

Report #19-20-0001

Assurance Services Report

FY 2018-19 Essential Theatre Decentralized Cash Collection



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Division of Audit

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Vice President for Audit



Assurance Service #19-20-0001

EXECUTIVE SUMMARY

WHAT WE DID

In accordance with the 2018-19 Audit Work Plan, we conducted an audit of the Essential Theatre Decentralized Cash Collection location to ascertain if the Visual Arts, Humanities and Theatre Department (Essential Theatre):

1. Completed necessary documents to be authorized as a decentralized cash collection location;
2. Complied with the University's *March 2016 Cash Collection and Controls Manual*; and
3. Complied with the provisions of the *February 2016 FAMU Purchasing Card Manual* when procuring goods and services.

WHAT WE FOUND

The cash collection process, in general, was satisfactory and internal controls ensured cash collected was fully accounted for, adequately safeguarded, reconciled, properly approved, and timely deposited. Contrary to the University's *March 2016 Cash Collection and Control Manual*, one employee and seven student workers from the Essential Theatre department did not have documentation on-hand to corroborate that a criminal background check had been performed. Additionally, two Essential Theatre employees and seven student volunteers did not attend cash collections and controls training. Finally, we found the internal controls were operational and effective regarding the p-card purchases and transactions complied with the *February 2016 FAMU Purchasing Card Manual* for the period under review.

OPPORTUNITIES FOR IMPROVEMENT

We recommend Essential Theatre Department and cash handlers work collaboratively with the FAMU Human Resources and Student Financial Services Office to:

- Ensure that department documentation is retained to corroborate that all employees and students that are Essential Theater cash handlers complied with the University's Criminal Background Check process and procedures prior to assuming cash handling responsibilities; and
- Ensure that all cash handlers receive training regarding the University's *March 2016 Cash Collection and Controls Manual*.



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BACKGROUND

A cash collection point is an authorized operation within the University which collects cash belonging to the University. As of March 31, 2019, the University had 22 cash collection sites. The FAMU Cashier's Office is the primary cash collection point and the other cash collection sites exist for the convenience of students and the general public. In order for a department to collect cash and make direct deposits (deposit their cash directly with an authorized depository banking institution) the department director must first make a request to the University Controller to become a cash collection point. Only those departments or University-related entities that can demonstrate the ability to establish appropriate control procedures and comply with prescribed cash handling guidelines will be approved as cash collection point. Each cash collection site must abide by the University's *March 2016 Cash Collection and Control Manual*. Accordingly, all cash collection points have the following responsibilities:

- Receive funds and deposit them in accordance with the Cashier's Office or the appropriate depository banking institution as approved by the University Controller;
- Supervise all cash handling activities so that all funds received are properly recorded and deposited;
- Ensure that proper records are maintained and that entries are promptly and accurately made;
- Ensure that all funds are adequately safeguarded;
- Conduct periodic reviews of their cash handling activities to determine that all systems are functioning as intended and that all approved procedures are being followed; and
- Maintain evidence that these reviews were completed at least annually and reported to the Vice President with responsibility for that cash collection point.

On June, 15, 2018, Essential Theatre officials completed the University Revenue Collection Confirmation form and received continued authorization from the University Controller to be a decentralized cash collection location. For the period reviewed (July 1, 2018 through March 31, 2019), the Essential Theatre had cash receipts totaling \$8,911.51.

The Essential Theatre is one of two campus locations (FAMU Educational Research for Child Development) to have a petty cash fund and presently maintains a \$900 imprest petty cash fund. Essential Theatre petty cash funds are used to support FAMU Theatre Box Office Productions and small expenditure departmental operations fiscal activity each academic semester. The Essential Theatre established departmental cash handling procedures and designated three cash handler employees with primary responsibilities encompassing collections, deposits and reconciliations.¹ The department also utilizes seven student workers each academic year to assist with cash handling activities at the FAMU Essential Theatre Box Office and these student workers earn academic credits for their time and efforts.

Our audit scope and methodology are included in Appendix A.

¹ Kimberly Harding, Director of Ticket Sales and Services and Associate Professor of Theatre (Deposits); Lisa Lauray, Adjunct Instructor of Theatre, Box Office Manager (Collections) and Luther D. Wells, Associate Director of Theatre and Chair of Visual Arts, Humanities and Theatre (Reconciliations)



OBSERVATIONS

Observation 1: Cash Collection Process	
Element	
Criteria	<p>Section 1.4 C of the <i>2016 Cash Collections and Control Manual</i> requires all Cash Collection Points of the University to accept responsibility to:</p> <ol style="list-style-type: none"> 1. Receive funds and deposit them in accordance with the Cashier's Office or the appropriate depository banking institution, as approved by the Associate Vice President and University Controller; 2. Supervise all cash handling activities so that all funds received are properly recorded and deposited; 3. Ensure that proper records are maintained and that entries are promptly and accurately made; 4. Ensure that funds are adequately safeguarded; and 5. Conduct periodic reviews of their cash handling activities to determine that all systems are functioning as intended and that all approved procedures are being followed.
Condition	<p>We reviewed all Essential Theatre fiscal activity from July 1, 2018 through March 31, 2019, totaling \$8,911.51, to determine if cash handling internal controls existed and were operational and effective for the period under review.</p> <p>Our review efforts did not detect any deficiencies, irregularities or illegal acts. The department's cash handling internal controls were accurate, timely, adequate and effective for the period under review.</p>
Cause	<p>Essential Theatre personnel implemented appropriate cash handling internal controls to ensure that the department complied with the University's <i>2016 Cash Collections and Control Manual</i>.</p>
Effect	<p>The Essential Theatre cash handling internal controls were operational, effective and in compliance with the University's <i>2016 Cash Collections and Control Manual</i>.</p>
Recommendation	<p>No recommendations for the period under review.</p>



Element	Observation 2: Criminal Background Checks
Criteria	<p>Section 1012.915 of Florida Statute require State Universities and Colleges to designate personnel for level one and level two background screenings. This statutory requirement is intended to allow background screenings requested by the State College System and the State University System to include federal information.²</p> <p>The <i>2016 Cash Collections and Control Manual</i> requires before any individual can be offered a position working in or supervising a Cash Collection Point, he must undergo a criminal background check performed by the Florida Department of Law Enforcement.³ However, Human Resources offer letters informs employment prospects that their respective offer is contingent upon the results of the criminal background check.</p> <p>Additionally, FAMU BOT Regulation 10.131, <i>Employee Background Screening and Fingerprinting</i>, paragraph 2(a) indicates, security background screenings will be conducted on all job candidates to whom an offer of employment has been made for positions of special trust or responsibility or positions located in safety sensitive areas whose duties may include one or more of the following:</p> <ol style="list-style-type: none"> 1. Working with children/minors (National Child Protection Act 1993 as amended). A child/minor is defined as any person under the age of 18 in accordance with Section 827.01, Florida Statutes; 2. Access to cash, credit card numbers and/or demand deposits; 3. Access to campus buildings, including residences as a result of being assigned building master keys; 4. Access to surplus property; 5. Ability to complete final processing of payroll or payroll corrections, investments, security access transactions or purchase orders; 6. Ability to process a payment, print or distribute checks; 7. Ability to update, prepare, generate or enter a transaction that will result in one of the following: refund, wire transfer, automatic clearing house transaction, vendor add/change or vendor address change; or 8. Ability to access underlying codes/processing protocol supporting the University’s Enterprise Information Technology (EIT) systems applications or complete final processing of EIT security access transactions. <p>This criminal background check will ascertain if the individual has been convicted of theft, embezzlement or any other form of misdemeanor or felony crime involving the misappropriation of cash or property, or defrauding any individual or organization.</p>

² SB 190 – Government Accountability passed during June 2019 and has an effective date of 7/1/2019. From November 2018 to-date the University is utilizing a vendor called “Castle Branch” to conduct criminal background checks.

³ The University received the particulars of the new F.S. 1012.915 legislation during mid-July 2019 and is in the process of establishing an account with Florida Department of Law Enforcement to conduct national criminal background checks.



Condition	We discovered that one employee did not have supporting documentation retained to corroborate that they completed a criminal background check prior to working or supervising cash handling activities at the Essential Theatre cash collection location. Additionally, seven student workers did not have criminal background checks conducted prior to working in the Essential Theatre Decentralized cash collection location.
Cause	Essential Theatre personnel did not complete the signed and approved disclosure and authorization form or a completed and signed FDLE waiver formally requesting Human Resources to conduct criminal background checks on seven student workers. Additionally, Essential Theatre personnel did not ensure that documentation was retained for administrative and audit purposes to corroborate that a criminal background check had occurred prior to an employee or student being assigned cash handling duties collecting, depositing and reconciling cash.
Effect	Without documentation to corroborate that a criminal background check was conducted, risk is escalated that misappropriation of cash, or theft of cash could have occurred by an individual that the University is assigning cash handling responsibilities.
Recommendation	We recommend that the FAMU Essential Theatre Department establish procedures to ensure that supporting documentation is retained to corroborate that all cash handlers have completed a criminal background check prior to working or supervising at a cash collection point.
Management Response	<p>Though several of the Essential faculty and student workers have been subjected to criminal background checks, the Essential Theatre Department realizes it must be accountable for adequate records. To this end, the following procedures shall be followed:</p> <ul style="list-style-type: none"> • The Director of Ticket Sales and Services shall identify box office personnel at least 45 days prior “as practicable” to start of box office activities; • A list of names shall be emailed to the Associate Director of Theatre and copied to the Dean of the College of Social Sciences, Arts and Humanities; • Hard copies of accompanying documents shall be retained in the Essential Theatre Box office administrative files; • The Associate Director of Theatre shall forward such names and accompanying documents to the Office of Human Resources’ background check officer; and • Electronic copies of emails and communications regarding the background check process will be retained in an electronic file. <p>Responsible Personnel: Luther D. Wells, Associate Director of Theatre</p> <p>Implementation Date: August 31, 2019</p>



Observation 3: Cash Handler Training	
Element	
Criteria	<p>The <i>March 2016 Cash Collection and Control Manual</i> (Manual) requires that each approved Cash Collection Point will be responsible for printing and distributing a copy of the entire Manual to each of its employees who are involved in the collection, deposit, or recording of University cash, and conducting training on the use and application of the Manual. Each such employee shall maintain a copy of the Manual at his/her workstation for reference purposes. The Associate Vice President for Finance and University Controller shall keep a copy of each department's Cash Collections and Controls Manual on file in the Student Financial Services Office.</p> <p>According to the U.S. Federal Sentencing Guidelines two of the seven essential elements necessary for an effective compliance and ethics program are standards of conduct and education/training. These guidelines encourage organizations to implement appropriate compliance and ethics programs (i.e., education and training) to prevent wrongdoing from occurring in the first place.</p> <p>Accordingly, all cash handlers, including individuals providing oversight at an approved Cash Collection Point, should receive cash handler training.</p>
Condition	Two employees and seven student workers from the Essential Theatre Department had not been trained in accordance with the <i>March 2016 Cash Collection and Control Manual</i> .
Cause	The Essential Theatre Department did not ensure that all cash handlers were identified and trained.
Effect	Risk is enhanced that errors and/or irregularities may occur due to all cash handlers not attending and receiving cash collections training.
Recommendation	We recommend that Essential Theatre officials identify all Essential Theatre cash handlers and ensure that they receive cash handling training.
Management Response	<p>The training of box office employees, and student workers and volunteer cashiers shall be under the supervision of the Director of Ticket Sales and Services who shall abide by the rules and regulations of the <i>March 2016 Cash Collection and Control Manual</i>. Training will occur at the beginning of each academic semester, as needed.</p> <p>All Essential Theatre faculty, student and volunteer box office personnel shall be identified at least 45 days prior "as practicable" to the start of box office activities.</p> <p>Responsible Personnel: Kimberly Harding, Director of Ticket Sales and Services</p> <p>Implementation Date: August 31, 2019</p>



Observation 4: Purchasing Cards (P-Cards)	
Criteria	<p>The <i>February 2016 Purchasing Card Policy</i> and procedures requires the P-card holder to:</p> <ul style="list-style-type: none"> • Obtain P-card training; • Sign an application and agreement; • Be committed and responsible to comply with the terms and conditions stated in the P-card University Policy, Manual, Agreement and basic training; • Have an assigned Reconciler and Verifier before a card can be issued to that Cardholder. (The Reconciler and Reviewer cannot be the same person. A Cardholder cannot reconcile their charges as Reconciler); • Never “split” the cost of one Single item (goods or services) into multiple charges in order to circumvent the per Single transaction limit; • Immediately after the purchase, and no later than 7 days after the purchase and to provide Reconcilers time to appropriately review charges prior to the deadline payment date, submit documents including receipts to support the business purpose of each purchase to the Reconciler directly after the purchase; • Provide additional documentation to support when an item/service lends itself to personal use or when the business purpose would not be clear to an auditor; • Be responsible regarding handling disputes, reporting fraud or a lost or stolen P-card; and • Submit P-card reconciliation packages to the FAMU P-Card Office within 15 calendar days of the p-card statement date. <p>The purchase of personal or disallowable goods or services is prohibited. Misuse of P-cards may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law.</p>
Condition	<p>We reviewed all Essential Theatre P-card transactions from July 1, 2018, through March 31, 2019, totaling \$6008.86 to determine the propriety of P-card transactions as well as if the transactions P-card reconciliation packets were timely prepared and properly approved.</p> <p>Our review efforts did not detect any irregularities or illegal acts. P-card expenses reviewed were for University business purposes, timely reconciled and adequately approved and documented.</p>
Cause	<p>Essential Theatre personnel implemented appropriate operational and compliance internal controls to ensure that the department complied with the University’s <i>February 2016 Purchasing Card Policy</i>.</p>
Effect	<p>The Essential Theatre purchasing card expenditures for the period under review were in compliance with the University’s <i>February 2016 Purchasing Card Policy</i>.</p>
Recommendation	<p>No recommendations for the period under review.</p>



APPENDICES

APPENDIX A – PURPOSE, SCOPE, AND METHODOLOGY

The **purpose** of this audit engagement was to review the effectiveness of the University’s fiscal year 2018-19 Essential Theatre Decentralized Cash Collection processes, controls, and procedures encompassing cash collections and p-card transactions and provide recommendations for improvement as discovered and detected during the accomplishment of the following engagement objectives to ascertain if the Department:

1. Complied with the University’s *March 2016 Cash Collection and Controls Manual*;
2. Completed necessary documents to be authorized as a decentralized cash collection location; and
3. Complied with the provisions of the *February 2016 FAMU Purchasing Card Manual* when procuring goods and services.

The **scope** of the 2018-19 Essential Theatre Decentralized Cash Collection audit engagement was to review and assess the propriety of the department’s fiscal, operational and p-card internal controls and expenses for FY 2018-2019. We reviewed all petty cash and p-card transactions from July 2018 through March 2019 to assess the existence and operational effectiveness of internal controls.

The **methodology** included obtaining an understanding of the internal controls by interviewing Essential Theatre, Student Financial Services and Finance and Administration personnel; applying procedures to determine that internal controls were working as designed; and to determine the University’s compliance related to our objectives.



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Valencia Mathews, Dean, Social Sciences, Arts and Humanities

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- Natasha Ray, Assistant Controller, Finance and Administration
- Luther Wells, Chair, Visual Arts, Humanities and Theatre and Associate Director of Theatre
- Kimberly Harding, Director of Ticket Sales and Services and Associate Professor of Theatre

External Distribution:

Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



PROJECT TEAM

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STATEMENT OF ACCORDANCE

The Division of Audit mission is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We conducted this assurance service in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the assurance service to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Division of Audit and Compliance at (850) 412-5479.

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