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Examination of Cash and Securities at

THE UNIVERSITY OF ARIZONA

as of March 31, 1962

Report No. 78

**Office of the General Examiner
for the Board of Regents of
the Universities and State College of Arizona**

EXAMINATION OF CASH AND SECURITIES AT

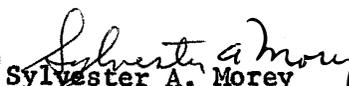
THE UNIVERSITY OF ARIZONA

To the Board of Regents of the
Universities and State College of Arizona

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 March 31,
1962 is presented herewith.

Respectfully submitted,


Alvred B. Nettleton
General Examiner


Sylvester A. Morey
Examiner

May 11, 1962

THE UNIVERSITY OF ARIZONA
EXAMINATION OF CASH AND SECURITIES

MARCH 31, 1962

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THE UNIVERSITY OF ARIZONA

EXAMINATION OF CASH AND SECURITIES

MARCH 31, 1962

Introduction

An examination was made as of March 31, 1962 of cash in banks (excluding funds on deposit with the State Treasurer), cash on hand in various departments, student loan funds, and securities held for endowment and for bond retirement funds.

The methods used to perform the examination were similar to those employed in preceding years. The scope of the examination did not include a review of the transactions underlying the collections and expenditures 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 March 31, 1962, as shown in Exhibit A, amounted to \$3,045,412. This total excludes balances of \$27,800 in various Associated Students and Intercollegiate Athletics bank accounts, and \$124 in the Archaeological Field School checking account. These latter accounts are not reflected on the general books of The University of Arizona and, therefore, are not shown in Exhibit A.

The allocation of the deposit totals per audit to individual banks is shown below:

Valley National Bank, University Office	\$ 317,675	
Valley National Bank, Downtown Office (Bond Sinking Fund Cash)	29,113	
Valley National Bank, Phoenix, Trust Dept. (Bond Sinking Fund Cash)	<u>955</u>	\$ 347,743
The Arizona Bank		1,463,133
The Bank of Tucson		118,987
Southern Arizona Bank and Trust Co.	302,546	
Southern Arizona Bank and Trust Co. Trust Dept. (Bond Sinking Fund Cash)	<u>238,963</u>	541,509
First National Bank of Arizona (Tucson)	557,074	
First National Bank of Arizona (Prescott) (Bond Sinking Fund Cash)	<u>16,836</u>	573,910
The Chase Manhattan Bank (Bond and Coupon Paying Account)		80
American National Bank and Trust Co. of Chicago (Bond and Coupon Paying Account)		<u>50</u>
<u>Total Cash in Banks per Audit</u>		<u>\$ 3,045,412</u>

The funds of the Associated Students and Department of Intercollegiate Athletics and of the Archaeological Field School referred to previously, which are not included in the above tabulation, are on deposit with the Southern Arizona Bank & Trust Co., Campbell Avenue Office, and Valley National Bank, Globe respectively.

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 confirmation of the amounts and description of pledged securities from the custodian banks.

Our examination indicated that the deposits of The University of Arizona in the First National Bank of Arizona and The Arizona Bank were inadequately collateralized as of March 31, 1962. In addition, collateral pledged by the Southern Arizona Bank and Trust Co. exceeded the deposits secured by only \$3,122 as of March 31, 1962.

These deficiencies have been brought to the attention of the Comptroller and Treasurer of The University of Arizona.

It is recommended by the examiners that periodic review be given by the University Business Office to insure adequate protection at all times rather than to wait for the annual examination by the examiners.

Cash on Hand

The examination included verification by physical count of cash on hand in the Business Office (Imprest Cash Fund), Bookstore, and Student Union. Exhibit B shows the composition of the Imprest Cash Fund as of March 31, 1962. (It will be noted that the change funds of the Bookstore and Student Union are provided through advances from the Imprest Cash Fund.)

Student Loan Funds

The assets and liabilities of The University of Arizona Student Loan Fund and of the National Defense Student Loan Fund as of March 31, 1962 are shown in Exhibit C.

Since the inception of the National Defense Student Loan program, The University of Arizona has received \$737,151 in federal funds and has provided \$82,132 in matching funds. Outstanding loans receivable at March 31, 1962 totaled \$763,518.

Securities Owned

Exhibit D presents a summary of securities owned as of March 31, 1962, including securities held by corporate trustees for bond sinking funds. Our verification procedures with respect to securities consisted of physical inspection of those securities in the Business Office and in the safe deposit box, and the obtaining of written confirmations concerning securities in custody of corporate trustees.

Comments on Accounting Procedures

We have made a review of the procedures in use in the Business Office with respect to the handling and recording of receipts and disbursements of cash and checks, securities, and student loans. Our comments and suggestions resulting from the survey are procedural in nature. They have been submitted separately to Mr. K. R. Murphy, Comptroller and Treasurer, for his consideration.

We also reviewed procedures followed by the Bureau of Mines in connection with sales of maps and bulletins. At present collections from such sales are accumulated in a box. Periodically the cash in the box is counted and an entry made in the Bureau's sales journal for the total cash on hand per count. We recommend the use of either a small receipt machine or pre-numbered sales checks to permit immediate recording of each day's sales.

Summary of Recommendations

The recommendations contained in this report are as follows:

1. Periodic comparison of balances in bank accounts with the total securities pledged by the respective banks should be made by the University Business Office to determine that bank balances are adequately secured. (Page 2)
2. We recommend the use of a small receipt machine or pre-numbered sales check books by the Bureau of Mines to record sales of maps and bulletins. (Page 2)

Exhibit A

THE UNIVERSITY OF ARIZONA

Cash in Banks (Exclusive of State Treasurer Deposits)

March 31, 1962

	<u>Balance per Bank</u>	<u>Add Deposits in Transit</u>	<u>Transfers in Process</u>	<u>Add (Ded.) Other Adjustments</u>	<u>Deduct Outstanding Checks</u>	<u>Balance per Audit</u>
Comptrollers Account	\$ 935,167.69	\$ 90,282.25	\$(781,270.55)		\$ 123,351.17	\$ 120,828.22
Treasurer, Board of Regents - Local Funds	1,391,139.33	-0-	726,366.44		478,392.88	1,639,112.89
Time Deposit	500,000.00					500,000.00
Treasurer, Board of Regents - Federal Funds	283,714.67	-0-			19,072.13	264,642.54
Imprest Cash Account	20,867.21	-0-			7,809.37	13,057.84
Student Loan Fund	18,910.82	-0-	53,795.10		155.00	72,550.92
National Defense Student Loan Fund	54,986.77	-0-	1,028.05		250.00	55,764.82
Small Group Housing Construction Account	76,268.89	-0-	80.96			76,349.85
Student Union Construction Account	17,121.00	-0-			13.75	17,107.25
Sinking Fund Cash and Fiscal Agent Accounts (Schedule 1)	<u>286,267.34</u>	<u>-0-</u>	<u></u>	<u>\$(270.00)</u>	<u>-0-</u>	<u>285,997.34</u>
<u>Total Cash in Banks</u>	<u>\$ 3,584,443.72</u>	<u>\$ 90,282.25</u>	<u>\$ -0-</u>	<u>\$(270.00)</u>	<u>\$ 629,044.30</u>	<u>\$ 3,045,411.67</u>

Schedule 1

THE UNIVERSITY OF ARIZONA

Sinking Fund Cash and Fiscal Agent Accounts

March 31, 1962

	<u>Balance per Bank and per Audit</u>
<u>Sinking Fund Cash Accounts</u>	
Series of 1934-1937 (General Const.)	\$(15,694.59)
Series of 1937 (Gila, Yuma Stadium Addition)	32,160.59
Series of 1940 (Pima Hall)	<u>370.00</u>
Subtotal 1934-1937 and 1940	16,836.00
Series of 1941 (Yavapai Hall)	419.15
Series of 1946 (East Stadium, Hopi, Papago)	28,693.90
Series of 1953 (Coconino Hall)	955.04
Series of 1955 (Graham, Greenlee)	17,462.69 (a)
Series of 1956 (Apache, Santa Cruz, Mohave, Manzanita)	93,704.38
Series of 1957 (Huachuca, Kaibab)	102,146.41 (b)
Series of 1960 (Small Group Housing)	<u>25,649.77</u>
<u>Total Sinking Fund Cash</u>	<u>285,867.34</u>
<u>Bond and Coupon Paying Accounts</u>	
Chase Manhattan Bank	80.00
American National Bank and Trust Co.	<u>50.00</u>
<u>Total Bond and Coupon Paying Accounts</u>	<u>130.00</u>
<u>Sinking Fund Cash and Fiscal Agent Accounts</u>	<u>\$ 285,997.34</u>

(a) In addition to the amount shown the bank also has \$357.50 for coupons due and unpaid.

(b) Balance per bank is \$270.00 greater because of an income credit made in error by the bank. Correction will be made by the bank.

Exhibit C

THE UNIVERSITY OF ARIZONA

Student Loan Funds

Balance Sheet

March 31, 1962

	<u>University of Arizona Student Loan Fund</u>	<u>National Defense Student Loan Fund</u>
<u>Assets</u>		
Cash in Bank	\$ 72,550.92	\$ 55,764.82
Cash in Custody of Dean of Men	200.00	
Notes Receivable	21,769.50	763,518.34
Investments	83,599.29	
Advance to National Defense Student Loan Fund	<u>28,180.00</u>	
<u>Total</u>	<u>206,299.71</u>	<u>819,283.16</u>

Liabilities and Fund Balances

Due to University of Arizona for Matching Funds:		
Student Loan Fund		28,180.00
Rak Scholarship Fund		7,174.00
Student Union		22,250.00
University Series		24,528.00
Fund Balance	<u>206,299.71</u>	<u>737,151.16</u>
<u>Total</u>	<u>\$ 206,299.71</u>	<u>\$ 819,283.16</u>

Exhibit D

THE UNIVERSITY OF ARIZONA
Summary of Securities Owned
March 31, 1962

		<u>Book Value</u>
<u>Endowment and Gift Funds</u>		
U. S. Government Bonds	\$ 94,600.00	
Other Bonds	15,247.71	
Stocks	440,110.84	
Participation in Trust Fund	25,007.72	
Savings Account	<u>1,756.00</u>	
<u>Total Endowment and Gift Funds</u>		\$ 576,722.27
<u>Student Loan Fund</u>		
U. S. Government Bonds	10,000.00	
Stocks	<u>73,599.29</u>	
<u>Total Student Loan Funds</u>		83,599.29
<u>Auxiliary Enterprises</u>		
<u>Associated Students</u>		
U. S. Government Bonds (Bookstore)	<u>25,934.87</u>	
<u>Total Associated Students</u>	<u>25,934.87</u>	
<u>Intercollegiate Athletics</u>		
U. S. Government Bonds	1,500.00	
Stocks	<u>46,923.69</u>	
<u>Total Intercollegiate Athletics</u>	<u>48,423.69</u>	
<u>Total Auxiliary Enterprises</u>		74,358.56
<u>Other Local Fund Investments</u>		
Stocks		13,611.95
<u>Bond Sinking Fund Investments</u>		
U. S. Government Bonds and Treasury Bills	473,196.12 (a)	
Other Bonds	<u>17,000.00</u>	
<u>Total Bond Sinking Fund Investments</u>		490,196.12
<u>Agency (Alumni)</u>		
Stocks		<u>2,354.75</u>
<u>Total Securities Owned</u>		<u>\$ 1,240,842.94</u>

(a) Includes U. S. Government Bonds and Treasury Bills held by Trustees as Follows:

Series of 1953 - Valley National Bank	\$ 38,591.89
Series of 1955 - Southern Arizona Bank & Trust Co.	64,327.08
Series of 1956 - Southern Arizona Bank & Trust Co.	83,156.25
Series of 1957 - Southern Arizona Bank & Trust Co.	18,112.50
Series of 1960 - Southern Arizona Bank & Trust Co.	<u>125,008.40</u>
<u>Total Held by Trustees</u>	<u>\$ 329,196.12</u>