# RIVERSIDE: AUDIT & ADVISORY SERVICES

October 31, 2017

To: Asirra Suguitan, Director

 Student Business Services/Cashiers

Subject: Financial Analytical Review – Cash Collection Reporting and Reconciliation System (CCRRS)

Ref: R2017-J

We have completed our Financial Analytical Review of CCRRS in accordance with the University of California, Riverside Internal Audit Plan. Our report is attached for your review. We will perform follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps a limited review. R2017-J will remain open until we have evaluated the actions taken.

Should you have any questions concerning the report, please do not hesitate to contact us.

 Gregory Moore

 Director

cc: Ethics & Compliance Risk and Audit Controls (ECRAC) Committee

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

REPORT R2017-J

FINANCIAL ANALYTICAL REVIEW - CCRRS

OCTOBER 2017

Approved by:

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 Gregory Moore

 Director

**UC RIVERSIDE**

**FINANCIAL ANALYTICAL REVIEW - CCRRS**

**REPORT R2017-J**

**OCTOBER 2017**

**I. MANAGEMENT SUMMARY**

We reviewed data and selected transactions in the Cash Collection Reporting and Reconciliation System (CCRRS). Based upon the results of work performed within the scope of the review, we noted several areas of opportunity to improve efficiency/effectiveness, strengthen internal controls, and/or effect compliance with applicable University policy:

* Cash Bag and Armored Car Utilization and Bag Sequence Gaps (Observation III.A)
* Days to Deposit and Post to the General Ledger (GL) and Cash Collection Dates (Observation III.B)

These and other items are discussed below. Minor items not of the magnitude to warrant inclusion in this report were discussed verbally with management.

**II. INTRODUCTION**

 **A. PURPOSE**

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as part of its Audit Plan, performed an analysis and evaluation of the CCRRS. This analytical review included procedures to study and compare relationships among data on a campus-wide basis in order to identify unexpected and the absence of expected fluctuations, trends or activities, and other unusual items.

Our objective was to broadly examine CCRRS data to determine if activities in selected areas included significant errors or questionable transactions that warranted further review. CCRRS data were extracted to evaluate high-risk transactions involving liquid resources.

The specific review objectives were to:

* Identify and investigate unusual relationships in the CCRRS data;
* Detect, within the scope of the review, irregularities or significant variances in CCRRS data, reports, and source documentation;
* Provide A&AS management with information for the campus risk assessment to assist in developing future audit plans; and
* Identify opportunities for improving internal controls.

**B. BACKGROUND**

In 2012, the CCRRS was created to enable the input, review, approval and retrieval of departmental cash collections and replace the paper based Cash Collection reports.  The goals of the system were to reduce redundant entry of cash collection information, eliminate paper reports, electronically store supporting documentation, and improve controls.  In February 2015, CCRRS introduced improved controls to increase the integrity of transactions flowing to the UCR Financial System (UCRFS), by allowing these cash and cash equivalents to be posted against the appropriate Full Accounting Unit (FAU). CCRRS directly feeds to UCRFS, eliminating the need for the old IBM-hosted Deposit Advice Form system (DAF). Approved Departmental Cash Collection Reports are routed through the Main Cashier's Office for final confirmation.

The CCRRS is fully integrated with the Enterprise Access Control System (EACS).  CCRRS utilizes common definitions and verbiage to facilitate the review and approval of department deposits involving cash, checks, credit cards, sealed bags, and/or armored car pick-ups. CCRRS provides departmental transactor and reviewer roles with automated workflow routing.

Training and documentation are available on the CCRRS support site, and System Access Administrators (SAAs) are advised to ensure that CCRRS users complete the Learning Management System Cash Handling training annually.

**C. SCOPE**

This review analyzed CCRRS June 2016 data. We designed the methodology to provide sufficient, competent, and relevant evidence to achieve the review objectives. Due to the extensive range of financial activities and the vast volume of financial data, not all identifiable activities were reviewed. Further, because of the nature of this review’s global perspective and other limitations, the review procedures could not ensure that errors and irregularities were detected, especially minor or isolated incidents.

The review included, but was not limited to the following areas:

1. Volume and amount of cash/check/credit card by department/unit
2. Cash bag utilization and gaps
3. Days to record Journal Entry (JE) and deposit cash
4. Error rates (including over/short)
5. Incomplete transactions/reconciliation to the GL
6. Unusual FAU distributions (i.e. credits to expense accounts)
7. Central Cashier analysis
8. Armored car utilization
9. General compliance with Business and Finance Bulletin 49: Policy for Cash and Cash Equivalents Received (BUS-49).

We also looked for opportunities to improve controls, efficiency and effectiveness.

**III. OBSERVATIONS, COMMENTS, RECOMMENDATIONS AND MANAGEMENT CORRECTIVE ACTION**

**A. Cash Bag and Armored Car Utilization and Bag Sequence Gaps**

Some campus cash handling units underutilized sealed cash bags and did not account for sealed bag sequence gaps. SBS/Cashiers reported that some units were non-compliant with BUS-49 regarding dual custody and police escort. Some units also underutilized armored cars as a risk mitigation strategy. Moreover, because of the way that transactions are tracked in CCRRS, it is difficult to quantify the dollar amounts at risk.

COMMENTS

BUS-49, Policy for Cash and Cash Equivalents, is in place to protect individuals who handle cash and cash equivalents (C&CE) from physical harm and to minimizes losses.

CCRRS transactors prepare the C&CE deposit transactions, and once approved by the department and validated by the Main Cashier Office (MCO), JEs in the GL are recorded nightly. The transactors indicate a ‘deposit type’ when recording the transactions as follows:

1. Armored Car
2. Sealed Bag
3. MCO

An armored car picks up C&CE at the various cash collection points at set intervals. The use of armored car is determined by the respective departments. In cases where departments do not use armored car pickups or need to make a deposit on a day that an armored car is not scheduled to pick-up, the department instead delivers a sealed bag under dual custody to the MCO. However, when a deposit only involves checks, the endorsed checks can be sent via interoffice mail. For Armored Car and Sealed Bag deposit types, the department uses a sealed bag and records the bag number in the CCRRS.

C&CE MCO deposits indicate that the cash handling unit did not utilize an armored car pickup or the activity did not warrant the use of a sealed bag. The use of both sealed bag deposits and armored cars is highly recommended and encouraged for units with high dollar volume transactions as this is the safest, securest, and the most cost efficient method for depositing cash. Sealed bag deposits with MCO are recommended for high volume transactions with lower overall dollar values. The cash in the sealed bags do not require recounting by the MCO, and the sealed bags must be transported using dual custody and/or a police escort depending on the deposit amount.

There are risks associated with the departments bringing large amounts of C&CE into the MCO without dual custody and in cases of deposits over $2.5K without a police escort. However, the MCO has noted exceptions in both cases and have advised the departments regarding the policy requirements.

The School of Medicine (SOM) is of the highest concern because they have many cash collection points in remote locations, and only four of 76 transactions totaling $14,665 were reported as being sent using an armored car. We noted $1,308,016 of C&CE collections were brought into the MCO.



When sealed bags were utilized, we noted that several departments had bag sequence gaps. We acknowledge that some of this may be due to the fact that there are several cashiering locations in a department with multiple bag sequences, like Dining Services. Departments with gaps included:

1. Dining Services
2. UCR Card Operations
3. Transportation and Parking Services (TAPS)
4. Theatre Facility Unit
5. Interdivisional Programs (Botanic Gardens)
6. SOM
7. Athletics
8. University Extension (UNEX)
9. Student Recreation Center
10. Career Services

**MANAGEMENT CORRECTIVE ACTION – Central Cashiering**

The MCO has provided additional instruction and guidance to the departments regarding proper tracking and controls related to the transport of C&CE and sealed bag inventory as part of the annual review of cash handling units and UCRFS User Groups. In addition, the Controller and Director of SBS/Cashiers have been participating in monthly cash control meetings with SOM and in FY 2016-17 all locations converted to armor car pick-up and improved cash handling procedures have been implemented.

**B.**  **Days to Deposit and Post to the GL, and Cash Collection Dates**

Some departments are not in compliance with UC BUS-49 provisions, which require C&CE be deposited weekly or when the amount is over $500. In addition, some departments are delayed in recording the entry to the GL. Also, some departments are not accurately recording the Cash Collection Date in CCRRS, and as a result the analysis of Days to Deposit and Days to Post to GL is inaccurate.

COMMENTS

The average days to deposit collections to the bank from Cash Collection Date is three days. The daily average deposit for June 2016 was $239,000. Each day that can be trimmed from the three-day average earns the University interest and reduces risk. Some departments have longer lag times as noted in Table 1 below. BUS-49 policy states that C&CE should be deposited weekly or daily if the amount is over $500.

A listing of unit/departments that took over five days average to deposit to the bank from the reported Cash Collection Dates are shown below.

Table 1



A listing of transactions by units/department that took over 8 days to deposit (June 2016 activity) from the reported Cash Collection Date is listed below.

Table 2



The posting of deposits to the GL is independent of the deposits to the bank. The University average days to record the entry in the GL is 5 days, but some departments appear to have higher averages. An example in Table 3 below (June 2016 activity), shows that the Library has a 24-day average and one transaction took 70 days to post to the GL. Untimely posting (although the deposit may be timely), creates more work in the reconciliation process, and other inefficiencies; and the financials do not reflect the correct amounts in a period.

Table 3





Again, we noted that the Cash Collection Dates in CCRRS were not always accurate, and as a result the prior analysis of Days to Deposit and Days to Post to GL are understated. The most notable instance was in the case of the SOM, where one CCRRS transaction was entered with a Cash Collection Date of June 1, 2016, although the Cash Collection Dates per the receipts were from March 31, 2016 through May 12, 2016. Moreover, the backup documentation contained 111 receipts, 28 of which were redacted with no explanation and were not included in the deposit amount.

**MANAGEMENT CORRECTIVE ACTION – Accounting Services**

When deposit delays are identified, the Main Cashiers Office requests explanations from departments and actions taken to avoid the situation from reoccurring; the Director of Student Business Services/Cashiers escalates to the organizational CFAO as appropriate. In addition, the Controller and Director of SBS/Cashiers have been participating in monthly cash control meetings with SOM and improvements to their cash handling procedures have been made. During FY 2016-17, the Director of SBS/Cashiers met with the Library CFAO to modify procedures to align with BUS-49 policy requirements (e.g. Scantron solve via vending machine with campus card as payment method).