

EXAMINATION OF CASH AND SECURITIES AT

THE UNIVERSITY OF ARIZONA

APRIL 30, 1967

Report No. 130

Office of the General Examiner
for the Arizona Board of Regents

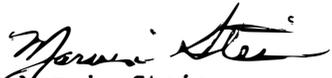
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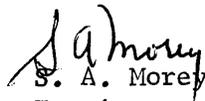
THE UNIVERSITY OF ARIZONA

To the Arizona Board of Regents:

The report covering our examination of cash on hand and in banks, student loan funds, and securities owned at the University of Arizona as of April 30, 1967 is presented herewith.

Respectfully submitted,


Marvin Stein
Supervising Examiner


S. A. Morey
Examiner

September 6, 1967

THE UNIVERSITY OF ARIZONA
EXAMINATION OF CASH AND SECURITIES
APRIL 30, 1967

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THE UNIVERSITY OF ARIZONA

EXAMINATION OF CASH AND SECURITIES

APRIL 30, 1967

Scope of the Examination

As of April 30, 1967 we examined cash in banks (excluding funds on deposit with the State Treasurer, cash on hand in various departments, student loan funds, and securities held for various funds including endowment funds and bond retirement funds.

The auditing procedures used to perform this examination were similar to those employed in our examination of this portion of the accounts in preceding years. The scope of the examination did not include a review of the transactions underlying the collections and disbursements recorded in the cash and bank accounts, except for tests in limited areas such as income from securities and bond sinking fund transactions.

Cash in Banks

Bank Deposit Accounts

Total cash in banks per audit as of April 30, 1967, as shown in Exhibit A, amounted to \$6,032,047. This total excludes \$27,134 in various Associated Students and Inter-collegiate Athletics bank accounts and the Archaeological Field School account. These latter accounts are not reflected on the University's general ledger and, therefore, are not shown in Exhibit A.

The allocation of deposit totals to individual banks is shown below. The amounts used for the tabulation are the balances per audit, which reflect transfers in process and outstanding checks at April 30, 1967.

| | |
|--|---------------------|
| Valley National Bank, University Office | \$ 431,243 |
| Valley National Bank, Downtown Office | 2,800 |
| Valley National Bank, Phoenix, Trust Dept. | 1,537 |
| Arizona Bank | 1,824,501 |
| Bank of Tucson | 138,563 |
| Union Bank | 832,758 |
| Southern Arizona Bank and Trust Co. | 1,909,230 |
| Southern Arizona Bank and Trust Co., Trust Dept. | 5,277 |
| First National Bank of Arizona, Tucson | 848,797 |
| First National Bank of Arizona, Prescott | 934 |
| Greater Arizona Savings and Loan Assn. | 12,128 |
| Pima Savings and Loan Assn. | 12,140 |
| Tucson Federal Savings and Loan Assn. | 12,139 |
| <u>Total</u> | <u>\$ 6,032,047</u> |

The funds of the Associated Students and Department of Intercollegiate Athletics and of the Archaeological Field School, which are not included in the above table, are on deposit with branch offices of the Southern Arizona Bank and Trust Company and the Valley National Bank.

All bank balances were confirmed directly with the various banks, and all bank accounts were reconciled by us as of April 30, 1967.

Securities Pledged by Depository Banks

We compared the total balances on deposit in the various banks with the total par value of the securities pledged by the respective depository banks to guarantee such deposits. In connection with this comparison, we obtained written confirmations of the amounts and descriptions of the pledged securities from the custodian banks. The comparison indicates that at April 30, 1967 the deposits of the University of Arizona in the various banks were adequately collateralized.

Cash on Hand

The examination included verification by physical count of cash on hand in the Business Office (Imprest Cash Fund), Student Union, and Bookstore. Exhibit B shows the composition of the Imprest Cash Fund as of April 30, 1967. (It will be noted in Exhibit B that the change funds of the Student Union and Bookstore are provided through advances from the Imprest Cash Fund.)

Student Loan Funds

The assets and fund balances of the University of Arizona Student Loan Fund as of April 30, 1967 are shown in Exhibit C. Included in the Student Loan Fund bank account are funds of the federally sponsored Nursing and Pharmacy loan programs. The federal contribution to the Nursing Loan Fund has been \$54,739 and the University of Arizona has provided \$6,082 in institutional matching funds. Outstanding Nursing loans receivable at April 30, 1967 totaled \$54,006. The University of Arizona has received \$18,000 in federal funds for the Pharmacy loan program and provided \$2,000 in institutional matching funds. Pharmacy loans receivable at April 30, 1967 amounted to \$19,900.

The assets and capital of the National Defense Student Loan Fund at April 30, 1967 are shown in Exhibit D. Since the inception of the National Defense Student Loan program the University of Arizona has received \$2,456,362 in federal funds and has provided \$272,929 in institutional matching funds. Outstanding loans receivable at April 30, 1967 totaled \$2,570,768.

The audit of National Defense Student Loans, Pharmacy Loans and Nursing Loans included direct confirmation of loan balances outstanding on a test basis. The percentage of response was approximately 90%. No unreconciled differences were noted by any respondent.

Securities Owned

Exhibit E presents a summary of securities owned at April 30, 1967, including securities held by corporate trustees for bond sinking funds. Our verification procedures with respect to securities consisted of physical inspection of the securities in the safe deposit box and Business Office vault, and obtaining written confirmation of securities in bank custody. In addition, we verified the income received from interest, dividends, etc.

Bonds Payable

Exhibit F presents a summary of the sinking funds for the various bond issues as of April 30, 1967 and the related bonds outstanding at that date.

Comments on Accounting Procedures

During the extended period over which this examination was performed, we referred needs for adjusting entries in connection with student loans and investment accounts to the appropriate personnel in the area of Business Affairs. These corrections have been included in the balances now reflected by the University's financial reports.

We wish to point out the need for reconciling on a monthly basis, the total of the individual temporary loan notes receivable balances with the control balance of notes receivable for that fund in the Student Loan Office. In addition the Student Loan Office should notify the Business Office each month of the entries necessary to correctly reflect the various loan account balances on the University's general ledger. As of April 30, 1967 this had not been done by the Student Loan personnel for several months due to the work load in that office.

Exhibit A

The University of Arizona

Cash in Banks (Exclusive of State Treasurer Deposits)

April 30, 1967

| | <u>Balance Per Bank</u> | <u>Add Deposits in Transit</u> | <u>Transfers in Process</u> | <u>Deduct Outstanding Checks</u> | <u>Add (Ded.) Other Adjustments</u> | <u>Balance Per Audit</u> |
|---|---------------------------------|--|-------------------------------------|--|---|----------------------------------|
| Comptroller's Account - Checking Account | \$ 2,055,845.85 | \$ 142,329.42 | \$ (1,777,942.51) | \$ 198,132.38 | | \$ 222,100.38 |
| Savings Accounts | 36,406.72 | | | | | 36,406.72 |
| 7 Treasurer, Board of Regents - Local Funds | 1,854,784.98 | | 1,446,188.46 | 656,363.64 | \$ 9.18 (1) | 2,644,618.98 |
| Time Deposits | 1,500,000.00 | | | | | 1,500,000.00 |
| Treasurer, Board of Regents - Federal Funds | 178,102.39 | | 289,766.00 | 15,340.99 | | 452,527.40 |
| Imprest Cash Account | 42,531.99 | | | 12,481.71 | | 30,050.28 |
| Student Loan Funds | 45,455.28 | | 23,627.58 | 230.00 | | 68,852.86 |
| National Defense Student Loan Fund | 54,037.80 | | 10,222.14 | 700.00 | | 63,559.94 |
| Stadium Addition Construction Fund | 18,211.71 | | | | | 18,211.71 |
| 1966 Construction Fund | 960,314.40 | | | 24,248.26 | | 936,066.14 |
| 1960 Student Housing Bonds Revenue Fund | 37,174.18 | | 8,138.33 | | | 45,312.51 |
| 1960 Regents Surplus Revenue Reserve Fund | 3,792.16 | | | | | 3,792.16 |
| Sinking Fund Cash | 10,548.35 | | | | | 10,548.35 |
| Fiscal Agent Accounts | <u>-0-</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>-0-</u> |
| <u>Totals</u> | <u>\$ 6,797,205.81</u> | <u>\$ 142,329.42</u> | <u>-0-</u> | <u>\$ 907,496.98</u> | <u>\$ 9.18</u> | <u>\$ 6,032,047.43</u> |

Note: (1) Stop payment order was made to the bank and a new check issued.
The bank honored both checks. Credit is due from the bank to
correct this error.

Exhibit B

The University of Arizona

Imprest Cash Fund

April 30, 1967

Funds Provided by

| | |
|---|-------------------|
| Advance from State Treasurer | \$ 20,000.00 |
| Advance from Comptroller's Bank Account | <u>140,000.00</u> |
| <u>Total Fund</u> | 160,000.00 |
| Old Unpaid Checks Written Off | <u>2,378.66</u> |
| <u>Total to be Accounted for</u> | 162,378.66 |

Accounted for by

| | |
|--------------------------------------|-------------------|
| Cash in Bank (Exhibit A) | \$ 30,050.28 |
| Returned Checks in Transit from Bank | 695.35 |
| Cash and Equivalent on Hand | 44,762.58 |
| Reimbursement Owed from: | |
| State Treasurer Funds | 37,087.28 |
| Treasurer, Board of Regents Funds | 2,060.04 |
| Outstanding Advances (Note 1) | <u>47,173.62</u> |
| <u>Total Accounted for</u> | <u>161,829.15</u> |

| | |
|--|------------------|
| <u>Fund Over (Net Cumulative Overs and Shorts)</u> | \$ <u>549.51</u> |
|--|------------------|

Note 1: Advance Consist of:

Change and Working Funds:

| | | |
|--|-----------------|---------------------|
| Student Union | \$ 18,880.00 | |
| Bookstore - Campus | 3,100.00 | |
| Bookstore - Park | 1,000.00 | |
| Experimental Farms | 425.00 | |
| Other Advances for Petty Cash and Change | <u>5,811.12</u> | \$ 29,216.12 |
| Travel Advances | | <u>17,957.50</u> |
| <u>Total Advances</u> | | <u>\$ 47,173.62</u> |

The University of Arizona
Student Loan Funds
Statement of Financial Position
April 30, 1967

Assets

| | | |
|---|--------------|------------------|
| Cash in Bank | | \$ 68,852.86 |
| Cash in Custody of Dean of Men | | 150.00 |
| Notes Receivable: | | |
| Nursing Loans | \$ 54,006.20 | |
| Pharmacy Loans | 19,900.00 | |
| University of Arizona Loan Funds | 167,552.36 | 241,458.56 |
| Investments | | 91,524.29 |
| Advance to National Defense Student Loan Fund | | 28,180.00 |
| Advances to United Student Aid Fund | | <u>27,800.00</u> |
| <u>Total Assets</u> | | \$ 457,965.71 |

Fund Balances

| | | |
|---|-----------------|----------------------|
| Nursing Loan Fund: | | |
| Federal Contribution | \$ 54,738.60 | |
| Institutional Matching Funds | <u>6,082.07</u> | |
| | 60,820.67 | |
| Less: Employment Cancellation of Loan Principal | <u>100.00</u> | \$ 60,720.67 |
| Pharmacy Loan Fund: | | |
| Federal Contribution | 18,000.00 | |
| Institutional Matching Funds | <u>2,000.00</u> | 20,000.00 |
| University of Arizona Student Loan Fund | | 376,022.82 |
| Institutional Funds Available for Future Match. | | <u>1,222.22</u> |
| <u>Total Fund Balances</u> | | <u>\$ 457,965.71</u> |

The University of Arizona
National Defense Student Loan Fund
Statement of Financial Position
April 30, 1967

Assets

| | | |
|---|-----------------|------------------------|
| Cash in Bank | | \$ 63,259.94 |
| Due from the University of Arizona (Note 1) | | 24,444.44 |
| Total Loans Advanced | \$ 2,918,401.29 | |
| Less: Principal Collected | \$ 240,320.02 | |
| Principal Cancelled, Teaching | 93,797.55 | |
| Principal Cancelled, Death | 6,173.78 | |
| Principal Cancelled, Bankruptcy | 7,342.20 | 347,633.55 |
| Loans Outstanding | | 2,570,767.74 |
| <u>Total Assets</u> | | <u>\$ 2,658,472.12</u> |

Fund Balances

| | | |
|--|------------------|------------------------|
| Federal Contribution to Date | | \$ 2,456,362.00 |
| Institutional Matching Funds Contributed | | <u>272,929.10</u> |
| <u>Total Capital Contributed to Date</u> | | <u>2,729,291.10</u> |
| Interest Collected | \$ 46,700.55 | |
| Interest Cancelled (Teaching, Death, and Disability) | <u>15,076.67</u> | <u>61,777.22</u> |
| <u>Total Capital before Cancellation of Principal and Interest</u> | | <u>2,791,068.32</u> |
| Deduct: Cancellations of Principal and Interest | | |
| Teaching, Death, and Disability | 115,048.00 | |
| Bankruptcy | <u>7,342.20</u> | |
| Total Cancellation of Principal and Interest | 122,390.20 | |
| Administrative Expense | <u>10,206.00</u> | <u>132,596.20</u> |
| <u>Total Fund</u> | | <u>\$ 2,658,472.12</u> |

Note 1: As of April 30, 1967, University of Arizona's total matching contribution to capital of the fund was \$24,444.44 short of the amount necessary to meet the matching requirement for total federal funds received to that date. The additional required matching funds were provided in May 1967.

The University of Arizona

Summary of Securities Owned

April 30, 1967

| | | <u>Book Value</u> |
|--|------------------|-------------------------|
| <u>Endowment and Gift Funds</u> | | |
| U. S. Government Bonds | \$ 79,500.00 | |
| Other Bonds | 15,000.00 | |
| Stocks | 952,005.92 | |
| Participation in Trust Fund | 25,007.72 | |
| Savings Accounts | 33,004.47 | \$ 1,104,518.11 |
| <u>Student Loan Fund</u> | | |
| U. S. Government Bonds | 10,000.00 | |
| Stocks | <u>81,524.29</u> | 91,524.29 |
| <u>Auxiliary Enterprises</u> | | |
| Bookstore: | | |
| U. S. Government Bonds | 25,934.87 | |
| Intercollegiate Athletics: | | |
| Stocks | 46,923.69 | |
| Investment Income Fund: | | |
| Stocks | 15,041.73 | |
| Student Union: | | |
| Stock | 250.00 | 88,150.29 |
| <u>Regents Reserve for Small Group Housing</u> | | |
| U. S. Treasury Bills | | 83,079.14 |
| <u>Educational Facilities Construction Fund</u> | | |
| U. S. Treasury Bills | | 10,222,419.06 |
| <u>Bond Sinking Fund Investments (Exhibit F)</u> | | |
| U. S. Government Securities | 2,549,787.30 | |
| Other Bonds | <u>17,000.00</u> | 2,566,787.30 |
| <u>Agency Funds (Alumni Association)</u> | | |
| Stocks | | <u>5,227.59</u> |
| <u>Total Securities Owned</u> | | <u>\$ 14,161,705.78</u> |

Exhibit F

The University of Arizona

Sinking Fund Cash and Investments, and Bonds Payable

April 30, 1967.

| <u>Series of</u> | <u>For Construction of</u> | <u>Sinking Fund Cash</u> | <u>Sinking Fund Investments</u> | <u>Sinking Fund Total</u> | <u>Bonds Outstanding (Cents Omitted)</u> | <u>Bond Interest Rates</u> | <u>Date of Final Maturity</u> | |
|------------------|--|--------------------------|---------------------------------|---------------------------|--|----------------------------|-------------------------------|--------|
| 1937 | Gila and Yuma Halls and Stad. Add. | \$ 934.36 | \$ 8,500.00 | \$ 9,434.36 | | | | Note 1 |
| 1940 | Pima Hall | -o- | -o- | -o- | \$ 8,000 | 4% | 1/1/70 | Note 1 |
| 1941 | Yavapai Hall | 2,800.04 | 34,500.00 | 37,300.04 | 66,000 | 2-1/2 - 3% | 8/1/71 | |
| 1953 | Coconino Hall | 1,536.56 | 42,370.65 | 43,907.21 | 326,000 | 3.01% | 7/1/93 | |
| 1955 | Graham and Greenlee Halls | 708.41 | 105,373.00 | 106,081.41 | 805,000 | 3-1/4% | 1/1/95 | |
| 1956 | Apache, Santa Cruz, Mohave and Manzanita Halls | 312.93 | 350,289.07 | 350,602.00 | 1,904,000 | 2-3/4% | 10/1/96 | |
| 1957 | Huachuca and Kaibab Halls | 1,097.07 | 220,738.44 | 221,835.51 | 978,000 | 2-7/8% | 10/1/97 | |
| 1960 | Small Group Housing | 280.46 | 283,608.51 | 283,888.97 | 2,331,000 | 3-1/8% | 9/1/2000 | |
| 1961 | Student Union Addition | 792.87 | 51,236.40 | 52,029.27 | 454,000 | 3, 3-1/4, 3-1/2% | 10/1/86 | |
| 1962 | Sonora Hall | 878.34 | 53,357.81 | 54,236.15 | 1,436,000 | 3-3/8% | 4/1/2002 | |
| 1963 | Arizona Hall | 629.77 | 55,154.38 | 55,784.15 | 1,393,000 | 3, 3-1/4, 3.4, 3-1/2% | 4/1/2003 | |
| 1964 | Stadium Addition | 32.26 | 115,945.32 | 115,977.58 | 1,690,000 | 4-1/2, 3.7, 1.1% | 12/1/94 | |
| 1965 | Coronado Hall | 350.52 | 247,495.49 | 247,846.01 | 3,000,000 | 3% | 10/1/2005 | |
| 1966 | Educational Facility Series A | 194.76 | 998,218.23 | 998,412.99 | 12,495,000 | 5 - 4.8% | 6/1/96 | |
| <u>Totals</u> | | <u>\$ 10,548.35</u> | <u>\$ 2,566,787.30</u> | <u>\$ 2,577,335.65</u> | <u>\$ 26,886,000</u> | | | |

Note 1: The sinking fund for the Series of 1937 bonds is sufficient to meet all future interest and principal payments for the Series of 1940 bonds. Bonds for the Series of 1937 have been paid in full.