

AUDIT AND COMPLIANCE COMMITTEE

Tuesday, May 16, 2017

SUBJECT: REVIEW OF AUDITS: FAU 16/17-2, AUDIT OF THE CENTRAL CASHIER'S OFFICE FOR THE PERIOD JULY 1 THROUGH SEPTEMBER 30, 2016

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Our audit objectives were to determine whether:

- Collections were properly accounted for, reconciled, accurately recorded in the University's accounting records, and timely deposited; and,
- Physical security measures for the safeguarding of personnel and monetary assets of the Cashier's Office were adequate.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement our two recommendations by September 30, 2017.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation:

Audit Report FAU 16/17-2

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 16/17-2
Report Issue Date: March 31, 2017

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: *Central Cashier's Office*
For July 1 through September 30, 2016

Use of Report

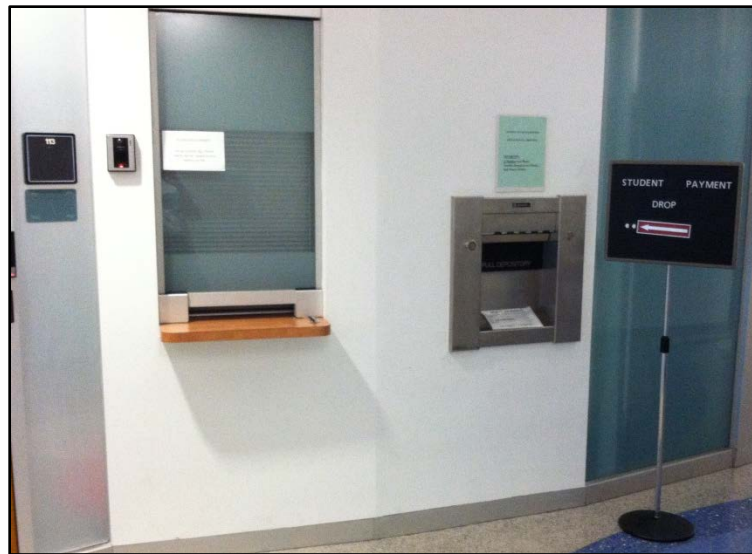
We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

**REPORT ON THE AUDIT OF
CENTRAL CASHIER'S OFFICE**

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FAU Central Cashier's Office





MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett
Inspector General

A handwritten signature in black ink, appearing to read "Morley Barnett", is written over the printed name of the Inspector General.

DATE: March 31, 2017

SUBJ: AUDIT OF CENTRAL CASHIER'S OFFICE

In accordance with the University's Internal Audit Plan for fiscal year 2016/17, we have conducted an audit of the central Cashier's Office on the Boca Raton Campus at Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made two recommendations to address our findings, as well as one other comment. We concur with the action plans 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 the recommendations by management.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditees
FAU BOT Audit and Compliance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

Office of Inspector General • 777 Glades Road • Boca Raton, FL 33431

Tel: 561.297.3682 • Fax: 561.297.2479 • www.fau.edu/admin/oig

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Executive Summary

In accordance with the University's Internal Audit Plan for fiscal year 2016/17, we have conducted an audit of the central Cashier's Office on the Boca Raton Campus at Florida Atlantic University for the period July 1 through September 30, 2016.

Our audit objectives were to determine whether:

- Collections were properly accounted for, reconciled, accurately recorded in the University's accounting records, and timely deposited; and,
- Physical security measures for the safeguarding of personnel and monetary assets of the Cashier's Office were adequate.

Audit procedures included, but were not limited to, 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 daily money collections received by the Cashier's Office, and daily credit card and electronic WebCheck payments received online, in order to determine whether control procedures were operating effectively.

Based on the audit work performed, we are of the opinion that the evaluated operations of the central Cashier's Office were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. However, we did identify opportunities for improvement in the areas of transaction accountability and asset security.

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



March 31, 2017

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2016/17, we have conducted an audit of the central Cashier's Office on the Boca Raton Campus at Florida Atlantic University for the period July 1 through September 30, 2016.

Our audit objectives were to determine whether:

- Collections were properly accounted for, reconciled, accurately recorded in the University's accounting records, and timely deposited; and,
- Physical security measures for the safeguarding of personnel and monetary assets of the Cashier's Office were adequate.

Audit procedures included, but were not limited to, 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 daily money collections received by the Cashier's Office, and daily credit card and electronic WebCheck payments received online, in order to determine whether control procedures were operating effectively.

We obtained an understanding of the operations of the central Cashier's Office by reviewing written policies and procedures, interviewing key personnel, observing actual practices, and analyzing key internal controls. Our assessment of compliance with established policies, practices, and procedures was based on reviews of pertinent supporting documentation for samples of judgmentally selected daily money collections received by the Cashier's Office, as well as daily credit card and electronic WebCheck payments received online. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls and assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

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 central Cashier's Office ("the Office") is located on the Boca Raton Campus, and is a sub-unit of the Tuition and Billing Services unit of the University Controller's Office. It is the centralized location and point of collection for university money deposits. The primary function of the Office is to provide for the accurate receipt, deposit, and recording of collected university monies. At the end of the 2011/12 fiscal year, the Office discontinued the acceptance of in-person money payments and deposits from its customers.

Currently, the Office receives and processes payments from students and other customers via drop-box, mail, and wire transfer. In addition, bulk deposits are received for processing - via drop-box - from other university departments which have been authorized to operate as decentralized money collection areas. Online services are available for students to pay their tuition and fees via credit card or electronic WebCheck. These online payments are reviewed and/or reconciled by Office personnel on a daily basis.

The central Cashier's Office currently utilizes the Banner Accounts Receivable system - which is interfaced with the Workday Finance system - to process money collections received from, or on behalf of students (via drop-box, mail, or wire transfer) for payment of tuition and fees. Monies received from departments are processed directly to the Workday Finance system. During the audit period, the Office had a staff of two full-time employees overseen by a senior manager of the Tuition and Billing Services unit. Based on a review of financial records provided by management, the Office directly processed money collections - received via drop-box, mail, and wire transfer - totaling approximately \$14.9 million during the first quarter of the 2016/17 fiscal year. According to management, year-to-date data indicates a total of \$140.5 million, representing over 9,625 payments, was received by the University. It is estimated that 24% of these receipts flowed through the Cashier's Office in the form of sealed bag deposits, bulk deposits, and student checks. The remaining 76% of receipts were processed online through the TouchNet system which bypassed the Cashier's Office.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Money Collection Records

As noted in the Background section of this report, the Office processes and reviews/reconciles a variety of payments which are received through several sources. Historically, it has been the practice of staff to maintain complete accountability records, including proper signoffs, to evidence that all funds received have been fully and accurately processed. Although our testing of samples of transactions overseen by the Office did not indicate processing errors or any type of irregularity, and were fully and accurately processed, we noted that supporting documentation for money collections was not consistently signed/dated by Office personnel.

Discussions with management, as well as *compliance testing* of available records for monies collected and/or reviewed/reconciled (a total of approx. \$6.96 million*) by the central cashier's office for a judgmentally selected sample of ten business days during the audit period indicated

*Includes approx. \$3.54 million in reconciled/reviewed Web check/credit card payments received online from students.

the following exceptions:

- The *Daily Deposits Receipt Reports* for an employee who performed cashiering duties on four of the days tested – although signed by the cashier – were not signed/initialed and dated by a verifier;
- The daily *FAU Controller's Office Check Logs* – which indicate customer (student) checks received via mail – were not signed/initialed and dated by a supervisor. In addition, the log for one of the days tested – 9/29/16 – was not signed/initialed and dated by a preparer and the processing cashier;
- The *Departmental Bulk Deposits - Drop Box (Unsealed Bags)* and *Departmental Deposits Drop Box - Sealed Bags* continual logs - which indicate departmental deposits received via drop-box - were not signed/initialed and dated by a preparer, the processing cashier, and a supervisor;
- The daily supervisory *reviews* of the Web credit card payments received online from students (captured on the daily *TouchNet PayPath Activity Reports*) - as documented on daily continual logs - were not signed-off and dated by the Office supervisor performing the reviews; and,
- The daily supervisory *reconciliations* of electronic Web check payments received online from students (captured on the daily *TouchNet ACH File Details* reports) to the appropriate corresponding Banner ePrint and Bank of America ACH transaction reports - as documented on daily continual logs - were not signed-off and dated by the Office supervisor performing the reconciliations.

Recommendation No. 1

In order to maintain proper accountability for monies received by the university, and mitigate the risk of loss, theft, misappropriation, or posting errors, we recommend management ensure consistent electronic sign-off and dating by appropriate departmental personnel for all indicated logs and reports maintained outside of the university's enterprise resource planning (ERP) systems.

Management's Response

Management believes that it maintains proper accountability in accordance with its current process. Over \$140.5 million via 9,625 payments have been processed year to date for Fiscal Year 2017. Of the nine thousand plus transactions, only 24% flow through the Cashier's office. The remaining 76% of transactions were processed online through Touchnet and bypassed the Cashier's Office.

The Cashier's office adequately and diligently accounts for, reconciles, reviews and posts all relevant data timely. There have been no loss, theft, misappropriation or posting errors as evidenced by this audit.

Management firmly believes that it is in compliance with its Record Log, Web Credit Card/Web check Reconciliation, and Drop Box Deposit policies and procedures as it relates to the review by a supervisor.

Action Plan:

The policies and procedures drafted by the Cashier's Office for the record logs and departmental deposits via the drop box do not require a signature. The recommendation of the Office of the Inspector General (OIG) will be taken under consideration for all logs and transactions outside of the University's Enterprise resource planning (ERP) system. These documents will be evidenced by electronic signatures stamped on the files as an additional indicator that the supervisor's review has been performed. In cases where the ERP system holds a record of the business process, and the supervisors review is already documented through that Business Process, this recommended enhancement is not applicable.

Implementation Date: June 30, 2017.

Responsible Auditee: Jessica Cohen, Assistant Vice President & University Controller.

Incomplete Employee Key, Access Card & Combination Assignment Logs

Employee key, access card and combination assignment logs are important in terms of recording the keys/cards/combinations issued to Controller's Office employees to allow them access to the general office area, safe, and other asset storage areas of the cashier's office. In addition, these logs serve to document the return of specific keys/cards by terminating employees, as well as the dates on which access cards assigned to ex-employees are deactivated, or safe combinations are changed.

Although management has instituted the use of individual key, access card and combination assignment logs, and was aware of employees with access, a comparison of the actual access of employees to the cashier's office and/or its asset storage areas, with the access recorded on the Office's *Key, Access Card & Combination Logs*, resulted in the following exceptions *as of the end of audit fieldwork*:

- The combination access to the depository drop-box for *five* employees, and the departmental safe for *one* employee, was not recorded on their respective logs;
- The assignment of a card to *one* employee to allow him access to the Office entrance door was not recorded on his log; and,
- The assignment of an Office entrance door key was recorded on the log for an employee who did not have possession of the key. Management has indicated that there were extenuating circumstances as the employee had lost the key and subsequently filed a police report.

Without accurate signed/initialed logs, there is inadequate accountability for access to asset storage areas, and management has no assurance that all keys/cards issued to employees will be returned upon their termination.

Recommendation No. 2

We recommend the Office's *Key, Access Card & Combination Logs* - or alternate appropriate electronic logs - be updated/created to reflect current employee access to

the office and its asset storage areas consistent with management's intent.

Management's Response

Management is fully aware of all employees who hold access to combinations and keys (electronic or otherwise) at all times. Combinations are changed regularly and proper control procedures are always followed.

As a compensating control, at any time, the Public Safety department can retrieve a report of particular card access provided to employees. Management feels that this information, by its very nature, supplements the log requirement for the assignment of card access and that this is not a finding.

It is rare, but there are instances where extenuating circumstances can occur, and an employee may lose a key. In the event this occurs, a police report is filed and a new key is requested. As the employee with the lost key was initially recorded on the log, and a new key was requested, the employee's name was not removed from the log when he was not in possession of the key. The employee continued to maintain access the entire time as his swipe card access was still in possession. Management firmly believes it is in compliance with its policy.

Action Plan:

Management will be moving away from paper logs and be able to store data on the worker record in the ERP system under the "Additional Data" field. This field will hold information relating to key, access card and combination logs. Additionally, an "acknowledgment" will be pushed out to the parties within the ERP system who have this access for them to "Accept". This electronic signature would be the equivalent of the signature on the paper key log. These are all reportable fields so at any point in time a report can be run to retrieve this data which will serve as the "log".

Implementation Date: September 30, 2017.

Responsible Auditee: Jessica Cohen, Assistant Vice President & University Controller.

Other Comments

Additional Periodic Counts of Emergency Reserve Cash Fund

The central cashier's office maintains a reserve cash fund for use in the event of emergencies. During the months of December – May a cash balance of \$15,000 is maintained, and current procedures call for a balance of \$100,000 during the hurricane season (June 1 – November 30). Currently, the emergency fund is (surprise) counted annually under dual control by either the Office of Inspector General (OIG) or the Cash Management unit of the Controller's Office. A cash count sheet is prepared; the monies are documented by denomination; and, the sheet is signed by an employee of Cash Management (or Office of Inspector General) and a fund custodian.

Although the emergency fund was being counted each fiscal year by OIG or Cash Management

(as required by current procedures), Tuition & Billing Services management was not performing periodic surprise cash counts of the cashier's office emergency fund during the year. In our judgment, the performance of periodic independent counts of the fund is important for timely identifying, and deterring, any loss, theft, or misappropriation of the monies. In addition to the significant dollar amount of the fund, the need for multiple counts during the year is further underscored by the fact that the fund was kept under restricted access in a safe - located within a locked cabinet inside the Office - to which any one of two employees had independent access. This environment would make it difficult to affix responsibility to a single individual in the event of defalcation of the asset.

In addition to the emergency fund being counted each fiscal year by OIG or Cash Management, we recommend Tuition & Billing Services management considers performing additional biannual unannounced cash counts during the year as a sound business practice. Although the annual surprise count satisfies an outside audit requirement, the OIG believes that given the \$100K balance of the fund during the hurricane season, additional biannual counts would serve to enhance the control environment.

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 years, our office has not conducted any audits related to the central Cashier's Office. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the audit work performed, we are of the opinion that the evaluated operations of the central Cashier's Office were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. However, we did identify opportunities for improvement in the areas of asset security and transaction accountability. We believe the recommendations made are cost-beneficial to implement, and will serve to strengthen the overall internal control environment pertaining to the Office's operations.

We wish to thank the staffs of the central Cashier's Office and Controller's Office for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

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