



Item: AF: I-4D

AUDIT AND FINANCE COMMITTEE

Wednesday, October 24, 2007

SUBJECT: REVIEW OF AUDITS: REPORT NO. FAU 07/08-1, AUDIT OF NORTHERN CAMPUSES CASHIER'S OFFICE FOR THE PERIOD JANUARY 1 THROUGH JUNE 30, 2007.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Audit objectives were to determine whether money collections were properly accounted for, reconciled, accurately recorded in the university's accounting records, and timely deposited; customer refunds were valid, properly supported and authorized, and accurately processed; and, physical security measures for the safeguarding of personnel and monetary assets of the cashier's office were adequate.

Six recommendations were made to address transaction accountability, segregation of duties, and asset security issues.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the audit recommendations during the period August 31, through December 31, 2007.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. FAU 07/08-1.

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 07/08-1
Report Issue Date: September 10, 2007

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Northern Campuses Cashier's Offices
For the Period January 1, 2007 through June 30, 2007

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of Florida Atlantic University and its governing bodies and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

**REPORT ON THE AUDIT OF
NORTHERN CAMPUSES CASHIER'S OFFICES**

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OFFICE OF INSPECTOR GENERAL
Florida Atlantic University

MEMORANDUM

TO: Frank T. Brogan
President

FROM: Morley Barnett 
Inspector General

DATE: September 10, 2007

SUBJ: AUDIT OF NORTHERN CAMPUSES CASHIER'S OFFICES

In accordance with the University's Internal Audit Plan for fiscal year 2007-08, we have conducted an audit of the Cashier's Offices of the Northern Campuses at Florida Atlantic University for the period January 1 through June 30, 2007. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made six recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendations by management.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Chancellor, State University System of Florida
Florida Auditor General
Inspector General, Florida Board of Governors

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2007-08, we have conducted an audit of the Cashier's Offices at the Northern Campuses of Florida Atlantic University for the period January 1 through June 30, 2007.

Our audit objectives were to determine whether money collections were properly accounted for, reconciled, accurately recorded in the university's accounting records, and timely deposited; customer refunds were valid, properly supported and authorized, and accurately processed; and, physical security measures for the safeguarding of personnel and monetary assets of the cashier's offices were adequate.

Audit procedures included, but were not limited to, a review of written operating policies and procedures, inquiries of cashier's office employees, an evaluation of key internal controls, and compliance testing of selected money collection and customer refund transactions.

Based on the testwork performed, we have concluded that the Northern campuses cashier's offices were in general compliance with applicable laws, rules, regulations, policies, and procedures, and sound business practices, pertaining to the audited cashiering operations. However, we did identify opportunities for improvement in the general areas of:

- Transaction documentation and accountability;
- Segregation of duties; and,
- Asset security.

The details of all findings, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.



OFFICE OF INSPECTOR GENERAL
Florida Atlantic University

September 10, 2007

Frank T. Brogan
President
Florida Atlantic University
Boca Raton, Florida

Dear President Brogan:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2007-08, we have conducted an audit of the Cashier's Offices at the Northern Campuses of Florida Atlantic University for the period January 1 through June 30, 2007.

Our audit objectives were to determine whether money collections were properly accounted for, reconciled, accurately recorded in the university's accounting records, and timely deposited; customer refunds were valid, properly supported and authorized, and accurately processed; and, physical security measures for the safeguarding of personnel and monetary assets of the cashier's offices were adequate. Audit procedures included the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of money collection and customer refund transaction documentation to determine whether control procedures were operating effectively.

We obtained an understanding of the operations of the Northern campuses cashier's offices by reviewing written policies and procedures, interviewing key personnel, observing actual practices, and evaluating key internal controls.

Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures, was based on reviews of pertinent supporting documentation for judgementally selected fiscal transactions. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent university records, and other factors including auditor judgement.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

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BACKGROUND

The university operates two cashier's offices at the Northern campuses - one each at the MacArthur and Treasure Coast campuses. These offices receive and process payments from students and other customers over-the-counter, as well as via drop-box and mail. Apart from their money collection responsibilities, the cashier's offices are involved in issuing parking permits; processing credit card customer refunds; conducting research for specified reconciling items appearing on the university's bank account reconciliations; and, performing other fiscal operations. During the audit period, each office was staffed by a full-time cashier assisted by other employees who provided supervisory support and administrative oversight. Approximately five employees were involved in varying degrees in the daily operations of both cashier's offices.

The Northern campuses cashier's offices utilize the SalePoint cashiering system to process customer payments for tuition and fees, and other sundry items. The BOSSCARS system is used to process the issuance and sale of parking permits, as well as payments received for traffic fines. It should be noted that the university is planning to convert all its cashier's offices to the Touchnet cashiering system during the 2007 fall semester. In addition, the university's Traffic & Parking Department is planning to implement a new traffic and parking management system (T2) during the 2007/08 academic year. Given these proposed conversions, it is possible that successful implementation of management's action plans to address certain of our audit recommendations could be influenced by the capabilities and characteristics of the planned new systems.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Need for Updated Operating Procedures – MacArthur & Treasure Coast Cashier's Offices

Our review of the current written policies and procedures pertaining to the operations of the Northern Campuses cashier's offices indicated that they were not as up-to-date as possible. Examples of out-dated, incomplete, or undocumented guidance included:

- The Change Funds procedure indicates that each cashier is assigned an operating change fund of \$100.00. However, each cashier's office currently has two operating change funds of \$200 each for use by its cashiers.
- There are no procedures pertaining to periodic surprise cash counts of operating change funds. The procedures should indicate that surprise counts be conducted on at least a *quarterly* basis by an employee who is independent of money handling, documented on a surprise cash count form, and signed-off and dated by the employee(s) performing the count.
- The Mail Log procedures should indicate that the log be initialed by the reviewing supervisor in order to maintain an adequate trail of accountability for the reconciliation of all payments received by the office via mail.

- There are no procedures pertaining to the money deposit drop-box. The procedures should indicate that the drop box log be initialed by the preparer, processing cashier, and reviewing supervisor, in order to maintain an adequate trail of accountability for the handling, processing, and reconciliation of all drop-box payments received by the office.
- The reference to the TAPS traffic and parking system procedures is outdated. During the audit period, BOSSCARS (Campus Automobile Registration System) was the information system used to maintain and track data for parking permits and traffic citations. Additionally, cashier's office personnel have recently been trained in the use of a new traffic and parking management system (T2) which is scheduled to be implemented during the 2007/08 academic year.
- The Safety & Security Controls procedures indicate that each employee should review the robbery procedures annually. However, we determined that the procedures are being reviewed approximately every two months. In addition, the procedures should indicate that a security log be maintained to show the dates of the security meetings, and the names and signatures of the employees attending the security reviews.
- The Window Credit Card Refund procedure is not up-to-date. The SIS (student information system) subcode 60400 is no longer used for credit card refund transactions and does not currently appear on the (SIS) Cashier Summary Report (BBR340). Instead, credit card refunds appear as debit amounts under the existing credit card payment subcodes – 90303 (American Express), 90304 (Visa), 90305 (MasterCard), & 90306 (Discover) – on the BBR340 report when processed by cashier's office employees with update access to the SIS billing and receivables application.

Recommendation No. 1

We recommend that the procedures of the Northern Campuses cashier's offices be reviewed and revised to reflect the most accurate, consistent, and up-to-date guidance. Updating the written procedures will help to promote consistent cashiering operations and provide reliable reference/training support for employees.

Management's Response

Action Plan:

The Northern Campuses Cashier's Offices will review and revise all written procedures to reflect the most accurate, consistent, and up-to-date guidance.

Implementation Date:

December 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Improper Reconciliation of Window (Over-the-Counter) Credit Card Refunds – MacArthur & Treasure Coast Cashier's Offices

Based on testwork performed, we determined that reconciliations of over-the-counter refunds to customers' credit card accounts were not being performed daily by the Northern campuses cashier's offices. Our review indicated that documented reconciliations were only being performed for those business days when the refunds were known to have been processed by the offices.

In addition, compliance testing of the *ten Window Credit Card Refund Reconciliation Forms* prepared by the Northern campuses cashier's offices during the audit period indicated that only one employee was involved in the reconciliation process. Proper internal control requires that documented reconciliations be performed by two employees on a daily basis in order to ensure that no unauthorized window credit card refunds have been processed on any given day.

Recommendation No. 2

To mitigate the risk of unauthorized window credit card refunds, a reconciliation of the credit card settlement report (from the Bank of America credit card terminal used to process refunds) to the appropriate (SIS) Cashier Summary Report should be performed daily. The reconciliation should be documented on the *Window Credit Card Refund Reconciliation Form* which should be signed/initialed by the two employees performing the reconciliation. To promote future compliance, the recommended procedure should be reflected in the operating manuals of the cashier's offices.

Management's Response

Action Plan:

We have put the Window Credit Card Refund Reconciliation Form into our written procedures and we will be using that form for all credit card refunds.

Implementation Date:

August 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Incomplete Parking Permit Inventory Control Records – Treasure Coast Cashier's Office

A review of the (2006/07) inventory control logs maintained by the Treasure Coast cashier's office for the parking permit types (student, faculty/staff, temporary, and motorcycle) available to its customers, indicated that the *Record of Supplies Received* sections of the logs had not been completed. In addition, no alternate records (e.g., transmittal forms, emails, etc.) of the parking permit inventories received from the Traffic and Parking Department were available at the cashier's office.

Recommendation No. 3

We recommend management ensure that the *Record of Supplies Received* sections of the inventory control logs be completed for all parking permit types received on consignment from the Traffic and Parking Department. At a minimum, the date received, permit type, sequence of permit numbers, quantity received, and initials of the cashier should be documented on the logs. This procedure will help ensure all parking permits received by the office are accurately accounted for, and facilitate the monthly physical inventory counts of the unissued permits on hand in the office.

Management's Response

Action Plan:

The Northern Campuses Cashier's Offices have put the Record of Supplies Received into our written procedures. In addition, the cashiers will also fill out the Parking Decal Report Log for all parking permit types when received from Traffic and Parking in Boca, and will continue to do a physical inventory on a monthly basis. The cashier will fill out a Parking Decal Inventory Control Log for all decals issued on a daily basis. The Parking Decal Inventory Control Log will include a record of all supplies received, date received, permit type, sequence of permit numbers, date permit was issued, how much was charged for the permit, and receipt number.

Implementation Date:

August 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Inadequate Segregation of Conflicting Duties – MacArthur & Treasure Coast Cashier's Offices

Based on testwork performed, we determined that employees of the Northern campuses cashier's offices have the ability to *directly* post financial transactions - including credit card refunds and tuition waivers - to students' accounts on the student information system (SIS) concurrent with having update access to the SalePoint cashiering system and the capability to post credit card refunds to customers' credit card accounts. The supervisors of the Northern campuses cashier's offices are authorized to process over-the-counter refunds to customers' credit card accounts via designated Bank of America terminals, as well as Web (Internet) refunds to customers' credit card accounts via the Touchnet Payment Gateway system.

Ideally, the duties of direct financial update of students' SIS accounts should be segregated from the cashiering function. Currently, cashier's office employees have the potential to misappropriate monies collected, and conceal the misappropriation, by posting unauthorized financial transactions to students' SIS accounts and ultimately the Banner Finance system. In addition, supervisory employees have the ability to independently process credit card refunds to customers' SIS and credit card accounts without the involvement of another employee.

Compliance testing of a sample of *eleven* credit card refunds - *ten* over-the-counter credit card refunds and *one* Web credit card refund - processed by the Northern campuses cashier's offices during the audit period, indicated that *nine* of the refunds were exclusively processed by one cashier's office employee. Although the tested refunds were valid, these results underscore the need for better segregation of duties in this area.

Recommendation No. 4

To optimize controls, we recommend management consider segregating cashiering duties from the function of direct financial update of students' SIS accounts. All cashiering tasks - including the processing of refunds to customers' credit card accounts - should be the exclusive responsibility of the cashier's office. The responsibility for directly updating students' billing and receivables records on the SIS should reside with authorized employees of the Student Accounts unit of the Controller's Office.

Management's Response

Action Plan:

It is operationally necessary for the cashiers at our offices to retain update access to the SIS-BR application, and we agree to accept the risk of the conflicting duties with the understanding that the issue will be revisited after implementation of Banner for Students.

Implementation Date:

December 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Inadequate Physical Security of Cash Drawers – MacArthur & Treasure Coast Cashier's Offices

We observed that the keys assigned to the two cash drawers at the MacArthur & Treasure Coast cashier's offices respectively, were interchangeable. Unless each cash drawer is capable of being locked with a unique key when it is not under the visual control of the custodian of the funds, there is an increased risk of loss, theft, or misappropriation of university monies.

Recommendation No. 5

We recommend management consider having the locks of all cash drawers re-keyed so that each drawer has a unique key which can be assigned to the designated user of the cash drawer.

Management's Response

Action Plan:

When the new cashiering system (Touchnet) goes live in November 2007 this procedure will be put into operation. Each drawer will have a unique key which can be assigned to the designated custodian of the drawer.

Implementation Date:

December 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Lack of Employee Key & Combination Assignment Logs – MacArthur & Treasure Coast Cashier's Offices

We noted that employee key and combination assignment logs were not being maintained for employees with authorized access to the Treasure Coast cashier's office and its asset storage areas. Although key logs were being maintained for employees of the MacArthur cashier's office, these records were incomplete to the extent that they did not indicate the assignment of keys/combinations to all the asset storage areas to which the employees had been authorized to access. Without proper logs, there is inadequate accountability for access to asset storage areas, and management has no assurance that all keys/combinations issued to employees will be returned/changed upon their termination.

Recommendation No. 6

We recommend management ensure that a properly completed key and combination assignment log is maintained for each employee with assigned access to the cashier's offices and/or their asset storage areas. To facilitate future compliance, the procedures for maintaining current logs should be documented in the written operating procedures of the cashier's offices.

Management's Response

Action Plan:

The Northern Campuses Cashier's Offices have already implemented this procedure in our offices. We have filled out an Employee Key & Combination Assignment Log for each employee that has access to the cashier's offices and has knowledge of the safe combinations. We have documented the Employee Key & Combination Assignment Log in our written operating procedures.

Implementation Date:

August 31, 2007

Responsible Auditee:

Crystal Atkinson, Director of Business & Financial/Auxiliary Services, Northern Campuses

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three fiscal years, there have not been any audits conducted that relate to the Northern campuses cashier's offices. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the results of the audit tests performed, it is our opinion that the evaluated operations of the Northern campuses cashier's offices were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. Notwithstanding this assessment, we have made several recommendations to improve internal controls which we believe are cost-beneficial to implement.

We wish to thank the staff and management of the Northern campuses cashier's offices for their kind cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP
Ben Robbins, CPA
Allaire Vroman