



Bursar's Office

Book Buyback Cash

February 14, 2017

Office of Internal Audit and Compliance



Missouri State[™]

U N I V E R S I T Y

DATE: February 14, 2017
TO: Doug Willson, Bursar
FROM: Donna Christian, Director of Internal Audit and Compliance
CC: Steve Foucart, Chief Financial Officer
Clifton M. Smart III, University President

BURSAR'S OFFICE BOOK BUYBACK CASH

BACKGROUND

The Bursar's Office provides cashing services for the University. The office processes approximately \$80 million of payments from students, faculty, staff, University departments and businesses annually.

On Monday, December 12, 2016, a Bursar's Office employee identified a shortage of \$2,000 cash. The Chief Financial Officer subsequently notified the Director of Internal Audit and Compliance of the shortage and requested an immediate review of the transactions in question. The missing funds appear to be isolated to cash held by the Bursar's Office for Follett, Inc., the University's book buyback vendor.

At the end of each semester, Follett wires a large amount of cash to the University and requests the Bursar hold their cash in safekeeping for them to use to buy used textbooks from students. The cash is held in a safe in the Bursar's Office vault, separate from University cash. Records indicate the Bursar's Office should have been holding \$108,000 in cash for Follett on Monday, December 12, 2016; however, only \$106,000 was in the safe.

OBJECTIVE AND SCOPE

The objectives of this audit were to review circumstances surrounding the missing cash, and review the adequacy of internal controls related to book buyback money. The scope of this audit included the period from December 1, 2016 and January 9, 2017.

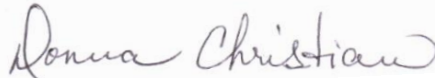
SUMMARY

Our review of controls and procedures used to manage Follett's cash noted the following:

- Security cameras inside of the Bursar's Office do not have view of the inside of the vault.
- Access to the inside of the Bursar's Office and to the inside of the vault is not properly tracked or restricted.
- Book buyback cash records do not track the cash inventory in detail by denomination.
- More cash was held in the vault than needed to facilitate the buyback process.
- The contract between the University and Follett does not require the University to hold cash for Follett.

During our review, other Bursar's Office procedures (not related to book buyback cash) were found to need improvement. Recommendations addressed the following:

- The University's \$100,000 imprest cash balance on hand in the Bursar's Office may be larger than needed and could be decreased to reduce risk of loss.
- Over \$260,000 in cash was held on premise during Christmas break when the University is closed. Steps should be taken to deposit all cash prior to this closure.
- Improving cashier reconciliation procedures.
- Formulating written procedures addressing areas such as reconciliation, security and controls.



Donna K. Christian, CPA, CGFM,
Director of Internal Audit and Compliance
Audit Field Work Completed: February 14, 2017

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Missing Funds

On Monday, December 12, 2016, a Bursar's Office employee identified a shortage of \$2,000 cash. The Chief Financial Officer subsequently notified the Director of Internal Audit and Compliance of the shortage and requested an immediate review of the transactions in question. The missing funds appear to be isolated to the large amount of cash held for Follett, Inc., the University's book buyback vendor.

At the end of each semester, Follett wires money to the University's bank account to be used by the Follett representative on campus to purchase used textbooks from students. In December 2016, Follett wired \$440,000 to the University's bank account. Over the course of the next few weeks, the Bursar's Office periodically withdrew portions of the \$440,000 in cash to have on hand for pick up by the Follett representative. The cash was stored in a safe in the Bursar's Office vault.

On Monday, December 12, 2016 records indicate the Bursar's Office was holding \$108,600 in cash for Follett to start the day. During that day, records indicate \$53,600 cash was disbursed to the Follett representative and \$53,000 cash was received by delivery from the armored car company. As a result, the Bursar's Office should have had \$108,000 cash on hand for Follett at the end of the day on Monday, December 12, 2016. However, only \$106,000 was on hand, resulting in a \$2,000 shortage. Although the missing cash was not University funds, University employees were responsible for properly securing and accounting for the funds. The University repaid Follett \$2,000 to cover the shortage.

Our review of procedures and controls identified that improvement is needed in the following areas:

A. Security Camera Locations

The location of security cameras inside the Bursar's Office are not appropriately placed to view inside the vault where cash is stored, or in locations where cash is counted. In addition, one of the security cameras has an area blocked out that would show the head cashier's desk where money is often counted and balanced. For the security cameras to be most effective, they should be appropriately placed to view cash transactions.

B. Bursar's Office Access

Access to the Bursar's Office is not appropriately restricted. Individuals who enter the Bursar's Office are to sign in and out on a posted sign-in sheet; however, individuals are rarely required to sign the sheet. To properly track access to the Bursar's Office, all individuals should be required to sign in and out.

C. Vault Access

The vault in the Bursar's Office remains unlocked throughout the day, and the safe located inside the vault is also unlocked. Additionally, security camera footage near the vault door for Monday, December 12, 2016 show several Bursar's Office employees and nonemployees entering and exiting the vault. University Operating Policy Op8.04 requires the physical protection of cash. Procedures should be in place to limit vault access to only those employees who need inside the vault to perform their duties. No vault access should be allowed to nonemployees. Further, the vault and safe should remain locked when not in use.

D. Cash Inventory

Cash received, held and disbursed for Follett is only tracked in total and not in detail by denominations. Cash is ordered and received from the bank in specific denominations strapped together, but the Bursar does not record this detail. For example, the Follett cash inventory on Monday, December 12, 2016 showed the Bursar should be holding \$108,000, but a breakdown of the number of strapped bill denominations is not maintained. In addition, the Follett representative will sign for the total amount of cash picked up at the Bursar's Office, but the sheet does not document a detail of the bill denominations he received. This is important because it is possible that the \$2,000 in missing funds represents one

strapped bundle of twenty-dollar bills. However, without this detail documented, the missing bill denominations cannot be confirmed.

E. Excess Cash on Hand

During the book buyback period, the Bursar's Office would periodically withdraw Follett's cash from the University's bank account to have on hand for the representative. Although the largest amount of cash requested daily by the Follett representative was \$53,600, the Bursar's Office often held between \$90,000 and \$160,000 in Follett cash. Reducing the amount of cash on hand to better approximate the amount needed for book buyback would help to limit the risk of loss.

Recommendations

- A. Properly locate security cameras in the Bursar's Office to view inside the vault and other areas where cash transactions occur.
- B. Properly track access to the Bursar's Office, by requiring all individuals to sign in and out.
- C. Restrict access to the vault and the safe by ensuring they remain locked when not in use and preventing access to nonemployees.
- D. Track the cash inventory held for Follett in detail by denomination.
- E. More closely estimate the amount of cash needed by the Follett representative to reduce the amount of cash on hand.

Management's Responses

- A. *One new security camera has been requested that will be positioned to show the table in the middle room and the vault entrance and into the vault. Also, a request has been placed to reposition the camera over the head cashier's desk to monitor her desktop where money is counted.*
- B. *Everyone entering the Bursar's Office, except for Bursar's Office employees, is now signing in and out in the log book. New signs were made for both sides of the office door.*
- C. *Only Bursar's Office employees and the Garda (armored car) representatives will be allowed to enter the vault. Garda representatives enter to scan bags, pick up change orders and bank deposits as well as drop off department deposits. The change orders, department deposits and bank deposits are kept in the vault for security reasons. Garda representatives will only enter if a Bursar's Office employee is with them. The cash drawer, small safe, and gray combination safe are always locked unless money is being added or removed. Only three Bursar employees have access to these.*
- D. *A new Book Buyback Cash Inventory and a new Book Buyback Cash Order form, which includes a count by denomination, have been designed and will be used beginning with the Spring 2017 Book Buyback. These forms will list denominations for funds ordered, received and dispersed for buyback transactions.*
- E. *When a change order for book buyback money is placed, we do not receive those funds until after 2 pm the next business day. Every time the Follett representative picks up funds, they are asked when they will be back for more funds and what amount they think they will need. This was done for the Fall 2016 book buyback and the orders were based on this information. However, the book buyback was not as successful as anticipated and dropped off suddenly. For the Spring 2017 book buyback, we will place more conservative change orders. The amount of book buyback funds have been reduced the past 8 years as less money is needed for buyback.*

2. Follett Contract

The contract between the University and Follett does not require the University to hold large amounts of cash in the Bursar's Office for Follett to facilitate the book buyback service. Considering the risk of loss to the University, representatives from the Bursar's Office should consider discussing other options with Follett to facilitate the textbook buyback process. For example, the Bursar could provide a lock box for Follett in the University's vault that could be accessed only by the Follett employee. Alternatively, at a minimum, the amount of Follett cash on hand should be reduced to an amount that better approximates the amount needed by the representative. See No 1.E. above.

Recommendation

Determine if there are other options to facilitate the textbook buyback process without holding large amounts of cash at the Bursar's Office. At a minimum the amount of book buyback cash on hand should be reduced to more closely approximate the amount needed by the Follett representative.

Management's Response

Follett has come to expect that we will provide a secure location for their book buyback funds. The only secure place for this amount of money is in our vault. We will continue to reduce the amount of funds as the need decreases.

3. Cashier Controls and Procedures

While this review of the Bursar's Office was limited to the transactions surrounding the missing cash, other weaknesses in internal controls and procedures were observed.

- A. The Bursar's office maintains an imprest balance of cash totaling \$100,000. With the increasing amount of electronic transactions, it is likely that the amount of this imprest balance can be reduced, thereby reducing the risk of maintaining such a large amount of cash. If there are certain times during the year that this large amount of cash is needed, the Bursar could increase the imprest balance back up to the \$100,000 temporarily.
- B. Over \$260,000 in cash was held in the Bursar's vault during the two weeks the University was closed at Christmas. In addition to the \$100,000 imprest cash balance noted in part A above, the Bursar was holding over \$160,000 in Follett book buyback cash during break. The Follett representative finished book buyback on December 21, 2016 (the last day the University was open before break); however, the Bursar did not redeposit this \$160,000 in cash until January 10, 2017. To reduce the risk of loss, these funds should have been deposited before the University closed for Christmas break.
- C. At the end of the day, cashiers are responsible for balancing their own cash drawer down to the \$2,500 start up cash. While the head cashier balances total receipts submitted by the cashiers each day, there is not an independent verification of the \$2,500 start up cash that is to remain in each drawer. Also, balancing procedures could be improved further by having each cashier sign or initial the daily report used to balance each cash draw. This documents that the balancing process was performed and who performed it. To provide additional assurance that all cash is accounted for properly, an independent verification of the starting cash should be performed periodically and individual cashiers should sign or initial the report used to balance each cash drawer.
- D. Detailed written procedures documenting reconciliation processes, security procedures, duty segregation and other information would help ensure processes and procedures don't become lax over time.

Recommendations

- A. Determine if the amount of the imprest cash balance can be reduced below the current level of \$100,000.
- B. Deposit all cash on hand prior to the University closing for Christmas break.

- C. Periodically verify the starting cash in each cashier's drawer and require the cashiers to sign or initial the daily report after each cash drawer is balanced.
- D. Formulate various procedures and processes in writing.

Management's Responses

- A. *There are several factors that affect the amount of cash on hand. We must be able to fill change order request for the Bookstore, JQH Arena and book buyback. To do so, we must have a sufficient inventory of each denomination on hand. When a change order is placed, we do not receive those funds until the next business day after 2 pm. The \$100,000.00 imprest balance amount was set by our Internal Auditors office after their review in 2010, as the appropriate level of funds to maintain. We will reduce the imprest amount in the vault to \$85,000.00. This amount will be reevaluated after six months.*
- B. *In the past, we have waited for the return of the last amount of book buyback funds held at the Bookstore to redeposit all remaining funds. Once we have received these funds the entire unused amount was returned in one deposit for easier bookkeeping. The past two years, this has been done before our last working day, and was deposited on 12/15/14 and 12/16/15. This past Fall, we received the last funds from the Bookstore on the afternoon of 12/21/16. Those funds were immediately verified, posted and added to the book buyback total. This was the last working day of the year and it was too late for a deposit to be made. The other delay in depositing the funds was that we were waiting for instruction on where to post the shortage. This information was received on the afternoon of 1/9/17. The unused funds were deposited, the entries in Cashnet were made and the Payment Request for the check for Follett was made the next day. These steps are required in order for the office to balance. For the Spring 2017 Book Buyback, we will deposit all or as much as possible of the unused book buyback funds prior to the last working day of the calendar year.*
- C. *Cashnet requires a user name and password to sign in and post. This sign-in procedure documents who is working in a specific window and drawer. It tracks each transaction they post and is required to balance their cashier drawer. Each cashier's password is confidential. When the cashier balances at the end of the day, they turn in a cashier checkout printout. This printout has the date, time and their name. We can have the cashier initial this printout. Random audits of the cashiers' drawers have now been started. Four audits have been performed so far this year. A form (Cashier Drawer Audit) has been designed and the person performing the audit as well as the cashier being audited is required to initial upon completion of audit.*
- D. *Written procedures for the Bursar office are in process. They will cover security procedures and reconciliation processes.*