

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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MEMORANDUM

Date: July 11, 2002

To: Theford L. Shanklin, Director

From: Michael E. Sizemore, *MES*

Subject: FOLLOW-UP REVIEW OF THE SPECIAL REPORT OF
SOUTHERN WEST VIRGINIA COMMUNITY AND
TECHNICAL COLLEGE - BOOKSTORE CASH DEPOSIT
PROCEDURES (LOGAN CAMPUS) FOR THE PERIOD 7/1/1997 - 2/14/2001

In accordance with your instructions, I conducted a follow-up review on July 10, 2002 to examine the implementation of recommendations contained in the special report of the Bookstore Cash Deposit Procedures of Southern West Virginia Community and Technical College for the period July 1, 1997 - February 14, 2001. In conducting this follow-up, I met with the following Southern West Virginia Community and Technical College (SWVCTC) employees: Ms. Patsy Cutlip, Accountant; Ms. Henriette McClellan, Logan Campus Cashier; and, Ms. Patricia Miller, Logan Campus Business Manager to discuss the procedural changes made to implement our recommendations. I also reviewed the Daily Cash Reports of the Logan Campus for the months of August 2001, January 2002, March 2002 and June 2002 to ascertain whether voided sales transactions and sales returns appeared to be properly documented and I noted no instances where such transactions were not properly documented. The review shows the majority of the recommendations and the actions the College indicated they intended to take in their response to the findings have been implemented. However, the College still needs to improve the method of supervisory approval over voided sales and sales returns on the Logan Campus and their internal audits of cash collections need to be done on a more timely basis in order to be more effective. The specific actions taken by the College with respect to each finding in the report are set out as follows:

FINDING #1 - 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. Undocumented voided sales transactions during the period July 1, 1997 - February 14, 2001 totaled \$81, 709.61. Also, inexperienced students and temporary workers were permitted to operate cash registers in the Bookstore.

We Recommended:

The practice of using students and temporary workers to operate the cash registers should 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 is not maintained.

College Action:

SWVCTC no longer allows any students or any other non-State employees to operate cash registers on any of the various campuses. Therefore, all persons operating the cash registers are trained in how the cash registers are to function and the requirements for documenting voided sales and merchandise sales returns. In addition, the College has established a policy that any cash overage or shortage greater than \$20.00 must be reported immediately to the Vice President of Financial and Administrative Services for follow-up and resolution. However, the supervisory approval for voided sales and merchandise sales returns on the Logan Campus has been delegated to the Logan Campus Cashier who also has other cash collection responsibilities and who also enters the cash collections into the accounting records. This responsibility was delegated because the Logan Campus Business Manager has numerous job duties and the Vice President of Financial and Administrative Services wanted to ensure the voided sales and merchandise sales returns occurring in the Bookstore were reviewed and approved on a daily basis. Also, the internal audits performed the SWVCTC's Accountant are not yet being performed on a quarterly basis as was indicated in the College's response to the report; however, such internal audits have been performed on each of the campuses since the report was released.

Post Audit Division Comments:

We believe the College should implement the provisions of their original response to our report which stated in part, "... 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." We continue to believe the supervisory approval of voided sales transactions and merchandise sales returns occurring at the Logan Campus Bookstore should be performed by an employee who has no other collection and recording responsibilities with respect to cash and we believe that timely, effective internal audits would ensure the procedures were being consistently followed.

FINDING #2 - UNDOCUMENTED MERCHANDISE SALES RETURNS

SWVCTC's policy requiring that all merchandise sales returns be documented by a receipt signed by the receipt of the cash was 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.

We Recommended:

SWVCTC should 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 Action:

All merchandise sales returns are now required to be documented by having the person receiving the refund to sign and date the refund form. In addition, the College has established a policy that any cash overage or shortage greater than \$20.00 must be reported immediately to the Vice President of Financial and Administrative Services for follow-up and resolution. Also, the College has now received bids which are currently being evaluated which will allow a "point of sale" system to be used in the various bookstores which means the Bookstore Inventory can be maintained on a perpetual basis once the new system is in place.

Post Audit Division Comments:

We agree that the College's actions are in compliance with the recommendations contained in our report and the changes which the College indicated they would make in their earlier response.

FINDING #3 - CASH COLLECTIONS NOT DEPOSITED TIMELY

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.

We Recommended:

SWVCTC should 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 Action:

All collections from the Bookstore are now deposited intact each day as required by Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Post Audit Division Comments:

We agree that the College's actions are in compliance with the recommendations contained in our report and the changes which the College indicated they would make in their earlier response.