

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

***SOUTHERN WEST VIRGINIA COMMUNITY
AND TECHNICAL COLLEGE
BOOKSTORE CASH DEPOSIT PROCEDURES
LOGAN CAMPUS***

FOR THE PERIOD

JULY 1, 1997 - FEBRUARY 14, 2001



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

JULY 1, 1997 - FEBRUARY 14, 2001

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

TABLE OF CONTENTS

Exit Conference 1

Letter to the Joint Committee on Government and Finance 2

Introduction 4

Administrative Officers and Staff 6

Summary of Findings, Recommendations and Responses 7

General Remarks 10

Certificate of Director
Legislative Post Audit Division 16

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

EXIT CONFERENCE

We held an exit conference on April 12, 2001, with the President of Southern West Virginia Community and Technical College and the Vice President of Financial and Administrative Services of Southern West Virginia Community and Technical College and all findings and recommendations contained in the Special Report on the Logan Campus' Bookstore Cash Deposit Procedures were reviewed and discussed. The College's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this Special Report.

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theoford L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W329
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 347-4889

CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

The objectives of the Special Report were to gain an understanding of the Southern West Virginia Community and Technical College (SWVCTC) Logan Campus' Bookstore cash deposit procedures. To achieve the objectives noted above, we performed the following:

Reviewed the West Virginia Code pertaining to SWVCTC's cash deposits;

Obtained an understanding of the procedures used for collecting and depositing monies received by SWVCTC Bookstore at the Logan, WV campus;

Interviewed key SWVCTC personnel to obtain an understanding of the problems surrounding the Bookstore cash collections and deposits at the Logan, WV campus;

Reviewed relevant correspondence addressing the problems in the Bookstore cash collections and deposits at the Logan, WV campus ;

Requested all bookstore deposits made during the period July 1, 1997 through February 14, 2001 at the Logan, WV campus;

Determined the total gross Bookstore sales, the total "Pay Outs", the total undocumented void sales transactions, and the total merchandise sales returns for the period July 1, 1997 - February 14, 2001 at the Logan, WV campus by comparing the total cash to be deposited each day on the Bookstore Cash Count Forms with the total net sales indicated on the Bookstore cash register tape;

Scheduled the total gross Bookstore sales, the total "Pay Outs", the total undocumented void sales transactions, and the total merchandise sales returns;

Examined signed receipts which documented cash received for returns of sales merchandise;

Reviewed vendor receipts supporting the items purchased by a SWVCTC employee when "Pay Outs" were indicated on the cash register tapes;

The results of our work are contained in the General Remarks Section of this Special Report.

Sincerely,


Theodora L. Shanklin, CPA, Director
Legislative Post Audit Division

March 12, 2001

Auditors: Michael E. Sizemore, CPA, Supervisor
Rhonda L. Combs

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

INTRODUCTION

Southern West Virginia Community and Technical College (SWVCTC) was established July 1, 1971, by combining two existing branches of Marshall University and became known originally as Southern West Virginia Community College. These two branches at Logan, WV and Williamson, WV had been in operation since 1963 under the academic and fiscal control of Marshall University providing, primarily, the first two years of a liberal arts and teacher education program.

During the first three years of operation as a community college, SWVCTC expanded and enlarged its community service offerings. In 1974, the College began to expand its operation to many off-campus sites in Logan and Mingo counties, as well as in the adjacent County of Wyoming. This expansion continued until 1976 when the West Virginia Board of Regents established informal service boundaries for all of the State's public colleges and universities. SWVCTC was assigned a four-county area (Boone, Logan, Mingo, and Wyoming), made up of 1,900 square miles, with a population of over 135,000 persons.

During the Spring term of 1981-1982, SWVCTC obtained two-plus-two agreements with Bluefield State College (in Business and Criminal Justice) and with West Virginia University Institute of Technology (in Coal Mining Technology) whereby a student with an associate degree may transfer to the respective aforementioned four-year colleges, enroll with junior status and complete

a baccalaureate degree, normally within two years. Thereafter, SWVCTC has entered into similar transfer agreements with several other West Virginia colleges and universities. In more recent years, the College's service area has been expanded to include seven West Virginia counties and two Kentucky counties by use of reciprocity agreement. The College's name was changed from Southern West Virginia Community College to the current name of Southern West Virginia Community and Technical College in 1995. Currently, SWVCTC offers over 20 Associate degree or Certificate programs and almost one dozen "university parallel" curricula offerings for those persons interested in eventually pursuing a four-year degree.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

ADMINISTRATIVE OFFICERS AND STAFF

AS OF FEBRUARY 14, 2001

Joanne Jaeger Tomblin President
Oretha Baker Vice President of Financial and Administrative Services
Beverly Chafin Logan Campus - Business Manager
Rolenia Thomas Logan Campus - Bookstore Manager
Henrietta McClellan Logan Campus - Cashier

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Supervisory Approval of Voided Sales Transactions

1. Voided sales transactions were not being approved by a designated individual in a supervisory capacity over the cash collection points. Undocumented voided sales transactions during the period July 1, 1997 through February 14, 2001 totaled \$81,709.61. Also, inexperienced students and temporary workers were permitted to operate cash registers in the Bookstore.

Auditors' Recommendation

We recommend the practice of using students and temporary workers to operate cash registers be ended. Also, we recommend SWVCTC establish a policy requiring all voided sales transactions be approved by a designated individual in a supervisory capacity over the cash collection points since cash is involved in these sales transactions and a perpetual inventory system is not maintained.

College's Response

SWVCTC has implemented the use of new forms that would require an employee who voids a sale to document the reason for the void and sign and date it and attach it to the daily cash report. (See pages 10 and 11)

Undocumented Merchandise Sales Returns

2. SWVCTC's policy requiring that all merchandise sales returns be documented by a receipt signed by the recipient of the cash is not being followed consistently by College personnel. Approximately, thirty percent of the total sales returns or \$17,924.79 of the \$60,610.25 in sales returns processed during the period July 1, 1997 through February 14, 2001 were undocumented. Also, we noted some of the petty cash purchases made by SWVCTC employees were recorded as a merchandise sales return on the Bookstore cash register tape instead of a "Pay Out". As a result, the possibility exists that some or all of the undocumented merchandise sales returns totaling \$17,924.79 could actually represent cash shortages.

Auditors' Recommendation

We recommend SWVCTC ensure their policy of requiring that all merchandise sales returns be documented by a receipt signed by the recipient of the cash be followed in all cases. In addition, SWVCTC should establish a minimum amount, above which, any instances of cash shortages or overages occurring on the SWVCTC campus would be required to be reported to the Vice President of Financial and Administrative Services or another appropriate official designated by the College President for administrative follow-up and resolution within a time frame established by the College President.

College's Response

We will comply with the auditors' recommendation. (See pages 12-14)

Cash Collections Not Deposited Timely

3. The practice of removing cash from the cash register by SWVCTC employees to make petty cash purchases which totaled \$2,820.87 during the period July 1, 1997 - February 14, 2001 is in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Auditors' Recommendation

We recommend SWVCTC employees not be allowed to remove cash from the cash register to make petty cash purchases because this practice is in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, since the total cash receipts for the day are not being deposited in such cases as required by State law. We further recommend Bookstore purchases be made by use of the State-issued Purchasing Card, for purchases not to exceed \$2,500.00, or by issuance of a State warrant.

College's Response

Employees at SWVCTC were never allowed by procedure to pay for petty cash purchases from the cash drawer. We will comply with the auditors' recommendation concerning how Bookstore purchases should be made by employees. (See pages 14 and 15)

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

BOOKSTORE CASH DEPOSIT PROCEDURES

LOGAN CAMPUS

GENERAL REMARKS

INTRODUCTION

We have completed a Special Report of Southern West Virginia Community and Technical College (SWVCTC) Logan Campus' Bookstore cash deposit procedures. The Special Report covered the period July 1, 1997 through February 14, 2001.

COMPLIANCE MATTERS

We reviewed the total daily Bookstore sales during the period July 1, 1997 through February 14, 2001 and traced the total daily Bookstore sales to the total amount of cash deposited each day. Also, we examined the supporting documentation for voided sales transactions and refunds made for returned sales merchandise. In addition, we reviewed applicable sections of the West Virginia Code which governed the operations of the SWVCTC Bookstore.

Supervisory Approval of Voided Sales Transactions

Voided sales transactions were not being approved by a designated individual in a supervisory capacity over the cash collection points. The total undocumented voided sales transactions on the Bookstore cash register tapes equaled \$81,709.61 during the period July 1, 1997 - February 14, 2001. College personnel told us this large amount of voided sales transactions could be attributed to inexperienced students and temporary workers operating the cash registers during the high volume sales periods. Based on our experience, we believe the practice of using relatively

inexperienced students and temporary workers to operate cash registers should be ended. Plus, there is no supervisory approval by a designated SWVCTC employee required prior to the processing of voided sales transactions. As a result, the opportunity exists for a sale to be recorded on the Bookstore cash register, money received from the customer and the sale subsequently voided and the money removed from the Bookstore cash register without the creation of a cash shortage on that particular business day or an observable shortage created in the Bookstore inventory.

We recommend the practice of using students and temporary workers to operate cash registers be ended. Further, we recommend SWVCTC establish a policy requiring all voided sales transactions be approved by a designated individual in a supervisory capacity over the cash collection points since cash is involved in these sales transactions and a perpetual inventory system is not maintained. The need for this policy becomes even more important when inexperienced personnel are allowed to operate cash registers.

College's Response

The approval by a supervisor of cash collections of all voided sales transactions creates a logistics problem. At two campuses we only have one employee to handle cash transactions; therefore, there is no one to approve the voided sales. In an attempt to provide better internal control concerning voided sales, the college has developed a new form that would require an employee who voids a sale to document the reason for the void and sign and date it and attach it to the daily cash report (see attached form and procedures). In addition to implementing the new form, the Business Manager will review cash reports at least weekly and the accountant will review the cash reports on a quarterly basis to ensure voids are documented according to the new procedures.

Undocumented Merchandise Sales Returns

SWVCTC's policy requiring that all merchandise sales returns be documented by a receipt signed by the recipient of the cash was not being consistently followed by College personnel. Students and other customers are permitted to return merchandise purchased in the Bookstore. The most common type of sales returns involve text books and occur during the months of January, February, August, and September. For the period July 1, 1997 - February 14, 2001, we reviewed the Bookstore cash register tapes for merchandise returns as reflected in the following schedule:

<u>Period</u>	<u>Undocumented Sales Returns</u>	<u>Documented Sales Returns</u>	<u>Total Sales Returns</u>
7/1/2000 - 2/14/2001	\$ 4,276.37	\$10,495.70	\$14,772.07
Fiscal Year 2000	4,767.17	11,119.06	15,886.23
Fiscal Year 1999	6,462.43	11,082.61	17,545.04
Fiscal Year 1998	<u>2,418.82</u>	<u>9,988.09</u>	<u>12,406.91</u>
Total	<u>\$17,924.79</u>	<u>\$42,682.46</u>	<u>\$60,610.25</u>

As the schedule reflects these returns equaled \$60,610.25 for the period. The Bookstore Manager stated, it is their policy to have the customer sign a receipt generated from the cash register documenting the returned sales amount. The merchandise returns documented by a signed receipt totaled \$42,682.46 during the period. As a result, \$17,924.79 of the total sales returns were undocumented.

More importantly, we noted some of the petty cash purchases made by SWVCTC employees had been recorded as a merchandise sales return on the Bookstore cash register tape instead of a "Pay Out". A "Pay Out" was the method used by Bookstore employees to make petty

purchases by removing cash from the cash register. However, some of the "Pay Outs" were not recorded on the cash register tape and we were able to locate these "Pay Outs" only because the amount of cash available for deposit was less than the amount of net sales recorded on the cash register tape for that particular day. We were able to locate these transactions only because the vendor receipts confirming the petty cash purchase(s) were included with the supporting documentation for the Bookstore Cash Count Form. As a result, the possibility exists that some or all of the undocumented merchandise sales returns totaling \$17,924.79 noted above could actually represent cash shortages.

We recommend SWVCTC ensure their policy of requiring that all merchandise sales returns be documented by a receipt signed by the recipient of the cash be followed in all cases. Further, SWVCTC should establish a minimum amount above which any instances of cash shortages or overages occurring on the SWVCTC campus would be required to be reported to the Vice President of Financial and Administrative Services or another appropriate official designated by the College President for administrative follow-up and resolution within a time frame established by the College President.

College's Response

The Vice President of Finance has met with all Cashiers and current Business Manager to discuss the merchandise sales returns. A new form has been developed and written procedures reviewed with the staff to ensure that the student signs and dates the return form. In addition, the bookstore clerk also signs the form. One copy is given to the student, the original form is attached to the daily cash report and one copy is filed in the bookstore.

The Cashiers and other staff who handle cash have been instructed to report overages and shortages above \$20 to the Vice President of Finance who will then report it to the President. Anything over \$20 will be investigated and documented by the Vice President for Finance or designee.

In addition to implementing the new form (see attached), the Business Manager will review cash reports at least weekly and the accountant will review the cash reports on a quarterly basis to ensure merchandise return forms are properly signed and attached to the cash report.

Cash Collections Not Deposited Timely

During the period July 1, 1997 through February 14, 2001, we noted SWVCTC employees removed cash from the Bookstore cash drawer to make petty cash purchases of sales merchandise and supplies for the Bookstore. When cash was removed from the cash drawer, a "Pay Out" or PO was indicated on the cash register tape and a vendor receipt was attached to the cash register tape supporting the amount of cash removed from the cash drawer. Based on our examination of the cash register tapes and supporting vendor receipts, a total of \$2,820.87 was removed from the Bookstore cash register to make petty cash purchases during the examination period and the first petty cash purchase made by removing cash from the Bookstore cash register occurred on February 1, 1998.

The practice of removing cash from the cash register by SWVCTC employees to make petty cash purchases is in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, which states in part,

"(a) All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia shall keep a daily itemized record of moneys so received for deposit in the state treasury and shall deposit within twenty-four hours with the state treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever. . . ." (Emphasis added)

We recommend SWVCTC employees not be allowed to remove cash from the cash register to make petty cash purchases because this practice is in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code since the total cash receipts for the day are not being deposited as required by State law. We further recommend Bookstore purchases be made by use of the State-issued Purchasing Card, for purchases not to exceed \$2,500.00, or by issuance of a State warrant.

College's Response

Employees at Southern were never allowed to pay for petty purchases from the cash drawer; however, the former Business Manager on Logan Campus, did remove the cash without approval or notification to supervisor.

The Vice President for Finance has met with all Cashiers and the current Business Manager to review procedures for purchasing supplies. They have been instructed to deposit all cash on a daily basis within twenty four hours, have been given copies of the state code regarding cash deposits and the penalties for noncompliance. They were also instructed to use the purchasing card or a purchase order to purchase supplies for the bookstore.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the Special Report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true copy of said Special Report.

Given under my hand this 9th day of July, 2001.


Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of Administration to be filed as a public record.
Copies forwarded to the Higher Education Policy Commission; Southern West Virginia Community and Technical College; Governor; Attorney General; and, State Auditor.