

**California State University, San Bernardino**  
5500 University Parkway  
San Bernardino, CA 92407  
**MEMORANDUM**

**DATE:** December 5, 2018

**TO:** Douglas Freer, Vice President of Administration and Finance and Chief Financial Officer

**FROM:** Michael Zachary, University Internal Auditor

**SUBJECT:** Cash Management Audit, Student Financial Services Activities

**EXECUTIVE SUMMARY**

**OBJECTIVES**

The objectives of the audit were to ascertain the effectiveness of operational and administrative internal controls governing cash management at CSUSB and PDC, identify areas for potential improvement, evaluate compliance with applicable governmental regulations, Trustee policy, Office of the Chancellor (CO) directives and policies, and campus written procedures.

**CONCLUSION**

Based upon the results of the work performed within the scope of the audit, the operational and administrative controls for cash management as of November 25, 2018, were likely to provide reasonable assurance that risks were being managed and objectives were met.

Overall, we found that operational and administrative controls were sufficient from the prospective of Student Financial Services (SFS) activities; however, we observed that there are other risks to the proper functioning of established cash management processes that exist outside the control of SFS, in other divisions and departments. Additionally, we noted that, because of various changes in the organization and activities of SFS, and because of recently implemented cash management practices, there was the need to update existing CSUSB Cash Handling Procedures that govern daily operations. We saw the need to update written procedures to describe the periodic searches for potentially new cash handling locations, and to explain the annual authorizations process by June 30, along with the subsequent SFS review and acceptance/approval of all authorization renewal requests submitted. Lastly, the annual training process for authorized cash handlers had not been documented in the campus written procedures.

Specific observations and recommendations are detailed in the remainder of this report.

## **SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

### **1. IDENTIFICATION AND VISIBILITY OF CASH HANDLERS**

#### **OBSERVATION**

Cashiering Collection Points (CCP) did not always timely notify Student Financial Services (SFS) of all employees that handle cash.

We reviewed the existing listings of CCP as of October 15, 2018 to verify that authorization for each CCP was in place, and that staff members identified for each CCP had received proper training in the handling of cash and cash equivalents. Additionally, we reviewed the periodic process that SFS uses to search for, and identify new cash locations, along with the staff members who handle cash at those locations. We took no exception to SFS procedures for authorizing and tracking CCP and cash handlers, training for cash handlers, and the search for new cash locations and cash handlers. However, through separate internal audits of cash locations, we found that the CCP departments did not always notify SFS of all cash handlers, and the unidentified cash handlers were not authorized or trained. Unreported cash handlers are often either new employees that are not reported in a timely manner, or they are employees that have minor cash handling duties that would certainly be classified as cash handling responsibilities by CSU policy.

SFS does not have the ability to identify cash handlers in all CCP. SFS asks the CCP management to disclose all cash handlers in a timely manner, and relies on the CCP assertions. Typically, undisclosed cash handlers are only identified through internal and external audits.

Unidentified cash handlers are a risk in that they are not fully trained in the handling of cash and cash equivalents, they are not authorized by SFS to handle cash, and they are detected by chancellor's office audits, resulting in reportable findings.

#### **RECOMMENDATION**

We recommend that:

- a. SFS again remind CCP locations to review their own staffing, in order to report new cash handlers as soon as they are hired, and report all staff members that handle cash or cash equivalents in any way. This would be in addition to the periodic notification that is sent to the campus by the Controller and the AVP of Finance and Administrative Services.
- b. The VP of Administration and Finance meet with other CSUSB division executives to increase awareness of the need for all divisions and departments to advise their management to report any and all cash handlers and CCP to SFS. As of the date of this report, we are aware that the VP of Administration and Finance has already met with the division executives and discussed these issues with them and, reportedly, the information was positively received.

## 2. UPDATES TO WRITTEN CASH HANDLING PROCEDURES

### OBSERVATION

Various cash handling written procedures were out of date based on operational and organizational changes occurring since the last update to the written procedures.

The CSUSB Cash Handling Procedures, dated September 8, 2017 did not provide coverage of activities in the following areas:

- Searches for new potential new cash handling locations/cash collection points (CCP). The 2017 Cashiering Audit from the Chancellor's Office disclosed the need for periodic searches for new CCP on campus. Since the time of that audit, SFS developed and adopted search procedures, but those procedures had not been documented in the campus written procedures, nor were the requirements for the frequency of such searches documented.
- SFS developed annual authorization and reauthorization forms for cash handling locations on campus. However, the use and application of those forms and activities were not documented in the campus written procedures. Additionally, the requirements for the timing and completion of the authorization and reauthorization process by June 30, and the subsequent SFS review and approval/acceptance process was not documented.
- Cash handler training requirements had been developed by SFS in 2017/18. This process included interaction with the campus Technology Support Center to electronically manage the training. However, these requirements and practices had not yet been documented in campus written procedures, nor was there documentation detailing the timing of the mandatory training for cash handlers, prior to them being appointed to a cash handler position.

Failure to document procedures and processes for cash handling increases the risk that established practices will not always be followed as expected by management.

### RECOMMENDATION

We recommend that SFS update its written CSUSB Cash Handling Procedures to include:

- a. Searches for new cash handling locations, and the intended frequency of such searches.
- b. Detail of annual authorizations and reauthorizations for CCP, including the timing of when the authorizations/reauthorizations are done, and when SFS reviews and accepts the authorizations and reauthorizations.
- c. Detail of the cash handler training process, and interaction with the Technology Support Center, as well as the timing requirements for the training of cash handlers prior to their appointment.

## GENERAL INFORMATION

### BACKGROUND

Student Financial Services (SFS) is the primary cash handling location on campus. In terms of cash management, SFS collects departmental cash and cash equivalents, and deposits them to the CSUSB bank. SFS authorizes cash collection points/locations/departments on campus, initiates training for cash handling, and then authorizes the cash handling staff members once they are trained. Training is provided directly by the Technology Support Center based on a request from SFS. In terms of cash management, SFS is a cashiering function, and should not be confused with a treasury function.

Beyond campuswide cashiering and cash handling duties, SFS is the central location for student account inquiries and payments. SFS provides information related to payments, refunds, deadlines and general questions about student accounts.

SFS is also responsible for the disbursement of financial aid, scholarship and over-payment refunds. It provides emergency loans (for qualified students) and installment payment plans. In addition, SFS bills third party vendors (employers, sponsored students) for tuition and fees, issues 1098-T tax forms and oversees the Federal Perkins Loan program. Lastly, SFS accepts payments for; tuition and fees, parking citations, ID cards, transcripts, graduation checks, and it handles the distribution of payroll warrants across campus.

### SCOPE OF AUDIT

The scope of audit work included discussions and communications with SFS staff and management, including the Controller, to the extent necessary to confirm our understanding of the data reviewed during the audit. Based on an understanding of recent organizational changes and recently implemented procedures and practices, we set the cut-off date for the receipt and posting of data at October 15, 2018. The audit work was focused on authorizations for departmental cash handling locations (“Cashiering Collection Points”) and cash handlers in the various departments, as well as the training for cash handlers. Other areas were reviewed as part of the fieldwork. The administrative and operational areas of the cash management audit that we specifically reviewed and tested included the following:

- The background of SFS cash management practices at CSUSB and the Palm Desert Campus.
- The current and prior organizations for cash management.
- Operational aspects of file management, maintenance, and recordkeeping.
- A review of approved cashiering collection points (departments), departmental responsible persons, and approvers for cashiering operations as of October 15, 2018.
- Reconciliation of a sample of departmental authorizations and annual renewals to the master list of approved cashiering collection points.
- A review of training for campuswide cash handlers as of October 15, 2018.

- Reconciliation of a sample of cash handlers shown on the departmental authorization(s) to the master list of training for cash handlers.
- Verification of training for cash handlers, as provided by Technology Support Services.
- Reconciliation cash handing locations with petty cash and change funds as shown on the master list of approved cashiering collection points in SFS to the lists of petty cash and change funds for cash count audits, as maintained by the Accounting Services Department.
- A review of applicable criteria available systemwide and at CSUSB necessary to fully evaluate cash management controls and procedures.
- Limited sampling and testing of SFS records to obtain factual data useful in reaching conclusions about the topics reviewed.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of internal controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of internal 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.

Audit testing and methodology was designed to provide a review of selected operational and administrative controls, which included limited testing of a limited number of transactions.

## **CRITERIA**

- CSUSB Cash Handling Procedures, Revision Date September 8, 2017
- Applicable sections of the Integrated CSU Administrated Manual (ICSUAM) contained in Section 3000, General Accounting, various dates
- ICSUAM Section 6330.00, Treasury, Cash and Checks Handling, dated September 30, 2017
- Applicable sections of the State Administrative Manual (SAM) contained in Section 8000, Cash, various dates
- State Administrative Manual (SAM) §20050, Internal Controls
- California Government Codes §13402 and §13403, Internal Controls

cc: President Tomás Morales      Matias Farre      Sepi Harris  
M. Monir Ahmed                      Maria Badulis      Eliana Nguyen  
   Claudia Campos