUA       Office of the University Auditor
SAM       State Administrative Manual
SC        Stockton Center
SFS       Student Financial Services
WPST      Writing Proficiency Screening Test
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 cashing 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 California State University, Stanislaus campus from February 8, 2010, through February 19, 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: policies and procedures for satellite cashing and uncleared collections, the administration of user accounts in the CashNet system, segregation of duties at the main and four satellite cashiers, accountability for cash receipts at five satellite cashiers, safeguarding and timely deposit of checks at two satellite cashiers, and the administration of change and purchase funds. 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 for main and satellite cashiering activities in effect as of February 19, 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.

GENERAL ENVIRONMENT [6]

Certain policies and procedures related to satellite cashiering and uncleared collections were outdated, and appeared to be inconsistently followed.

CASHNET SYSTEM ACCESS [7]

User accounts in the CashNet system were not always properly maintained.

MAIN CASHIER [8]

Duties and responsibilities at the main cashier were not properly segregated and safeguarding and cash control weaknesses were found.
SATELLITE CASHIERING [11]

Control weaknesses were found at six of the seven satellite cashiering areas visited. Duties and responsibilities related to cashiering were not properly segregated at four satellite cashier areas, accountability for cash receipts needed improvement at five satellite locations, and currency and checks were not always adequately safeguarded and timely deposited at two satellite locations.

CHANGE AND PURCHASE FUNDS [15]

Administration of change and purchase funds needed improvement.
INTRODUCTION

BACKGROUND

Main and satellite cashing 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 cashing 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 cashing 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 cashing 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 cashing, 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 cashing audits were developed internally to address the known and anticipated cash-related risks at the CSU campuses.
PURPOSE

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 A, 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 8, 2010, through February 19, 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

GENERAL ENVIRONMENT

Certain policies and procedures related to satellite cashiering and uncleared collections were outdated, and appeared to be inconsistently followed.

We found that:

- Policies and procedures for six satellite cashiering locations and for performing uncleared collections reconciliations were outdated and referenced prior Banner cashiering and student accounting systems.

- Policies and procedures for the housing satellite location addressed the collection of cash receipts, even though housing stopped accepting cash at least three years ago.

- Campus policies and procedures were not always followed at the writing proficiency screening test (WPST) office. Although the WPST did not accept cash, we noted a cash payment of $25 during our walkthrough.

California State University, Stanislaus (CSUS) Daily Procedures for Cashiers, Satellite Locations, and Housing, dated January 11, 2006, states that a department or program accepting funds must not accept cash transactions, and that cash transactions should be sent to the main cashier.

Government Code §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are non-existent.

The associate vice president, financial services stated that the written procedures for cash handling were currently being reviewed and updated as part of the campus' 2009/2010 goals, beginning with remote cashiering and accounts receivable collections operations. She further stated that the revised procedures will reflect CashNet and PeopleSoft systems instead of Banner and will be provided along with training to the appropriate areas.

Outdated policies and procedures increase the risk of misunderstandings related to the performance of duties and functions, may no longer be applicable or appropriate, and may result in inconsistent treatment and handling of issues.
Recommendation 1

We recommend that the campus:

a. Review cashiering and related policies and procedures and update them as necessary to reflect current information and practices.

b. Provide training or otherwise reinforce cashiering procedures to all personnel who receive payments for the university.

Campus Response

We concur that cashiering policies and procedures should be kept current and communicated to those involved. Cash-handling policies and procedures are being reviewed and compared to current CSU guidelines by the director of student financial services (SFS). Revisions will include, among other changes, replacement of system references from Banner to CASHNet and PeopleSoft as appropriate. In addition, the housing satellite cashiering procedures will specify that this site does not accept cash. All policy and procedure revisions will be communicated to stakeholders through written methods and/or through face-to-face training sessions. The initial review will be completed by December 31, 2010, with training sessions occurring prior to fiscal year-end June 30, 2011.

CASHNET SYSTEM ACCESS

User accounts in the CashNet system were not always properly maintained.

We found that:

- Based on our review of the CashNet user listing as of January 26, 2010, there were five accounts that should have been inactivated. These included two employees who were separated, two employees who no longer used the system, and one generic supervisory account. We noted that the campus resolved this issue during the audit.

- A list of passwords was kept for main cashier CashNet accounts. This list was accessible by the lead cashier and the director of student financial services.

SAM §5305.2 and §5325 state that appropriate risk management procedures should be implemented to protect information resources from unauthorized access. This includes a documented process to remove access when changes occur.

The California State University Information Security Policy, dated August 2002, states that campus policies and procedures should provide for individual unique user IDs/passwords (no shared IDs).

The director of SFS stated that the failure to delete unused accounts was due to a lack of proper supervision with regard to the employee exit process. He added that a full review of security access into the CashNet system was conducted when employees were moved into the central cashiering area
in early February, during a reorganization; and modifications were made at that time. He further stated that it has been a practice since the Banner system to keep the listing of passwords for emergency use, in case a cashier had to suddenly leave without closing out their session.

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

**Recommendation 2**

We recommend that the campus:

a. Develop and implement policies and procedures to perform periodic reviews of CashNet accounts for proper access.

b. Strengthen current separation procedures to include CashNet access removal upon termination.

c. Discontinue the practice of maintaining a list of CashNet passwords.

**Campus Response**

We concur. Review of financial system access occurs annually per the office of information and technology procedures. Revisions to the procedures will be proposed before December 31, 2010, to specify CASHNet as one of the financial systems referenced to be reviewed annually. The human resource procedure for employee exits has been revised including revision of the exit form. Further revision of the exit form will be proposed before December 31, 2010, to include CASHNet access to ensure access is updated in a timely manner by the director of SFS. Cashiering system passwords are no longer shared.

**MAIN CASHIER**

**SEGREGATION OF DUTIES**

Duties and responsibilities at the main cashier were not properly segregated.

Our review disclosed that:

- The primary cashier, two temporary cashiers, and the manager of the area had the ability to post payments and charges, and to reverse charges, to student accounts in PeopleSoft.

- The three employees responsible for student accounts receivable collections and the manager of the area were also designated as backup cashiers. All of these personnel could post and reverse payments and charges, write-offs, and refunds to student accounts in PeopleSoft.
Two employees in accounting were not identified with specific cashiering duties, but were provided with cashiering access in CashNet. These employees had the ability to update the general ledger, as well as the ability to post and reverse payments and charges to student accounts in PeopleSoft. We noted that CashNet access was changed to “inquiry only” during the audit.

SAM §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: receiving and depositing remittances, inputting receipts information, and reconciling bank accounts and posting to the general ledger or any subsidiary ledger affected by cash transactions.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The director of SFS stated that it was difficult to maintain complete segregation of duties due to the small size of the campus and current staffing levels. He further stated that CashNet access was modified during a security review conducted in conjunction with the relocation of staff to the main cashiering area.

Inadequate segregation of duties between cash receipts and accounts receivable duties increases campus exposure to loss from inappropriate acts.

**Recommendation 3**

We recommend that the campus:

a. Either remove access to posting payments and charges, and to reversing charges, in PeopleSoft student finance from cashiering staff, or implement compensatory mitigating controls.

b. Either remove access to posting and reversing charges, processing student refunds, and processing student write-offs in PeopleSoft student finance from student accounting staff that perform cashiering duties, remove cashiering duties from these employees, or implement compensatory mitigating controls.

c. Review the need for full update access in PeopleSoft student finance for accounting employees who also update the general ledger.

**Campus Response**

We concur and understand the importance of appropriate segregation of duties to mitigate risk. However, available resources limit the ability of the campus to provide optimum separation of duties. Alternatively, reports are being produced to document financial activity that is input by a system user to individual student accounts including fee reversals and adjustment on the PeopleSoft Student system. Development of these reports will be complete by September 30, 2010. Once the reports are available, they will be reviewed by the director of SFS on a weekly basis for approval. In addition,
all general ledger account reconciliations are reviewed and approved by the controller. It is expected that these mitigating controls will limit the institution’s exposure to risk.

SAFEGUARDING AND CASH CONTROLS

Safeguarding and cash control weaknesses were found at the main cashier.

We found that:

- Entry to the main cashiering area was not adequately secured. The two entrances to the cashiering area consisted of a pocket door, which could be opened from the outside by reaching over and turning the inside handle, and an open hallway leading to the student accounting and financial aid area.

- Faculty and staff parking permits were not reconciled to cash receipts and inventory.

- Deposits from the main cashier to the bank were not always timely. We reviewed one week of deposits and noted that deposits for three days were not deposited on the next business day, but were instead held and deposited together. For two of the days, cash collections were over $1,000 and check collections were over $10,000.

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

SAM §8032.1 states that agencies are required to deposit receipts in a timely and economical manner. It further states that agencies that have safes or vaults that are adequate to safeguard cash will accumulate collections until they amount to $1,000 in cash or $10,000 in cash, checks, money orders, and warrants, whichever occurs first.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.

The director of SFS stated that the main cashiering office was located close to the financial aid office to provide ease of access to the students, and security cameras were in place to minimize risks. He further stated that faculty and staff parking permits were not reconciled because the cash activity was not considered material, and most of the payments for these permits are made by payroll deduction through the human resources office.

Inadequate control over cash receipts increases the risk of loss from unauthorized access and inappropriate acts.
Recommendation 4

We recommend that the campus:

a. Perform a formal evaluation of the main cashiering area to determine if additional security measures are warranted.

b. Reconcile faculty and staff parking permits to cash receipts and inventory levels for each term.

c. Document requirements for deposit frequency in current cashiering procedures for the main cashier, and enforce the procedures to ensure that deposits are made in a timely manner.

Campus Response

We concur and recognize the importance of physical security of the institution’s assets. The current main cashiering location has been a security concern from the day it became active. The campus has done previous security evaluations and will review them, in combination with new evaluations, to develop options for reducing the university’s physical and financial risk. Faculty and staff parking permits will be reconciled each term by the main cashiering office in collaboration with the payroll department to incorporate employee payroll deductions. The deposit frequency and threshold limits will be addressed in the review of cash-handling policies and procedures mentioned above (Rec.1). Any procedure changes and training will occur by June 30, 2011.

SATellite CASHIERING

Control weaknesses were found at six of the seven satellite cashiering areas visited.

The satellite cashiering locations reviewed included housing and residential life (HRL), the parking management bureau, the Stockton Center (SC), the library, the WPST office, the testing office, and the Child Development Center (CDC).

SEGREGATION OF DUTIES

Duties and responsibilities related to cashiering were not properly segregated at four of the satellite cashiering areas visited.

We found that:

- At the SC, the lead cashier worked a cash box and also performed the end-of-day reconciliation of all SC cash. This is a repeat finding from the prior FISMA audit performed in 2009.

- At the library, two staff members accepted and processed payments and were also responsible for updating the receivables in the library system.


- At the WPST office, one person received and processed the payments, entered the payments into the testing database, and created the deposit.

- At the CDC, one employee billed and collected receivables, received and posted payments, and created the deposit.

SAM §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: maintaining books of original entry, receiving and depositing remittances, inputting receipts information, and reconciling input to output.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The director of SFS stated that segregation of duties is difficult to maintain due to the small size of the campus and current staffing levels. The associate vice president, financial services, stated that the repeat nature of the SC weaknesses reported in the daily cash reconciliations is due to a lack of consistent on-site management which would provide the necessary review of deposits. She also stated that with intermittent vacancies in the extended education management team, it has been difficult to maintain consistent oversight at the SC.

Inadequate segregation of duties over cash-handling processes increases the risks of irregularities and loss from inappropriate acts.

**Recommendation 5**

We recommend that the campus:

a. Either segregate cashiering duties from persons who perform end-of-day reconciliations and persons who receive cash at the SC, or implement compensating mitigating controls.

b. Implement appropriate segregation of duties at the library, WPST, and CDC locations. This could be accomplished by assigning accounts receivable duties to another employee or the main cashier, or including an independent verification of funds received to the amount deposited at the main cashier, or by other compensating mitigating controls.

**Campus Response**

We concur and understand the importance of appropriate segregation of duties to mitigate risk. However, available resources limit the ability of the campus to provide optimum separation of duties, particularly at satellite cashiering centers. Alternatively, additional management review can be provided if available or satellite cashiering centers may be closed. For Stockton, the on-site manager will provide oversight and verification of cash by reviewing deposit documents and sample cross counting cash drawers. This manager does not take custody of the cash, does not receipt cash payments, does not process reimbursements, does not have access to the CASHNet system, and does not have access to the cash vault. All satellite cashiering units are being reviewed by the director of
SFS to recommend improvements of processes, revise written directives, and confirm roles and responsibilities of employees handling cash. The review, revisions, and implementation are expected to be complete by June 30, 2011.

ACCOUNTABILITY FOR CASH RECEIPTS

Accountability for cash receipts needed improvement at five of the satellite locations visited.

We found that:

- Transfer receipts to acknowledge the acceptance of funds by the main cashier were not used by HRL when delivering collections to the main cashiering location.

- Five staff members at the library shared the use of one cash register and cash box.

- The SC did not account for the numerical sequence of manual press-numbered receipts that were issued for payments accepted when the CashNet system was non-operational. The SC also lacked an inventory control system for the manual receipts.

- Checks were not always endorsed on the same day. At the WPST, we noted four checks dated the prior month that were not endorsed. Based on discussion at the testing office, we found that checks were not endorsed until processed, and may have been held overnight.

CSUS Daily Procedures for Cashiers, Satellite Locations, and Housing, dated January 11, 2006, states that as soon as a check is received, it shall be stamped with the endorsement stamp and placed in the lockbox or safe.

SAM §8020 states that an inventory control will be kept for press-numbered receipts and a numeric file of copies of receipts and voided receipts will be kept for audit purposes.

SAM §8021 requires that a transfer receipt be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

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.

The director of SFS stated that the lapses in controls were due to minimal staff and inadequate supervision.

Inadequate control over cash receipts increases campus exposure to loss from inappropriate acts.
**Recommendation 6**

We recommend that the campus:

a. Revise existing policies and procedures to include requirements for the use of transfer receipts between satellite and departmental locations and the main cashier, inventory control of press-numbered receipts, and sharing of cash boxes.

b. Provide training or other methods to enforce the revised policies and procedures and to ensure that checks are endorsed on the day received as required by present campus policies.

**Campus Response**

We concur. The use of transfer receipts, press-numbered receipts, and cash boxes will be addressed in the review of cash-handling policies and procedures mentioned above (Rec.1). Any procedure changes and training will occur by June 30, 2011.

**SAFEGUARDING AND TIMELY DEPOSIT OF FUNDS**

Currency and checks were not always adequately safeguarded and timely deposited at two of the satellite locations visited.

We found that:

- The door to the main cashiering area at the SC was unlocked during business hours.

- The campus only deposited to the bank on a weekly basis. A review of two weeks of deposits showed that, in the span of eight business days, there were three days where collections totaled over $10,000 in combined cash and checks, and at least one day with collections of over $1,000 in cash. These collections were not deposited on the next business day.

- At the WPST, we noted nine checks from December 2009 and January 2010 that had not yet been deposited by the time of the audit walkthrough on February 11, 2010.

SAM §8032.1 states that agencies that have safes or vaults that are adequate to safeguard cash will accumulate collections until they amount to $1,000 in cash or $10,000 in cash, checks, money orders, and warrants, whichever occurs first. Further, accumulated receipts of any amount will not remain undeposited for more than ten working days.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.

The director of SFS stated that SC staff was not aware that the door to the front office should remain locked, as this was a shared space used for many functions by faculty, administrators, and staff. He added that previously, only the vault and room where money is held, counted, and prepared for...
deposit had been locked. He further stated that collections at the SC were deposited on a weekly basis due to budget considerations, and that undeposited checks at the WPST were due to lack of proper training.

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

**Recommendation 7**

We recommend that the campus:

a. Secure the door to the main cashiersing area at the SC at all times.

b. Document requirements for deposit frequency in current cashiersing procedures for satellite and departmental locations, and enforce the procedures to ensure that deposits are made in a timely manner.

**Campus Response**

The door to the main office area of the Stockton Center now remains locked providing access only to employees authorized to carry a key. Deposit frequency will be addressed in the review of cash-handling policies and procedures mentioned above (Rec.1). Any resulting procedural changes and training will occur by June 30, 2011.

**CHANGE AND PURCHASE FUNDS**

Administration of change and purchase funds needed improvement.

Our review of four change funds and three petty cash funds (purchase funds) operating during the 2008/2009 fiscal year disclosed that:

- For three change funds and two petty cash funds that were transferred to new custodians, documentation was not maintained evidencing that audits of the funds had been completed, and receipts were executed by the new and former custodians.

- One change fund and two petty cash funds were not always counted as frequently as required.

- For two of the petty cash funds, the campus split petty cash purchases, thus circumventing the $50 limit in eight instances; and purchases were made that were above the $50 limit in an additional four instances.

- For two of the petty cash funds, invoices to reimburse the fund were not submitted on a monthly basis. Instead, we found that certain invoices were submitted to cover three- to six-month periods.
SAM §8111.2 states that transfers of custody will be accomplished only after: (a) personal audit of the fund has been made by the employees directly concerned; and (b) a receipt has been given by the newly assigned custodian to the custodian being relieved, with a copy of such receipt signed by both parties being delivered to accounting. It further states that an employee other than the custodian will count funds in accordance with prescribed frequencies based on the dollar amount of the fund.

SAM §8112 states that cash purchase funds provide cash for purchases or services not to exceed $50 (exclusive of sales tax) per purchase or service.

SAM §8112.5 states that the custodian will present invoices at least once each month.

The director of SFS stated that lapses in controls for change and purchase funds were due to inadequate training of, or lack of adherence to, existing university procedures.

Inadequate administration of change and purchase funds increases the risk of loss and inappropriate use of state resources.

Recommendation 8

We recommend that the campus:

a. Ensure that audits of change and petty cash funds are completed, receipts are executed, and supporting documentation is maintained when funds are transferred to a new fund custodian.

b. Ensure that change funds and petty cash funds are counted as frequently as required by policy.

c. Ensure that the $50 purchase limits for petty cash are strictly observed.

d. Update policies and procedures for change and purchase funds to comply with requirements for the timely submittal of petty cash receipts and invoices.

e. Provide training to reinforce existing policies and procedures regarding transfer of funds, frequency of audits/fund counts, purchase limits for petty cash, and the timely submittal of petty cash receipts and invoices.

Campus Response

We concur. Training for custodians of change and petty cash funds will be developed and provided by the responsible accountant. The training will include the importance of cash fund management, cash-handling processes, and use of supporting documentation. Training will also be provided to the main cashiering staff to reinforce the petty cash policy limits. The accountant responsible for the cash count process and the assistant director of accounting services will schedule Outlook tasks to ensure timely audits of change and petty cash funds. Change and purchase fund policies and procedures will be reviewed to ensure timely petty cash reimbursements. These steps are expected to be complete by March 31, 2011.
# APPENDIX A:
## PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Hamid Shirvani</td>
<td>President</td>
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<tr>
<td>Marilyn Alvarado</td>
<td>Accounting Technician II, Financial Services</td>
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<td>Manuel Beltran</td>
<td>Administrative Support Assistant, Stockton Center</td>
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<td>Betty Boyer</td>
<td>Administrative Support Coordinator, Child Development</td>
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<td>Melody Bughi</td>
<td>Accountant I, Financial Services</td>
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<td>Russell Giambelluca</td>
<td>Vice President, Business and Finance</td>
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<td>Delfin Guillory</td>
<td>Accountant II, Financial Services</td>
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<tr>
<td>Dwayne Machado</td>
<td>Library Assistant IV, Library</td>
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<tr>
<td>Andrea Martin</td>
<td>Administrative Analyst, Housing and Residential Life</td>
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<tr>
<td>Donevon Murrell</td>
<td>Administrative Analyst/Specialist, University Police</td>
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<tr>
<td>Petra Nebel</td>
<td>Administrative Support Analyst, Academic Affairs</td>
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<tr>
<td>Jim Phillips</td>
<td>Director, Student Financial Services</td>
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<tr>
<td>Chessie Robbins</td>
<td>Special Studies Program II, Academic Advising</td>
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<tr>
<td>Bernadette Sather</td>
<td>Analyst/Programmer, Financial Services</td>
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<tr>
<td>Claire Tyson</td>
<td>Associate Vice President, Financial Services</td>
</tr>
<tr>
<td>AnnMarie Walker</td>
<td>Accounting Technician I, Financial Services</td>
</tr>
<tr>
<td>Zona Zaragoza</td>
<td>Administrative Support Assistant, Stockton Center</td>
</tr>
</tbody>
</table>
August 12, 2010

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

Re: FISMA Main and Satellite Cashiering Audit 10-26

Mr. Mandel

Attached for your review are CSU, Stanislaus recent FISMA Main and Satellite Cashiering audit responses to the recommendations provided by your office. Responses have been provided for all identified instances. In addition, corrective actions are underway including review and revisions of related procedures and processes that are expected to strengthen internal controls and avoid further instances. These reviews will be complete before the fiscal year end.

Please feel free to contact me or Claire Tyson, AVP Financial Services, if you have further questions or comments.

Sincerely,

Russell Giambelluca

Enclosures

Cc: Dr. Hamid Shirvani, President
    Claire Tyson, AVP Financial Services
MAIN AND SATELLITE CASHIERING

CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Audit Report 10-26

GENERAL ENVIRONMENT

Recommendation 1

We recommend that the campus:

a. Review cashiering and related policies and procedures and update them as necessary to reflect current information and practices.

b. Provide training or otherwise reinforce cashiering procedures to all personnel who receive payments for the university.

Campus Response

We concur that cashiering policies and procedures should be kept current and communicated to those involved. Cash handling policies and procedures are being reviewed and compared to current CSU guidelines by the Director of Student Financial Services. Revisions will include, among other changes, replacement of system references from Banner to CASHNet and PeopleSoft as appropriate. In addition, the housing satellite cashiering procedures will specify that this site does not accept cash. All policy and procedure revisions will be communicated to stakeholders through written methods and/or through face-to-face training sessions. The initial review will be completed by 12/31/10 with training sessions occurring prior to fiscal year end 6/30/11.

CASHNET SYSTEM ACCESS

Recommendation 2

We recommend that the campus:

a. Develop and implement policies and procedures to perform periodic reviews of CashNet accounts for proper access.

b. Strengthen current separation procedures to include CashNet access removal upon termination.

c. Discontinue the practice of maintaining a list of CashNet passwords.
Campus Response

We concur. Review of financial system access occurs annually per the Office of Information and Technology procedures. Revisions to the procedures will be proposed before 12/31/10 to specify CASHNet as one of the financial systems referenced to be reviewed annually. The Human Resource procedure for employee exits has been revised including revision of the exit form. Further revision of the exit form will be proposed before 12/31/10 to include CASHNet access to ensure access is updated in a timely manner by the Director of Student Financial Services. Cashiering system passwords are no longer shared.

MAIN CASHIER

SEGREGATION OF DUTIES

Recommendation 3

We recommend that the campus:

a. Either remove access to posting payments and charges, and to reversing charges, in PeopleSoft student finance from cashiering staff, or implement compensatory mitigating controls.

b. Either remove access to posting and reversing charges, processing student refunds, and processing student write-offs in PeopleSoft student finance from student accounting staff that perform cashiering duties, remove cashiering duties from these employees, or implement compensatory mitigating controls.

c. Review the need for full update access in PeopleSoft student finance for accounting employees who also update the general ledger.

Campus Response

We concur and understand the importance of appropriate segregation of duties to mitigate risk. However, available resources limit the ability of the campus to provide optimum separation of duties. Alternatively, reports are being produced to document financial activity that is input by a system user to individual student accounts including fee reversals and adjustment on the PeopleSoft Student system. Development of these reports will be complete by 9/30/10. Once the reports are available, they will be reviewed by the Director of Student Financial Services on a weekly basis for approval. In addition, all general ledger account reconciliations are reviewed and approved by the Controller. It is expected that these mitigating controls will limit the institution’s exposure to risk.
SAFEGUARDING AND CASH CONTROLS

Recommendation 4

We recommend that the campus:

a. Perform a formal evaluation of the main cashiering area to determine if additional security measures are warranted.

b. Reconcile faculty and staff parking permits to cash receipts and inventory levels for each term.

c. Document requirements for deposit frequency in current cashiering procedures for the main cashier, and enforce the procedures to ensure that deposits are made in a timely manner.

Campus Response

We concur and recognize the importance of physical security of the institution’s assets. The current main cashiering location has been a security concern from the day it became active. The Campus has done previous security evaluations and will review them, in combination with new evaluations, to develop options for reducing the university’s physical and financial risk. Faculty and staff parking permits will be reconciled each term by the main cashiering office in collaboration with the Payroll department to incorporate employee payroll deductions. The deposit frequency and threshold limits will be addressed in the review of cash handling policies and procedures mentioned above (Rec.1). Any procedure changes and training will occur by 6/30/11.

SATELLITE CASHIERING

SEGREGATION OF DUTIES

Recommendation 5

We recommend that the campus:

a. Either segregate cashiering duties from persons who perform end-of-day reconciliations and persons who receive cash at the SC, or implement compensating mitigating controls.

b. Implement appropriate segregation of duties at the library, WPST, and CDC locations. This could be accomplished by assigning accounts receivable duties to another employee or the main cashier, or including an independent verification of funds received to the amount deposited at the main cashier, or by other compensating mitigating controls.

Campus Response

We concur and understand the importance of appropriate segregation of duties to mitigate risk. However, available resources limit the ability of the campus to provide optimum separation of duties, particularly at satellite cashiering centers. Alternatively, additional management review can be provided if available or satellite cashiering centers may be closed. For Stockton, the on site manager will provide oversight and verification of cash by reviewing deposit documents and sample cross
counting cash drawers. This manager does not take custody of the cash, does not receipt cash payments, does not process reimbursements, does not have access to the CASHNet system, and does not have access to the cash vault. All satellite cashiering units are being reviewed by the Director of Student Financial Services to recommend improvements of processes, revise written directives, and confirm roles and responsibilities of employees handling cash. The review, revisions and implementation are expected to be complete by 6/30/11.

ACCOUNTABILITY FOR CASH RECEIPTS

Recommendation 6

We recommend that the campus:

a. Revise existing policies and procedures to include requirements for the use of transfer receipts between satellite and departmental locations and the main cashier, inventory control of press-numbered receipts, and sharing of cash boxes.

b. Provide training or other methods to enforce the revised policies and procedures and to ensure that checks are endorsed on the day received as required by present campus policies.

Campus Response

We concur. The use of transfer receipts, press numbered receipts and cash boxes will be addressed in the review of cash handling policies and procedures mentioned above (Rec.1). Any procedure changes and training will occur by 6/30/11.

SAFEGUARDING AND TIMELY DEPOSIT OF FUNDS

Recommendation 7

We recommend that the campus:

a. Secure the door to the main cashiering area at the SC at all times.

b. Document requirements for deposit frequency in current cashiering procedures for satellite and departmental locations, and enforce the procedures to ensure that deposits are made in a timely manner.

Campus Response

The door to the main office area of the Stockton Center now remains locked providing access only to employees authorized to carry a key. Deposit frequency will be addressed in the review of cash handling policies and procedures mentioned above (Rec.1). Any procedure changes and training will occur by 6/30/11.
CHANGE AND PURCHASE FUNDS

Recommendation 8

We recommend that the campus:

a. Ensure that audits of change and petty cash funds are completed, receipts are executed, and supporting documentation is maintained when funds are transferred to a new fund custodian.

b. Ensure that change funds and petty cash funds are counted as frequently as required by policy.

c. Ensure that the $50 purchase limits for petty cash are strictly observed.

d. Update policies and procedures for change and purchase funds to comply with requirements for the timely submittal of petty cash receipts and invoices.

e. Provide training to reinforce existing policies and procedures regarding transfer of funds, frequency of audits/fund counts, purchase limits for petty cash, and the timely submittal of petty cash receipts and invoices.

Campus Response

We concur. Training for custodians of change and petty cash funds will be developed and provided by the responsible accountant. The training will include the importance of cash fund management, cash handling processes, and use of supporting documentation. Training will also be provided to the main cashiering staff to reinforce the petty cash policy limits. The Accountant responsible for the cash count process and the Assistant Director of Accounting Services will schedule Outlook tasks to ensure timely audits of change and petty cash funds. Change and purchase fund policies and procedures will be reviewed to ensure timely petty cash reimbursements. These steps are expected to be complete by 3/31/11.
THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

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DOMINGUEZ HILLS
EAST BAY
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LOS ANGELES
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POMONA
SACRAMENTO
SAN BERNARDINO
SAN DIEGO
SAN FRANCISCO
SAN JOSÉ
SAN LUIS OBISPO
SAN MARGOS
SONOMA
STANISLAUS

August 17, 2010

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: Draft Final Report 10-26 on Main and Satellite Cashiering,
         California State University, Stanislaus

In response to your memorandum of August 17, 2010, I accept the response as
submitted with the draft final report on Main and Satellite Cashiering,
California State University, Stanislaus.

CBR/amd