UCLA POLICE DEPARTMENT

CASH MANAGEMENT

AUDIT REPORT #20-2209

Audit & Advisory Services

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# Background

In accordance with the Administration fiscal year 2019-20 audit plan, Audit & Advisory Services (A&AS) has conducted an audit of UCLA Police Department (UCPD) cash management activities. UCPD is dedicated to providing a safe and secure environment for teaching, research, and public service through patrol, rapid response to calls for service, investigations, education, and implementation of preventative strategies. UCPD police officers are duly sworn peace officers under section 830.2(b) of the California Penal Code, and patrol the campus 24 hours a day, 365 days a year.

The Chief of Police, who reports to the Administrative Vice Chancellor, oversees the department. The department is divided into two bureaus: Operations and Administrative.

* The Operations Bureau utilizes uniformed patrol officers and includes the Patrol and Investigations Divisions, among other specialized areas.
* The Administrative Bureau includes Information Technology, the Business and Finance Unit, and the Administrative Division, which consists of Personnel and Training, Communications Center, and the Records Unit. It also includes the Police Community Services Division, which consists of Crime Prevention, Emergency Medical Services (EMS), and the Community Service Officer (CSO) Programs.

UCPD generates income by performing unique services for the campus and outside community through the Administrative Division and Police Community Services Division (Police Services). Within those divisions, income is primarily generated from the Records Unit, CSO programs, and EMS. The Records Unit maintains all police reports for the department, and is responsible for preparing copies of these records for a fee. In addition, the Records Unit provides services such as Live Scan fingerprinting. The CSO program offers evening escort services, as well as patrol services for residence halls, libraries, and other campus buildings. CSOs also provide security services for special events or activities. EMS provides ambulance services to the campus and the surrounding community and to staff special events at UCLA. While ambulance transport payments make up the majority of its collections, EMS also accepts payments for ambulance records requests. Further, Police Services generates additional income through a variety of activities and oversees asset seizures and forfeitures.

UCPD utilizes CASHNet to process payments and record deposits. CASHNet is a web-based payment and deposit processing system. The cashiers in the Records Unit accept cash, check, and credit card payments at the UCPD front counter while Police Services receives mailed-in check payments. For fiscal year 2018-19, total revenue was approximately $12.1 million, with total expenses of $10.8 million.

At the time of the audit, UCPD employed approximately 65 sworn officers, 43 full-time professional staff, and 72 student employees. The Administrative Division Lieutenant oversees the department’s cash handling activities.

Purpose and Scope

The primary purpose of the review was to ensure that UCPD’s organizational structure and controls, and the related systems and procedures surrounding cash management, were conducive to accomplishing the department and University’s business objectives. The secondary purpose was to evaluate the adequacy and efficiency of the internal controls. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on the following areas:

* Collections and Deposits
* Physical Security
* Monitoring and Reconciliation
* Accountability Structure

Where applicable, compliance with University policies and procedures was also evaluated.

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests of records and other auditing procedures considered necessary in achieving the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, UCPD’s internal controls over cash management activities were generally adequate and effective. However, the department should further strengthen internal controls in the following areas:

*Cash Collections & Deposits*

* Deposits should be prepared under dual custody at all times to strengthen accountability over the funds.
* Cash and cash equivalents should be deposited in accordance with UC Business and Finance Bulletin, BUS 49, “Policy for Cash and Cash Equivalents Received (BUS-49).”
* The Records Unit should maintain a check log to document the receipt of mailed-in payments that are received for records requests with a status that is unknown or unclear to maintain accountability for all funds received. The status of these checks should be explained in the log and monitored to ensure compliance with University policies.
* Documentation for all refund transactions should be maintained. The document should explain the reason for the refund and include approval from a manager or second individual.
* Management should ensure that an unannounced count and verification of the change fund is conducted and documented at least on a quarterly basis by someone other than the fund custodian.
* Change orders should be approved by the fund custodian to ensure there is proper oversight over the change fund.

*Physical Security*

* The keys to the safe should be stamped “Do Not Duplicate” to enhance security for collections held in the safe.

*Monitoring and Reconciliation*

* Management should designate an individual to reconcile the check logs to the CASHNet reports to ensure all checks received in the mail have been recorded and deposited.
* Management should ensure that all UCPD mandatory reviewers read PANs in a timely manner, in accordance with the UCLA Financial Policy.

*Accountability Structure*

* The Chief Administrative Officer (CAO) and Department Security Administrator (DSAs) should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that the structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities. A&AS is available upon request to provide training on the DACSS reports in CDW.

The audit results and corresponding recommendations are detailed in the following sections of this report.

Audit Results and Recommendations

Collections and Deposits

Controls surrounding cash collections and deposits were reviewed to ensure that cash and cash equivalents are properly recorded and deposited in compliance with UC Business and Finance Bulletin BUS-49, “Policy for Cash and Cash Equivalents Received (BUS-49).” Audit work included discussions with management and a review of deposits selected from a judgmental sample of seven days in fiscal year 2018-19. In addition, the controls surrounding mailed-in payments received in May and June 2019 were examined to verify the transfer of accountability and proper processing of checks. Further, all of the 11 voids and refunds processed in fiscal year 2018-19 were reviewed to ensure there were proper approvals and that adequate supporting documentation was maintained. Audit work also included a review of change orders placed in fiscal year 2018-19, along with the Change Fund log, which documents how the change fund is delegated to the cashiers.

The following improvements are warranted:

1. Deposit Preparation

Deposits are prepared in the Police Services and Records Unit areas. Discussions were held with staff from both areas to determine whether deposits were prepared in accordance with University policies and procedures, and that individual accountability was maintained during the process. Based on discussion with staff, A&AS determined that deposits prepared in the Police Services area are not prepared under dual custody. According to BUS-49, Policy XA.1, "Deposits must be validated and prepared under dual custody at all times in a safe and secure area."

Recommendation: Deposits should be prepared under dual custody at all times to strengthen accountability over the funds.

Response: Concur. Effective immediately, deposits are being prepared under dual custody.

B. Deposit Timeliness

Based on the review of deposits selected from seven days in fiscal year 2018-19, cash receipts were properly recorded in CASHNet, deposits agreed to the bank statements, and cashier's overages and shortages were maintained; however, one $50 deposit was not deposited to the bank in a timely manner. The corresponding transactions were processed on November 6, 2018 and the deposit paperwork was prepared on November 7, 2018 but the funds were not deposited to the bank until November 13, 2018. Management indicated that the delay could have been due to a variety of reasons, including an officer not being available to escort staff to the bank, the staff in the Records Unit being too busy to go to the bank, or a holiday, which could have delayed the deposit.

Recommendation: Cash and cash equivalents should be deposited in accordance with BUS-49.

Response: Concur. Effective immediately, cash and cash equivalents are being deposited in a timely manner in accordance with BUS-49.

C. Mailed-in Payments

Mailed-in payments are predominantly opened in the EMS, Police Services, and Records Unit areas. A&AS interviewed staff from all areas to determine if mailed-in payments were opened, processed, and verified in accordance with University policy and procedures, and that individual accountability was maintained.

For the EMS and Police Services areas, mailed-in payments appeared to be opened, processed, and verified in accordance with BUS-49, and individual accountability was adequately maintained and documented. However, not all mailed-in checks received in the Records Unit are added to the log in a timely manner. Staff members who open the mail and encounter a check in the Records Unit review the documentation attached to the check and verify whether a record exists for the request. If the case number does not exist or if the record is not available to be released, the check is logged in the check log as “returned” and is sent back to the original sender. A second person verifies this entry. If the record is available to be released, the check is added to the check log and processed in CASHNet. Checks received for records that exist but have a release status that is unknown or unclear are stored in the mail opener's cash box until a detective determines whether to process or return the check, however, the check is not logged until the status is determined. Several days may pass between the date the check is received and the date the payment is recorded and deposited.

Recommendation: The Records Unit should maintain a check log to document the receipt of mailed-in payments that are received for records requests with a status that is unknown or unclear to maintain accountability for all funds received. The status of these checks should be included on the log and monitored to ensure compliance with University policies.

Response: Concur. Effective immediately, the Records Unit is maintaining a check log to document the receipt of mailed-in payments with appropriate documentation. Supervisor will periodically review the check logs.

D. Voids and Refunds

A&AS obtained a report of refunded CASHNet transactions and voided transactions processed by UCPD in fiscal year 2018-19. All ten refunds and the one voided transaction were tested to verify that:

* A manager approved the refund/void.
* All refunds/voids were properly supported.
* Refunds were processed in a timely manner.
* Refund was in the same form as the original payment.

Based on testing performed, the void was adequately documented and approved; however, adequate documentation was not maintained for refunds and there is no approval process. All ten refunds were processed without documented approval from a manager or second individual. In addition, there was no documented explanation for four of the refunds.

According to BUS-49, Policy VIIIB.4, "reductions of recorded cash accountability, e.g., voids and refunds, must be supported by all copies of the document involved, explained, and approved in writing by the cashier's supervisor at the time of occurrence where practical, but no later than the end of the day."

Recommendation: Documentation for all refund transactions should be maintained. The document should explain the reason for the refund and include approval from a manager or second individual.

Response: Concur. Refunded transactions will be appropriately documented and retained with explanation of the refund and manager approval.

E. Surprise Cash Counts

The registered change fund custodian is the Records Manager who is responsible for the $225 change fund. A portion of the change fund is delegated to four cashiers within the Records Unit, amounting to $160, and the remaining $65 balance is used by the Records Manager to make additional change.

A change fund audit log is completed by one of the five records staff members on a daily basis to document the audit count performed of the change funds. The daily auditor has cashiers open their cash box and each change fund is counted to ensure that matches the change fund total. This role rotates each day. However, surprise cash counts are not being performed on a periodic basis. Per BUS-49, Policy XIV.4, “an unannounced cash count and verification of change funds shall be performed on a periodic basis, at least quarterly by someone other than the fund custodian.”

Recommendation: Management should ensure that an unannounced count and verification of the change fund is conducted and documented at least on a quarterly basis by someone other than the fund custodian.

Response: Concur. Management will conduct unannounced count and verification of the change fund is accounted for appropriately on a quarterly basis.

F. Change Orders

When change orders are required, a cashier, escorted by a police officer, take the bills directly to the bank to exchange for smaller denominations. Based on testing of the eight change orders placed in fiscal year 2018-19, change orders were properly documented and approved by an employee other than the requestor. However, A&AS determined that change orders could be initiated and completed by cashiers entirely without management or fund custodian oversight.

Recommendation: Change orders should be approved by the fund custodian to ensure there is proper oversight over the change fund.

Response: Concur. Effective immediately, change orders will be approved by the fund custodian to ensure there is proper oversight over the change fund.

Physical Security

Procedures for safeguarding cash were examined to verify that controls are adequate and comply with BUS-49. In order to determine whether cash receipts were properly safeguarded, A&AS reviewed controls over the department safes and other lockable receptacles used to secure cash receipts, as well as the physical set-up of areas where cashiering activities predominantly take place. The accountability of cash was also reviewed. Specifically, walkthrough observations and discussions were conducted with staff in the Records Unit, EMS, and Police Services areas. A&AS observed the following:

UCPD has two safes used for cashiering activities – a safe in the Records Unit and a safe in the Police Services area.

*Records Unit Safe*

* The safe in the Records Unit is a dual controlled safe that requires the key and combination in order to be opened.
* The Records Manager is the only employee with the key and combination to the safe.
* The safe is not currently being used.

*Police Services Safe*

* The safe in the Police Services area can be opened using a key or combination.
* The safe is stored in an unlocked overhead bin and is used to store deposits (checks) and the safe combination log.
* Two UCPD employees have the key and combination to the safe.

Cameras are located in the lobby and throughout other areas of UCPD and are monitored by the Watch Commander. Footage is retained for 30 days. Access to areas of the police department beyond the lobby is controlled by fingerprint.

Cash and cash equivalents are adequately secured when transporting funds. Armed escorts (i.e., police officers) ensure that deposits, change funds, and personnel are adequately safeguarded during transport to the bank.

Although the department was generally in compliance with BUS-49 requirements for securing cash and cash equivalents, the following concerns were noted:

1. Records Unit Safe

The Records Manager communicated to A&AS that the safe has not been used since she started in June 2019. The safe was used by the preceding Records Manager, and although the current Records Manager was given the key and a combination to the safe, the combination does not work and she is unable to open the safe. As a result, the contents of the safe have not been confirmed or verified since June 2019. There is no safe log and therefore no record of when the combination was last changed or the reason for the change. BUS-49, Policy IX.11 states, "A safe’s combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes."

Currently, the safe is not being used for deposits. Each of the four cashiers store their delegated change funds and pending deposits in personal lockboxes inside of lockable overhead bins. The Records Manager stores her change fund in a lockbox inside of her locked office. The Records Manager also stores the back-up keys to each cashier’s lockbox and overhead bin. The average amount of cash that the Records Unit receives is $200, according to UCLA Safe requirements, a lockable receptacle can be used to store cash and cash equivalents up to $1,000.

Recommendation: Management should have the safe in the Records Unit opened, inspect the contents, and determine whether there is a need for the department to maintain the safe. Management should continue to ensure that cash and cash equivalents are stored in accordance with BUS-49 and UCLA Safe Requirements.

Response: Concur. Management will remove Records Unit Safe since UCLA Safe requirement states that a lockable receptacle can be used to store cash and cash equivalents up to $1,000.

1. Police Services Safe

The Police Services safe is stored in an unlocked overhead bin. According to UCLA Safe Requirements, safes should be, “bolted to the floor or locked inside some large piece of furniture that cannot be easily removed.”

While the Police Services area maintains a safe combination log, the combination to the safe has not been changed since it was purchased five years ago. According to UCPD, there has been no turnover of personnel who know the safe combination, however, BUS-49, Policy IX.11, states that a “safe’s combination must be changed whenever a person who knows the combination leaves the employ of a cash handing unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes.”

The safe is not dually controlled. Two employees have unrestricted access to the safe and they both have a key and combination.

A record of the combination is not maintained away from the safe area. A record of the combination is written on the safe log that is stored in the safe. BUS-49, Policy IX.8, states that “a record of the combination, sealed and opened only under double-custody to prevent undetected access, must be maintained away from the safe area.”

Recommendation: Management should work with the Payment Solutions & Compliance unit to determine that the Police Services safe meets the UCLA Safe Requirements based on the cash and cash equivalents stored in the safe. Management should also ensure that the safe is maintained in accordance with BUS-49.

Response: Concur. Management will work with PSC to ensure Police Service safe meets the UCLA Safe Requirement. Also ensure that the safe is maintained in accordance with BUS 49.

1. Safe Keys

The keys to the Police Services safe, maintained by two employees, are not marked “Do Not Duplicate.”

Recommendation: The keys to the safe should be stamped “Do Not Duplicate” to enhance security for collections held in the safe.

Response: Concur. Management has requested to stamp “Do Not Duplicate” on the keys to the safe to enhance security.

Monitoring and Reconciliations

Audit work included a review of reconciliations from the deposits to the general ledger for the period covering March through June 2019 and from the general ledger to the bank statements for fiscal year 2018-19 to verify that deposit reconciliations were documented and performed in a timely manner. Also, a review of Post Authorization Notifications (PANs) was performed to verify that CASHNet mandatory reviewers have read their PANs in accordance with the UCLA Financial Policy.

A&AS verified that the Business & Finance Manager reconciles the deposits from CASHNet to the general ledger and Corporate Financial Services (CFS) reconciles the deposits from the general ledger to the bank. Both reconciliations are performed on a timely basis.

The following improvements are warranted:

1. Reconciliations

Based on discussion with management, A&AS determined that reconciliations are not being performed between the check logs that are completed in the Police Services area and the general ledger. If a check were to go missing, one employee could be held liable. The checks received in the mail are added to the logs under dual custody; however, since the deposit is not prepared under dual custody, there is no verification that all checks have been deposited. While the Business & Finance Manager reconciles CASHNet deposit reports to the general ledger, this reconciliation would not identify checks received in the mail that were not deposited.

Recommendation: Management should designate an individual to reconcile the check logs to the CASHNet reports to ensure all checks received in the mail have been recorded and deposited.

Response: Concur. Management will reconcile the check log to the CASHNet reports to ensure all checks received in the mail have been recorded and deposited.

1. Post-Authorization Notifications

The Campus Data Warehouse (CDW) *Reviewers for a Specific Unit* report, as of September 11, 2019, was used to identify UCPD’s six mandatory reviewers for CASHNet transactions. A&AS then obtained the fiscal year 2018-19 PAN audit logs for all six individuals to verify that CASHNet PANs were reviewed in a timely manner, in accordance with the UCLA Financial Policy. Although the UCLA Financial Policy states that transactions must be reviewed within two working days of receipt, A&AS used a six-day criterion to account for weekends, holidays, alternative work schedules, and short absences. In addition, the number of unread PANs was examined for the six mandatory reviewers as well.

A&AS found that the number of CASHNet PANs read more than six calendar days from receipt by mandatory reviewer as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Mandatory Reviewer** | **Number of PANs that remained unread in mandatory reviewer's PAN queue greater than 6 (calendar) days** | **Days Unread**  **(Calendar Days)** | **Number of unread PANs, as of September 11, 2019** |
| 1 | Over 200 | 6 to 61 | 47 |
| 2 | 102 | 6 to 37 | 0 |
| 3 | 13 | 6 to 7 | 0 |
| 4 | 3 | 7 to 8 | 0 |
| 5 | 16 | 6 to 13 | 0 |
| 6 | 162 | 6 to 22 | 0 |

An additional report, PNSPAN5 Unread PANs by any Mandatory Reviewer, was obtained from the UCLA Document Direct System. This report shows unread PANs for any mandatory reviewer, regardless of their employment status. Review of the report revealed that one employee, who separated from the University on March 20, 2017, had 13 unread CASHNet PANs and was the only mandatory reviewer for those PANs. The PANs were dated from February 24, 2017 to March 13, 2017. Review of the Distributed Administrative Computing Security System (DACSS) audit trail confirmed that the DSA deleted the reviewer’s access in a timely manner, on March 14, 2017.

Recommendation: Management should ensure that all UCPD mandatory reviewers read PANs in a timely manner, in accordance with the UCLA Financial Policy.

Response: Concur. Management will ensure that all mandatory reviewers are reading their PAN notifications in a timely manner in accordance to UCLA Financial Policy.

Accountability Structure

UCPD’s DACSS accountability structure in effect for September 11, 2019, was evaluated for effective delegation of authority in initiating, processing, and reviewing cash transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions.

DACSS is UCLA’s enterprise application access management system that allows campus departments to manage access to the resources and functions of all major university transaction systems such as Purchasing, Accounts Payable, and Payroll. A user’s ability to perform a transaction can be limited based on organizational hierarchy and/or full accounting units (FAU). Additionally, dollar limits can be placed on financial transactions. The CAO of a unit is responsible for identifying which individuals will have access to the applications systems, and those responsible for reviewing the transactions for each specific application. TheCAO is responsible for selecting a primary and back up DSA. The DSA is responsible for the input (into the DACSS system) of the access as delineated by the CAO.

Controls surrounding the UCPD accountability structure regarding cash transactions were reviewed. The following was noted:

*Accountability Structure*

The following CDW reports for UCPD department code 3365 were obtained on September 11, 2019:

* QDB (Query Data Base) Users by Appt (Appointment) Unit and Users by System Access Request (SAR) Unit.
* Users and their Access by Appt Unit, by SAR Unit, and Users with Access to a Specific Unit.
* Reviewers for a Specific Unit and Reviewers by Home Department Code.

The CASHNet user listing, as of September 27, 2019, was also reviewed.

Data from the reports was used to create worksheets that provided a listing of all users and reviewers that have access to inquiry, process, and review UCPD’s cash transactions. The worksheets were sent to the Business & Finance Manager so that she could confirm that access is appropriate.

Overall, UCPD has established an effective DACSS structure for the delegation of initiating, processing, and reviewing cash transactions. However, the following issues were noted:

* One user who no longer works for UCPD had inappropriate access to the ZBAR function.
* One user had inappropriate access to CASHNet.

Test work related to the accountability structure identified by A&AS was communicated to the Business & Finance Manager and remediated during the review.

Recommendation: The CAO and DSAs should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that the structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities. A&AS is available upon request to provide training on the DACSS reports in CDW.

Response: Concur. DSA will review quarterly DACSS reports to ensure that the structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities.

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