

The University of Texas
Rio Grande ValleyTM

Bursar's Office Audit

Report No. 19-AEN-05

March 23, 2020

Office of Audits & Consulting Services

March 23, 2020

Dr. Guy Bailey, President
The University of Texas Rio Grande Valley
2102 Treasure Hills Blvd., Suite 3.115
Harlingen, TX 78550

Dear Dr. Bailey,

The Office of Audits & Consulting Services has completed the Bursar's Office (BO) Audit as part of our fiscal year 2020 Audit Plan. The objective of this audit was to assess the processes over cash controls in the Bursar's Office.

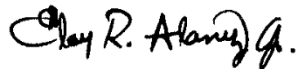
This audit was conducted in accordance with The University of Texas System's (UTS) Policy 129 *Internal Audit Activities*, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and *Generally Accepted Government Auditing Standards (GAGAS)*. The *Standards* and *GAGAS* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of audits. We are required to adhere to these *Standards* and UTS 129.

We concluded that the BO has controls in place and segregation of duties. The BO follows these controls resulting in secure daily cash operations at both campus locations. However, the areas authorized to handle petty cash require refresher training and monitoring.

The recommendations in this report represent, in our judgment, those most likely to provide a greater likelihood that management's objectives are achieved. Implementation of the recommendations will strengthen and improve cash controls.

We appreciate the assistance provided by UTRGV's management and the Bursar's Office personnel during the course of the audit.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA
Chief Audit Officer

cc: Rick Anderson, Executive Vice President for Finance and Administration
Michael Mueller, Sr. Associate Vice President for Financial Planning and Resource Development
Geoffrey Scarpelli, Associate Vice President for Financial Services
Laura Silva, Associate Comptroller
Alex Melendez, Director of Student Accounting Services
Minerva Luna, Bursar
UTRGV Internal Audit Committee
UT System Audit Office
Governor's Office of Budget, Planning and Policy
Sunset Advisory Commission
State Auditor's Office
Legislative Budget Board

Executive Summary

Overall Assessment

The Bursar's Office (BO) has controls in place and segregation of duties. The BO follows these controls resulting in secure daily cash at both campus locations. However, the areas authorized to handle petty cash require refresher training and monitoring.

Background: The Bursar's Office (BO) is part of the Division of Finance & Administration. It is under the Department of Financial Services/Comptroller. Its mission is to provide students, faculty, and staff with cash handling/financial needs as efficiently and as accurately as possible while providing excellent customer service. The BO accepts cash, checks, money orders, and debit/credit cards at either of the two Offices, located on the Edinburg or Brownsville campuses. Students also have the option to mail payments, use the drop box, or pay on-line.

Objective: To assess the process over cash controls in the Bursar's Office.

Scope/Period: Current policies, procedures and activities during the first nine months of FY2019 (September 2018 thru May 2019).

Key Observations:

- High** 1) The Brownsville BO's safe room lacks sufficient preventive and detective physical security controls to adequately safeguard stored cash.
- Medium** 2) 36% of the departments do not use locked money bags. HOP ADM 10-701 requires tamper-proof locked bags or an equivalent.
- Medium** 3) The Cash Handling training material includes outdated HOP ADM 10-701 information.
- Medium** 4) During fieldwork, the BO and Internal Audits conducted nine surprise cash counts resulting in the following:
 - * 67% (6 out of 9) areas tested had inadequate internal controls over cash handling.
 - * 56% (5 out of 9) areas tested had not received cash handling training.
 - * 22% (2 out of 9) areas tested were short more than \$25; as a result, those areas filed police reports.
- Medium** 5) The Petty Cash listing from Treasury Services included inaccurate Petty Cash balances and excluded two clinics.
- High** 6) The BO conducted only 2 of 34 surprise cash counts during the audit scope.
- High** 7) The School of Medicine (SOM) clinics deposited 68% of its revenue between two weeks and more than a month after receipt date. Although HOP ADM 10-701 states that deposits should be made daily, Financial Services made an exception for SOM Clinics to deposit on a weekly basis.
- Medium** 8) Support documentation not maintained for a \$1,500 variance in the BO cash fund related to a legacy institution balance.

- Root Cause:**
- 1) The legacy institution's physical location of the Bursar's Office belonged to Texas Southmost College. In the legacy institution's transition to UTRGV, the new Office space did not include physical security measures for the room housing the safe.
 - 2) The BO allows departments to use non tamper proof locked bags contrary to policy.
 - 3) The BO postponed training material revisions to address higher priorities.
 - 4) Not all cash handling areas request cash handling training or the two year refresher training, and the BO did not proactively provide training.
 - 5) Treasury Services did not confirm the petty cash funds annually due to lack of time and staff resources.
 - 6) Multifaceted set of issues, including employee turnover and prioritization of processes that limited the BO from conducting surprise cash counts.
 - 7) SOM Clinic employees deliver monies to the BO because using an armored car service, in some cases, costs more than Clinics collect.
 - 8) Treasury Services neglected to maintain documentation to support a cash reconciliation variance and neglected to make the corresponding adjustment to the accounting records.

Risk Levels

Appendix I

Priority
High
Medium
Low

Detailed Observations	Recommendations	Management Action Plans
<p>Bursar's Office (BO)</p> <p>We observed the physical security of both Bursar's Office locations. The Edinburg location used sufficient preventive and detective controls (e.g. locks, cameras, sensors, etc.) to appropriately safeguard stored cash. The Brownsville location, while employing some detective controls, lacked sufficient preventive controls and placement of detective controls to appropriately safeguard stored cash. On the day of observation at the Brownsville location, \$139,740 in cash was stored.</p> <p>We observed the BO cashiers opening and closing for the day and preparing the deposit for the next day. The cashiers followed the cashiering procedures and segregation of duties. Controls are in place for daily operations. Management provides oversight of the day-to-day operations and monitors for patterns of cash overages and shortages. We analyzed cash over/short during the scope of the audit. While the cashiers posted a cash shortage of \$285, we found no pattern.</p> <p>Approximately 36% of the departments transport money in envelopes, folders, and zip lock bags. According to HOP ADM 10-701, Cash Handling and Reporting, "All departments transmitting deposits must secure funds by</p>	<p>1) The Bursar should enhance the physical security of the Brownsville location, specifically the office where the safe is located.</p> <p>2) The Bursar should recommend that all departments purchase locked money bags in accordance with HOP ADM 10-701, Cash Handling and Reporting.</p>	<p>1) Management Action Plans: <i>Request to install the locking mechanism in the room where the safe is located has been installed. The purchase order for cameras has been submitted and is pending the arrival of equipment and the installation. Request for a quote to install window tint that has the mirror reflection has also been requested.</i></p> <p>Action Plan owner: <i>Bursar Office</i></p> <p>Implementation Date: <i>December 31, 2020</i></p> <p>2) Management Action Plans: <i>Bursar office will provide locked bag(s) to departments. Departments will be reminded during petty cash audits to use the locked bags for transporting money at all times.</i></p>

Detailed Observations	Recommendations	Management Action Plans
<p>utilizing a tamper proof locked bag or equivalent."</p> <p>The Bursar's Office conducts Cash Handling training. The Cash Handling Training material does not include the newly revised, March 18, 2019, Cash Handling and Reporting Handbook of Operating Procedures Policy Number: ADM 10-701.</p> <p>The BO provides training to the authorized cash handling departments. During the audit scope, the BO trained 49 individuals representing 10 areas. However, there are a total of 34 areas, and very few departments inform the BO of individuals that need training. According to the HOP, Cash Handling and Reporting, ADM 10-701, "Each employee that is identified to be handling cash must complete the Cash Handling training. Each department is responsible for identifying those employees to be trained; for submitting a form to the Bursar's Office to request that the employee(s) attend Cash Handling training prior to the employee(s) assuming cash handling tasks; and for employees completing a renewal class every two years. The required training includes employees that handle cash and their supervisors."</p>	<p>3) The Bursar should update the Cash Handling Training materials to include the revised Handbook of Operating Procedures, Cash Handling and Reporting policy.</p> <p>4) The Bursar should be proactive and reach out to the areas they know have not received cash handling training or need the two-year refresher training. Additionally, the training should include examples of internal controls issues identified during the surprise cash counts.</p>	<p>Action Plan owner: <i>Bursar Office</i></p> <p>Implementation Date: <i>05/31/2020</i></p> <p>3) Management Action Plans: <i>Completed. The Cash Handling Training materials have been revised to include the revised Handbook of Operating Procedures, Cash Handling and Reporting policy.</i></p> <p>Action Plan owner: <i>Bursar Office</i></p> <p>Implementation Date: <i>02/01/2020</i></p> <p>4) Management Action Plans: <i>Completed. The Bursar's Office contacted departments to notify them of the cash handling training requirements and will continue this process with all departments on an on-going basis.</i></p> <p>Action Plan owner: <i>Bursar Office</i></p> <p>Implementation Date: <i>02/01/2020</i></p>

Detailed Observations	Recommendations	Management Action Plans
<p>Departments and Clinics</p> <p>Treasury Services provided a listing of all the areas that are authorized to have petty cash. We compared this list to the cash handling training logs and determined that the list is outdated and inaccurate. The list contained seven incorrect amounts and inaccurate descriptions, such as areas that no longer handled cash. Additionally, the list excluded two health clinics tested during the surprise cash count. Treasury Services did not annually confirm the petty cash funds as required by the HOP policy in place at the time. It stated that "An annual confirmation of all change funds and petty cash funds is to be conducted by the Treasury Department and should include verification of fund amount and identification of the custodian. The HOP policy was amended on March 18, 2019 and it states that "An annual confirmation of all change funds and petty cash funds is to be conducted by the Bursar's Office and should include verification of fund amount and identification of the custodian."</p> <p>During the audit, the Bursar dedicated a large portion of her time conducting cash handling training and surprise cash counts. The Bursar identified a total of eight cash overages/shortages in excess of \$25 resulting in the filing of police reports.</p>	<p>5) Treasury Services and the Bursar should work together to ensure that the Petty Cash listing accurately reflects all the areas with cash handling responsibilities and their respective amounts.</p> <p>6) The Bursar should perform surprise cash counts throughout the fiscal year and ensure that the annual confirmation of all petty cash funds is completed.</p>	<p>5) Management Action Plans: <i>The Bursar's Office and Treasury Services have coordinated to ensure the petty cash listing for those areas & individuals responsible for managing petty cash contains current information, including departments, individuals, and amounts.</i> Action Plan owner: <i>Treasury Services-Bursar Office</i> Implementation Date: <i>1/31/2020</i></p> <p>6) Management Action Plans: <i>Bursar's Office has completed and validated all FY19 petty cash funds from a listing provided by Treasury Services and will conduct a minimum of one surprise petty cash audit in FY20 for all areas, which have a petty cash fund.</i> Action Plan owner: <i>Bursar Office</i> Implementation Date: <i>08/31/2020</i></p>

Detailed Observations	Recommendations	Management Action Plans
<p>We observed nine surprise cash counts and determined the following:</p> <ul style="list-style-type: none"> • 56% (5 out of 9) of departments had not received cash handing training at the time of the surprise cash count. • 67% (6 out of 9) of departments tested had inadequate internal controls. • 22% (2 out of 9) of departments tested were short more than \$25. As a result, police reports were filed. • 22% (2 out of 9) of departments tested were not on the Treasury Services list of authorized cash handlers. <p>The BO is not proactively verifying the areas authorized to collect cash, resulting in weak internal controls and, in some cases, shortages of petty cash.</p> <p>The UT Health RGV Clinics (Clinics) employees transport monies to the night drop or to one of the Bursar's Offices during the day. The armored car service picks up these funds along with the other BO monies the next business day. However, some Clinics do not deposit their funds on a timely basis. HOP ADM 10-701, Cash Handling and Reporting, states, "In general, all UTRGV departments (including School of Medicine clinics) should make deposits on a daily basis unless other accommodations have been made with Financial Services/Comptroller." SOM has agreed to submit deposits on a weekly basis.</p>	<p>7) The Bursar should work with the UT Health RGV Clinics to consider using weekly armored car services to pick up the monies collected at the clinics, when feasible.</p>	<p>7) Management Action Plans: <i>Bursar Office will coordinate with UT Health RGV on the final decision of using armored car services.</i> Action Plan owner: <i>UT Health RGV</i> Implementation Date: <i>05/31/2021</i></p>

Detailed Observations	Recommendations	Management Action Plans
<p>During the audit scope, 68% of the Clinics did not deposit their cash within one week. These late deposits totaled \$193,998.</p> <p>See details below:</p> <ul style="list-style-type: none"> • 38% (\$124,997) within two weeks • 18% (\$45,652) after two weeks • 7% (\$15,669) after three weeks • 5% (\$7,680) after four weeks <p>Treasury Services</p> <p>We obtained the ICashiering reports for the scope of the audit and tested one month's bank reconciliation. Treasury Services reconciled the BO activity to that month's bank statement. We determined that the BO deposited timely.</p> <p>Treasury Services performed surprise cash counts on the two BO locations. Treasury Services verified that the monies on hand reconciled to the amount listed on the general ledger. The Brownsville location had no variances. We witnessed the surprise cash count at the Edinburg location and the reconciliation contained an item labeled as "original variance in the amount of \$1,500." Treasury explained that the shortage stemmed from a UTPA legacy balance, and they had no support documentation for the amount. The previous year's cash count did not include this \$1,500 variance.</p>	<p>8) Treasury Services should maintain support documentation for all variances in their Cash Counts and should address any variances.</p>	<p>8) Management Action Plans: <i>Treasury will maintain all Change Fund Request forms and emails from the Bursar Office related to any changes to the petty cash funds found during Surprise Petty Cash Audits as part of their backup for any journal entries that are done.</i></p> <p>Action Plan owner: <i>Treasury Services</i></p> <p>Implementation Date: <i>08/31/2019</i></p>

APPENDIX I

Risk Classifications and Definitions

Priority	High probability of occurrence that would significantly impact UT System and/or UT Rio Grande Valley. Reported to UT System Audit, Compliance, and Risk Management Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
High	Risks are considered substantially undesirable and pose a significant level of exposure to UT Rio Grande Valley operations. Without appropriate controls, the risk will happen on a consistent basis. Immediate action is required by management in order to address the noted concern and reduce exposure to the organization.
Medium	Risks are considered undesirable and could moderately expose UT Rio Grande Valley. Without appropriate controls, the risk will occur some of the time. Action is needed by management in order to address the noted concern and reduce the risk exposure to a more desirable level.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Rio Grande Valley will be minimal. Action should be taken by management to address the noted concern and reduce risk exposure to the organization.