

**MAXWELL MUSEUM OF ANTHROPOLOGY
AUDIT OF CASH HANDLING**

UNIVERSITY OF NEW MEXICO

**Report 2006-10
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The University of New Mexico

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ABBREVIATIONS

DPR.....	Direct Pay Request
EOD.....	Employee & Organizational Development
EVPA.....	The Executive Vice President for Administration
Maxwell Museum.....	Maxwell Museum of Anthropology
UBIT.....	Unrelated Business Income Tax
UBP.....	University Business Policies and Procedures Manual
University.....	The University of New Mexico
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

The Maxwell Museum of Anthropology (Maxwell Museum) is a University department that not only supports and complements the University's functions of education and research, but also provides educational opportunities to the public outside of the University community. Our audit was limited to a review of cash control and internal management control procedures at Maxwell Museum.

The Maxwell Museum should enforce University policies and procedures applicable to its operation. Employees should be made aware of University policies, and management should verify that the policies are being followed. The Executive Vice President for Administration should request that the Policy Office revise the Cash Management policy to require employees to attend cash training prior to handling University monies.

The following summary provides management with an overview of conditions requiring attention.

CASH MANAGEMENT INTERNAL CONTROLS

The Maxwell Museum management should make sure that its employees follow University policies and procedures regarding the safeguarding and handling of monies received through the department. The Interim Director of the Maxwell Museum stated he would change procedures so that the Maxwell Museum complies with the University's cash handling procedures.

TRAINING

The Executive Vice President for Administration (EVPA) should require University employees to attend cash handling training prior to handling University monies. The EVPA responded that training would have to be developed before making it mandatory and cash handlers in high volume areas, such as Bursars Office, receive specific training from supervisors. The EVPA will ask Employee & Organizational Development to explore cost effective solutions to the issue. Maxwell Museum management should ensure that employees who handle monies are properly trained in cash management procedures so employees handle monies properly. The Interim Director of Maxwell Museum responded that the Unit Administrator will train Maxwell employees in cash handling procedures.

CHANGE FUND

The Maxwell Museum management should require that the reconciliation of the change fund be documented and reviewed by another individual to verify that the fund is intact and that any overages or shortages are properly recorded. The Interim Director of Maxwell Museum responded the change fund will be reduced to [REDACTED] and two employees will reconcile the fund daily.

CASH REGISTER CONTROLS

The Maxwell Museum management should ensure that the cashiers at the Maxwell Museum store are properly trained in all aspects related to running transactions and controlling the contents of the cash register. The Interim Director of Maxwell Museum responded that the Unit Manager will train the cashiers to perform their job duties.

INVENTORY

The Maxwell Museum management should ensure that inventory is properly checked in, controlled, and secured at all times. The Interim Director of Maxwell Museum responded all merchandise will be recorded as inventory as soon as possible and will be kept in a locked office while being processed and tagged.

CONTRACTUAL AGREEMENTS

Contracts developed by Maxwell Museum should be reviewed by the University Counsel's Office before the contracts are signed, to ensure that they are legally binding. The Interim Director of Maxwell Museum responded that a standard contract will be drafted and sent to University Counsel for its review and approval.

PARKING PERMITS

The Maxwell Museum management should ensure that parking permits provided by the Maxwell Museum store and the administrative offices are properly controlled and distributed for approved purposes. The Interim Director of Maxwell Museum responded he is changing the method of tracking parking permits and Maxwell will no longer offer the parking permits for sale.

POLICY UPDATES

The Maxwell Museum management should assign an employee the responsibility of communicating University policy changes to the staff. The Interim Director of Maxwell Museum responded an administrative assistant has been assigned the responsibility of communicating the policy changes to staff.

INTRODUCTION

BACKGROUND

The Maxwell Museum web site states “The mission of the Maxwell Museum of Anthropology is to increase knowledge and understanding of the human cultural experience across space and time.... The museum supports and complements the University’s functions of education and research, and, in addition, provides educational opportunities to the public outside of the University community.”

The Maxwell Museum receives cash and cash equivalent donations from a donation box at the entrance to the museum and through sales of merchandise in the Maxwell Museum store. For fiscal year 2005, donations received from the donation box were \$575, store sales were \$57,971, and the museum store’s inventory count was \$83,407 at June 30, 2005.

PURPOSE

The purpose of our audit was to determine if proper cash control and internal management control procedures were in place.

SCOPE

Our audit was limited to a review of the cash handling and internal management control procedures at Maxwell Museum. The fieldwork was completed on September 27, 2005.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

CASH MANAGEMENT INTERNAL CONTROLS

Section 1. “Cash Management” Policy 7200, University Business Policies and Procedures Manual (UBP) states that “For the purpose of Cash Management, the term ‘monies’ is defined to include cash, checks, credit card payments, money orders, and other negotiable instruments whether received in person, by mail, or by telephone.”

Safekeeping of Monies

Section 1. “Cash Management” Policy 7200, UBP states that “Members of the faculty, staff, or student body who receive University monies are responsible for the collection, safekeeping, and deposit of all monies entrusted to them and for the safety of employees who handle the monies.”

When the cashier at the Maxwell Museum store goes on break, the cash register is left unlocked and the security guard is asked to watch the store until the cashier returns. If the security guard should be distracted when performing his other duties, the cash drawer could easily be accessed and monies could be taken. In addition, the Maxwell Museum store merchandise is at risk because items could be taken. This procedure places the employees in a compromising situation if monies or merchandise were to be missing. The employees at the Maxwell Museum store felt that, if the security guard was watching the store, it was not necessary to lock the register.

Recommendation 1

We recommend that the Unit Administrator of Maxwell Museum ensure that when a Maxwell Museum store employee leaves the store for any reason, the cash register is locked until the cashier returns. In addition, the Unit Administrator should ensure that coverage is provided while the Maxwell Museum store employee is gone so that merchandise in the store is properly safeguarded.

Response from the Interim Director of Maxwell Museum of Anthropology

The concern stated was that when the Maxwell Museum store cashier went on break, the cash register was left unlocked and a security guard was asked to watch the store. We agree that this is a legitimate problem and have already implemented the following steps to resolve it. First, when a store employee leaves for any reason, the cash register drawer will be locked. Second, a gallery attendant or a member of the museum administration (receptionist, bookkeeper, or unit administrator) will cover the store until the employee returns. These steps are consistent with Recommendation 1 in the audit report.

Other Monies

Maxwell Museum collects monies for key deposits and parking permits. The monies for the key deposits and parking permits are kept in an unlocked desk drawer in an area that is accessible to others. In addition, when the Maxwell Museum store closes at the end of the day, the monies from the day's transactions are counted and placed in an envelope, which is placed on top of a safe in an unlocked office. Such procedures not only increase the risk of loss of funds, but also place Maxwell Museum employees in a compromising situation if monies are missing.

Recommendation 2

We recommend that the Unit Administrator of Maxwell Museum ensure that employees who collect the monies for the key deposits and parking permits keep these monies in a locked drawer or safe in a secured area until the monies are deposited. We also recommend that the Unit Administrator ensure that monies collected at the Maxwell Museum store be placed in the locked safe at the end of each day.

Response from the Interim Director of Maxwell Museum of Anthropology

The first concern raised in this realm was that the museum collects deposit monies for keys used by students in the museum and Hibben buildings and for UNM parking permits. These monies and parking permits were found to be stored in an unlocked drawer. Second, it was found that when the museum store closes at the end of the day, the monies from the day's transactions were counted, placed in a sealed envelope, and left on top of a safe in an unlocked office. We agree that these are poor practices, and to remedy them we have instituted the following changes. With regard to the store and other monies, all cash or checks will be kept in a safe in a locked office until deposits are made. The same will be done with parking permits for museum visitors. This step is consistent with Recommendation 2 in the audit report.

Key Deposits

Section 1. "Cash Management" Policy 7200, UBP states that "No checks shall be cashed, no purchases shall be made, and no substitution of cash, checks, or other documents shall be made from the actual monies received." Maxwell Museum has started a new procedure of collecting key deposits from graduate students who are issued keys for the Hibben Center. Maxwell Museum had initially planned to deposit these monies into the Maxwell Museum Foundation account. The Maxwell Museum would then refund the students, upon return of keys, from the donation box monies because the donation box monies are eventually deposited into the Maxwell Museum Foundation account. Such a procedure would involve the substitution of monies, which does not follow policy. Since this is a new procedure, Maxwell Museum was not clear on how refunds would be made to students and thought that monies from the donation box could be used.

Recommendation 3

We recommend that the Unit Administrator of the Maxwell Museum take the required steps to set up an account code in the Banner system for key deposits. The monies collected for key deposits should be deposited into this account code. When students return their keys, the students can then receive a refund from petty cash.

Response from the Interim Director of Maxwell Museum of Anthropology

With regard to key deposits, we will set up an account code to deposit monies collected. Upon return of the keys, we will refund the deposit from petty cash or a DPR. This step is consistent with Recommendation 3 in the audit report.

Depositing/Recording Monies

Section 1. "Cash Management" Policy 7200, UBP states that "Monies received should be deposited at the University Cashiers Department intact within *twenty-four (24) hours of receipt*. When less than \$50 is involved, monies may be accumulated up to a week." Monies collected from the Maxwell Museum Store are accumulated and deposited weekly even when they are in excess of \$50. Monies from parking permits and key deposits were on hand, which had accumulated in excess of \$50, and had not been deposited. Because these monies are not properly secured, this procedure not only increases the risk of loss of funds, but also places Maxwell Museum employees in a compromising situation if monies are missing.

Recommendation 4

We recommend that the Unit Administrator of Maxwell Museum ensure that employees deposit monies collected from the Maxwell Museum Store and monies from parking permits and key deposits intact within twenty-four hours of receipt if the cumulative amount collected reaches \$50.

Response from the Interim Director of Maxwell Museum of Anthropology

The auditors found that the museum was in violation of the UBP cash management policy that requires daily deposit of monies exceeding \$50; the museum had been making deposits once a week regardless of the amount accumulated on a daily basis. We agree that this is inconsistent with policy, and so have made the following change. We will make daily deposits of monies when those accumulated over the business day exceed \$50. This is consistent with Recommendation 4 in the audit report.

Restrictive Endorsements

Section 3.2.3. Policy 7200, UBP states that, “All checks *must* be restrictively endorsed immediately upon receipt. The University’s endorsement renders the check non negotiable and must be stamped on the back of all checks.” The Maxwell Museum staff is not restrictively endorsing checks when received. If checks are not properly endorsed, the checks could be stolen and cashed. The Maxwell Museum staff thought that endorsing the checks when deposits were made was adequate.

Recommendation 5

We recommend that the Unit Administrator of the Maxwell Museum ensure that employees who collect monies have access to an endorsement stamp so that the employees can endorse checks immediately upon receipt.

Response from the Interim Director of Maxwell Museum of Anthropology

The auditors found that the Maxwell staff was not restrictively endorsing checks upon receipt, in violation of UBP. We agree that this is poor practice, and have instructed all employees who collect monies to immediately endorse by stamp each check when it is received. This change is in agreement with Recommendation 5 in the audit report.

Reconciliation of Accounts

Section 3. “Cash Management” Policy 7200, UBP states “Internal control is necessary to prevent or detect any possible errors or irregularities involving monies. Internal control requires accountability to be maintained by...reconciling accounts.”

The Accountant III at Maxwell Museum reconciles the Maxwell Museum accounts, but these reconciliations are not signed by the preparer, or signed by the reviewer as verification that the accounts are properly reconciled and that all transactions are correct.

Recommendation 6

We recommend that the Accountant III at Maxwell Museum, who prepares the reconciliations, sign the reconciliations as the preparer, and have another Maxwell Museum employee review and sign the reconciliations to verify that the reconciliations were reviewed.

Response from the Interim Director of Maxwell Museum of Anthropology

It was noted that the Accountant III reconciles, but does not sign, the account reconciliations; neither does the reviewer sign as verification that the accounts are properly reconciled and that all transactions are correct. We agree that this is in violation of proper internal controls and have made the following change. Beginning with the current monthly account reconciliation reports, signature lines have been added for the preparer, for the unit administrator, and for the director (as reviewers). This is consistent with Recommendation 6 in the report.

Access to Monies

Section 3.1. “Cash Management” Policy 7200, UBP states that “Access to monies must be restricted to the employee responsible for the monies. Separate cash drawers should be used to accommodate employee breaks.”

The Maxwell Museum store has several cashiers who work at the store. When there is a shift change, the drawer is not counted to ensure that the register is in balance. If the register is not counted and balanced at each shift change, monies could be missing and it would be difficult to determine when the monies were missing. The cashiers at the Maxwell Museum store were not aware of this procedure and thought that counting the register at the end of the day was adequate.

Recommendation 7

We recommend that the Unit Administrator of the Maxwell Museum ensure that the cashiers reconcile the register at each shift change, and that the reconciliation is documented.

Response from the Interim Director of Maxwell Museum of Anthropology

The concern raised here was that in violation of UBP, the museum store employees were not counting and balancing the cash drawers when shift changes occurred. We agree that this needs to be corrected, and have implemented the following change. The cash drawer will be counted and a tape run and signed whenever there is a shift change. This follows Recommendation 7 in the report.

Segregation of Duties

Section 3.3. “Cash Management” Policy 7200, UBP states “Duties for receiving and recording monies *must* be segregated. No single employee should be in a position that allows the employee to both receive money and record the payment into the financial system. This segregation of duties preserves responsibility and accountability and is necessary to ensure that a person who has access to monies cannot conceal a fraud or error.”

The Accountant III who is responsible for reconciling the Maxwell Museum accounts also prepares the money lists for the store deposits. This employee also receives monies from the sale of wholesale books. Lack of segregation of duties increases the risk of loss of funds and places this employee in a compromising situation if monies should be missing. The size of the department and the fact that currently this employee is the only employee who understands the difference between the recording of Unrelated Business Income Tax (UBIT) and non-UBIT monies has made it difficult to properly segregate duties.

Recommendation 8

We recommend that the Interim Director of the Maxwell Museum evaluate the staff situation to ensure duties are properly segregated. The employee reconciling the accounts should not be handling monies. We also recommend that other employees within the department be trained on how to record monies as either UBIT or non-UBIT so that other employees can prepare the money list and make the deposits.

Response from the Interim Director of Maxwell Museum of Anthropology

It was determined that in violation of UBP, the necessarily distinct duties of receiving and recording monies were not segregated; a single person was often doing both tasks. We agree that this is inappropriate and have instituted the following change. A student is currently being trained to prepare all money lists for the museum including the store. At the end of the day, store clerks will count the money in the cash drawer and report the count on the appropriate form. A different student will count the money again and prepare the money list. The Accountant III will then check the money list for accuracy and sign the appropriate form. Finally, we will review the policy concerning the recording of UBIT/non-UBIT monies with store employees. This is consistent with Recommendation 8.

Emptying Collection Box

Section 3.2.2. "Cash Management" Policy 7200, UBP states "Where the recording of monies cannot be observed by the person making payment, two (2) individuals must be present when:

- opening mail;
- emptying collection boxes or similar containers (for example, parking meters) that produce no automatic record; and
- recording monies."

Two individuals are not always present when collecting monies from the Maxwell Museum donation box. Such a situation increases the chance of monies missing prior to the money list being prepared and the monies deposited. It appears that the staff members who handle these monies are not aware of the cash handling management policies that require two individuals to be present when emptying collection boxes or similar containers.

Recommendation 9

We recommend that the Unit Administrator at the Maxwell Museum ensure that two individuals are present when retrieving and counting monies from the Maxwell Museum donation box. It should be verified that the monies from the donation box are deposited intact. The deposit should be documented and signed by the two individuals counting the monies.

Response from the Interim Director of Maxwell Museum of Anthropology

The report noted that there were not always two individuals involved in collecting monies from the museum's donation box, in violation of UBP. We agree that this needs to be remedied, and so we have taken steps to insure that two individuals will retrieve, count, and sign the document that accompanies the deposit. This is consistent with Recommendation 9.

TRAINING

We found many situations where cash handling procedures are not being followed at the Maxwell Museum. If employees are not properly trained in the handling of monies, monies may not be properly secured and could be lost or stolen. In addition, monies could be withheld and not properly deposited into the University system. The University does not have a requirement for training employees who have access to monies. Therefore, untrained employees are often given the responsibility to handle cash.

Maxwell Museum employees who handle monies should be properly trained in cash management procedures to ensure that they are handling monies properly. They should be aware of the University policies that relate to cash management and they should be following these procedures.

Recommendation 10

We recommend that the Executive Vice President for Administration request that the Policy Office revise the Cash Management policy to require employees to attend cash training prior to handling University monies. Both employees who currently handle monies and newly hired cash handlers should attend the training. When developing the policy, consideration should be given to requiring periodic refresher training for cash handlers. We further recommend that Employee

& Organizational Development (EOD) coordinate the training. The training should be presented frequently to avoid delays in training of new employees.

Response from the Executive VP for Administration

Management agrees with the finding that employees who handle cash should be properly trained. However, we may need to explore alternatives to those contained in Recommendation 10. Employee & Organizational Development does not currently have a training course on cash handling. It is difficult to require mandatory training before such training is available. Also most cash handlers in high volume areas such as the Bursar's Office, Bookstore, etc., receive specific training and instruction from their supervisor.

We will ask EOD to explore the feasibility of developing a cash handling training class and to examine alternative training possibilities to see if there are more efficient ways of obtaining appropriate training for a relatively few individuals.

Recommendation 11

We recommend that the Interim Director of the Maxwell Museum review the University's cash management policies with cash handling staff. We also recommend that each employee sign indicating that he or she has read and understands cash handling procedures. Cash handling procedures specific to the Maxwell Museum should also be reviewed with the staff.

Response from the Interim Director of Maxwell Museum of Anthropology

Recommendation 11 was that the Interim Director of the Maxwell Museum review the university's cash management procedures with employees who handle money. We agree that such a review, including having employees sign a statement that he or she has read and understands the procedures, is needed. However, instead of the Interim Director, our Unit Administrator will review cash handling policies with all museum employees. This will be completed by the end of the year.

CHANGE FUND

Section 1.1. "Cash Management" Policy 7200, UBP states "Change funds should only include cash and must be intact at all times. Overages and shortages must be recorded immediately upon discovery."

The total change fund at the Maxwell Museum is [REDACTED] of which [REDACTED] is maintained in the cash register at the Maxwell Museum store, and [REDACTED] is maintained in a locked deposit bag in a locked desk drawer. The change fund in the locked desk drawer is reconciled monthly by the individual who is responsible for the fund. However, this reconciliation is not documented or

reviewed by another individual to verify that the fund is intact and that there are no overages or shortages. If another individual does not review the reconciliation, overages or shortage could occur that are not recorded. The Maxwell Museum staff felt that since only one individual was responsible for the change fund that there was not a need for another individual to be part of the reconciliation process.

Recommendation 12

We recommend that the Accountant III, who is responsible for the change fund, perform a weekly reconciliation of the entire change fund. This reconciliation should be documented, reviewed by another employee, and signed by both the preparer and the reviewer. We also recommend that the Interim Director of the Maxwell Museum work with the Maxwell Museum staff to determine if the additional [REDACTED] maintained in the locked desk drawer is necessary for making change for the Maxwell Museum store, or whether the amount can be reduced.

Response from the Interim Director of Maxwell Museum of Anthropology

The audit report noted that the Museum kept [REDACTED] on hand as a change fund, with [REDACTED] in the cash register of the museum store and [REDACTED] maintained in a locked deposit bag in a locked desk drawer. The [REDACTED] is reconciled monthly, but only by one individual who is responsible for the fund. Recommendation 12 requested that the Accountant III perform a weekly reconciliation of the change fund, have it documented and reviewed by a second employee, and have both the preparer and the reviewer sign the reconciliation. In addition, it was suggested that we evaluate whether the additional [REDACTED] was needed on the premises. We agree that this is a problem, and have instituted the following changes. First, the change fund in the store cash register has been increased from [REDACTED] to [REDACTED], and the remaining [REDACTED] has been returned for deposit; the only change fund will be maintained in the store cash register, which is reconciled daily. If additional change is needed, an employee will go to the Cashier's Office to get it. Second, reconciliation will be done by two employees.

CASH REGISTER CONTROLS

Cash Register Training

Cashiers at the Maxwell Museum store should be able to handle all type of transactions on the register since they work alone. During our cash count, we found that only one of the cashiers knew how to handle over-rings. If the cashiers are not trained to handle all the necessary transaction on the register, then they may not be able to adequately service the store customers. It appears that cashiers at the Maxwell Museum store are not properly trained to handle all types of transactions that are required for them to perform their jobs.

Recommendation 13

We recommend that the Unit Administrator of the Maxwell Museum properly train the cashiers to handle transactions on the register that are a necessary part of their jobs.

Response from the Interim Director of Maxwell Museum of Anthropology

The audit determined that only one of the store cashiers knew how to handle over-rings, which suggested that additional training was necessary to ensure that all store employees could handle all types of transactions. Recommendation 13 was that the Unit Administrator train the employees how to handle over-rings and other aspects of transactions. We agree, and will ensure that such training occurs before the end of the year.

Cash Register Miscellaneous Items

The cash register at the Maxwell Museum store should be cleared out each evening of all items in the drawer. While performing the cash count on the cash register, we found that there were two old layaway receipts from 2002 and 2003, and other miscellaneous items in the drawer such as a scrap of paper with a name and phone number. These are old items and should not be kept in the cash register.

Recommendation 14

We recommend that the Unit Administrator of the Maxwell Museum ensure that the cash register is cleared of any receipts and other pieces of paper that do not belong in the drawer. In addition, the two old layaway receipts found in the cash register should be properly filed and it should be determined if the merchandise for these receipts has been picked up by the customer.

Response from the Interim Director of Maxwell Museum of Anthropology

A second related item concerned the presence of extraneous items in the cash register, including two old layaway slips and other items. Recommendation 14 was that the Unit Administrator ensure that the cash register is cleared of receipts and any other items that do not belong there. This was done immediately.

Merchandise Return Procedures

Customers of the Maxwell Museum store are not allowed to return items for cash, or credit. The store only allows customers to exchange items. To receive an exchange, it must be within 45 days from the date of the sale, and the customer must have a receipt or get approval from the Maxwell Museum management. If a customer is not able to exchange an item for something of equal or greater value, then the customer is given a gift certificate for the difference to be used at

the store at a later date. The cashiers log the gift certificates so that they can track the certificates issued; however, they are not logging the reason that a certificate was issued. It is not clear which certificates are for donations, and which certificates are for exchanges. It is important that the certificates for exchanges are properly recorded because these are cash type transactions as opposed to a donation. It appears that the cashiers are not properly trained on how to fill out the logs.

Recommendation 15

We recommend that the Unit Administrator of the Maxwell Museum train cashiers on how to fill out the log so that it clearly documents which certificates are for donations and which are for exchanges.

Response from the Interim Director of Maxwell Museum of Anthropology

The auditors noted that policy dictates that store customers are not allowed to return items for cash or credit, only exchange. Exchanges must be made within 45 days of the sale date, and customers must present a receipt or have approval from Museum management. Gift certificates may be substituted for exchanges if items are of equal or greater value, and such gift certificates must be logged by the cashiers so that the certificates can be tracked. The log should include whether the certificate was issued for a donation or an exchange. The cashiers have not been doing this, and Recommendation 15 was that the Unit Administrator train cashiers on how to fill out the log properly to separate gift certificates that represent donations from those that are exchanges. We agree, and have taken the following steps. First, effective immediately, gift certificates will no longer be given for returned items. Second, the cash register automatically prints out a credit receipt when a return is processed in our point of sales system. Finally, we will add a column on our gift certificate log to identify which are sold gift certificates and which are donated gift certificates.

Docent/Vendor Merchandise Sales

All merchandise sold at the Maxwell Museum store should be rung through the register and the funds deposited into the University banking system. We found that the Maxwell Museum store is selling merchandise for some of its docents/vendors, and these sales are not rung through the register. The Maxwell Museum store only accepts cash or checks for these items, and the checks are made out to the individual docents/vendors. Therefore, these checks cannot be restrictively endorsed with the University endorsement stamp. The docents/vendors are notified of a sale and the checks and/or cash are placed in mail slots for the docents/vendors to pick up at their convenience.

The Maxwell Museum store should not be selling items for docents/vendors that are not processed through the University system. The monies from these sales could be lost or stolen. In addition, since these items are not part of the inventory, it can be difficult to determine if items have been stolen. The Unit Administrator of the Maxwell Museum stated that the Maxwell Museum store sold items for the docents/vendors as a favor.

Recommendation 16

We recommend that the Unit Administrator of the Maxwell Museum discontinue selling docents/vendors merchandise through the store. However, if the store wants to continue selling docents/vendors items, we recommend that a consignment process be developed and that a commission be charged for the items sold.

Response from the Interim Director of Maxwell Museum of Anthropology

It was discovered by the auditors that the Museum store was selling merchandise from some of its docents and vendors, and that sales of this merchandise was not being rung through the cash register, as these items were not part of the store inventory. Recommendation 16 was that sales for non-profit organizations be discontinued, and in agreement, we stopped such sales effective immediately. Non-profit merchandise has been returned to docents/organizations.

INVENTORY

Check In Procedures

The inventory for the Maxwell Museum store should be properly checked in and kept in a secure location until placed in the store. During our cash count, we observed store inventory in one of the offices. The door to this office was not locked and the inventory was accessible. In addition, it was not clear if the items had been checked in. If the inventory is not properly secured, items could be easily taken, and it would be difficult to determine if inventory had been taken or if the vendor did not include the items in the shipment. The Unit Administrator at the Maxwell Museum stated the merchandise had not been placed in the store because the items had not been ticketed.

Recommendation 17

We recommend that the Unit Administrator of the Maxwell Museum ensure that the inventory is secured in a safe place until the items can be checked in and tagged. The merchandise should be recorded as inventory in a timely manner.

Response from the Interim Director of Maxwell Museum of Anthropology

During their visit, the auditors noted that some store inventory was kept in an office that was not in a secure location, and, further, that it was unclear whether these items had been checked into inventory. The possibility that theft could occur was raised, and we agree with this concern. Recommendation 17 was that the Unit Administrator ensure that store inventory was secured in a safe place until checked in (in a timely manner) and tagged for sale. Effective immediately, all merchandise will be recorded as inventory as soon as possible, and will be kept in a locked office while being processed and tagged.

Accounting For Inventory

All inventory items should be properly accounted for. During our cash count, we found jewelry items in the safe. We were told that the items in the safe were inventory items that were accidentally sent with an order, and that the vendors told the museum to keep these items. These items should be considered donated to Maxwell Museum and the items should be accounted for. The Maxwell Museum uses the items to give to UNM departments when they request donation items from the Maxwell Museum. Since the items in the safe are not properly accounted for, items could be taken and the Maxwell Museum staff might not realize that items are missing.

Recommendation 18

We recommend that when extra inventory items are received, the Unit Administrator of the Maxwell Museum document where the items came from and determine the value of the items. These items should be added to inventory for tracking purposes. In addition, the Unit Administrator of the Maxwell Museum should ensure that items donated to University departments are tracked.

Response from the Interim Director of Maxwell Museum of Anthropology

A second concern was that not all inventory items were properly accounted for. The specific example was the discovery of pieces of jewelry in a safe that had been sent accidentally by a vendor as part of an order. When notified, the vendor told the Museum to keep the items. In the past, the Museum has used such items to donate to other UNM departments in response to requests from those departments for donation items. Since the items currently in the safe are not listed in the inventory, the possibility of their theft is a concern. We agree. Recommendation 18 was that all items, including extra ones, be documented, valued, and added to the inventory. This has been done, and in the future such items will be included in the inventory and listed at a zero cost to the store. We will no longer donate such items to other departments.

CONTRACTUAL AGREEMENTS

Section 2. “Contracts Signature Authority And Review” Policy 2010, UBP states “For the purposes of this policy, a ‘contract’ is defined as a written agreement between two (2) parties intended to have legal effect, including Memorandums of Understanding and Letters of Understanding, in one of the following forms listed below.

- Documents signed by UNM and another party.
- Offers signed by UNM.
- Certain pre-approved UNM forms signed by others.
- Contract forms promulgated by others signed by UNM.”

Section 5. “Contracts Signature Authority And Review” Policy 2010, UBP states that “Each contract must be carefully reviewed by the University employee initiating the contract and a University contract review officer prior to signature.”

Both the Maxwell Museum and the Hibben Center facilities are rented for events such as weddings and birthday celebrations. Maxwell Museum developed a form, Request For Use Of Museum Facilities. This form is not signed by either party to confirm that an agreement was made. The only signature that appears on the request is on the Rental Confirmation Form. Without a signed agreement, there is no legally binding agreement between the two parties. If the renting party cancels and payment is not made, there is no legal agreement that could make the party pay. In addition, there are no terms in the agreement as to who is responsible for damage or missing items at either the Maxwell Museum or the Hibben Center. It appears that the Maxwell Museum is not clear of what qualifies as a legal contract.

Recommendation 19

We recommend that the Interim Director of the Maxwell Museum develop a contract for use when outside parties rent Maxwell Museum facilities. The University Counsel’s Office should review the contracts before they are signed to ensure the contracts are legally binding agreements that properly protect the University’s interest.

Response from the Interim Director of Maxwell Museum of Anthropology

The Museum frequently enters into contracts for rental of the main exhibit gallery or the Hibben Building for events such as weddings or other celebrations. Although a form (Request for Use of Museum Facilities) exists, nowhere do the parties to the agreement sign the document, and therefore the form is not a legally binding contract. Further, there are no terms in the form as to who is responsible for damage or missing items. The auditors were concerned that the Museum does not understand what qualifies as a legal contract. Recommendation 19 suggested that the Museum develop a contract for use when outside parties rent its facilities, and that the contract

be reviewed and approved by UNM legal counsel. We agree, and have begun to draft such a document. Once completed, it will be sent to University Counsel for approval as a binding contract, and we will begin using it as soon as it is approved.

PARKING PERMITS

Maxwell Museum Parking Permits

Visitors to the Maxwell Museum can obtain a visitor parking permit from the Maxwell Museum store that is good for an hour. In addition, docents for the Maxwell Museum are allowed the use of a parking permit that is good for the month, from 8:00 to 5:00, to be used only while providing volunteer services for the Maxwell Museum.

Employees of the Internal Audit department observed that the same vehicle was consistently parked in one of the Maxwell Museum parking places, and this vehicle had a permit that was good for the entire month of August from 8:00 to 5:00. In September, we observed that this same vehicle continued to park in a Maxwell Museum parking space and had a new parking permit that was good for the month of September. If the parking permits are improperly issued, visitors to Maxwell Museum may have difficulty finding a place to park. After we commented on the parking situation, we noticed that the car was no longer using the Maxwell Museum parking space.

Recommendation 20

We recommend that the Unit Administrator of the Maxwell Museum properly track the museum parking permits used for docents to ensure that these permits are not used for personal benefit. One individual at the Maxwell Museum should be responsible for the museum parking permits to ensure that they are properly distributed.

Response from the Interim Director of Maxwell Museum of Anthropology

The auditors found that the Museum issued parking permits to visitors as well as to docents and volunteers. However, the latter permits were the standard visitor permits issued for an entire month, rather than the one hour specified for visitors. This practice might deny a space for a visitor and could allow illegal personal benefit. We agree, but believe that it is important to continue to allow our docents and volunteers the chance to park in the lot. Recommendation 20 was that the Unit Administrator properly track museum parking permits used for docents to make sure that those individuals do not use them improperly. It was also suggested that a single individual issue the permits. In response, we have instructed store and gallery personnel to issue visitor permits for two hours. Having these employees issue the permits for visitors is important because they are the first point of contact for visitors entering the museum. With respect to docents and other volunteers, the Administrative Assistant (who is always the first point of

contact for these people) will continue to issue monthly permits but will issue permits that have the word "docent" printed on them and will create a tracking log that the docents will sign prior to receiving their permits.

Interdepartmental Parking Permits

UNM Parking and Transportation Services sells daily interdepartmental parking permits for \$2.00 to University departments. Departments can purchase these permits and give them to their visitors. It clearly states on the parking permits that they are not re-salable; however, Maxwell Museum employees are re-selling these permits to visitors for \$2.00. This practice does not follow UNM Parking and Transportation Services rules regarding the use of the permits. The Maxwell Museum is selling the permits as a courtesy to its visitors.

Recommendation 21

We recommend that the Unit Administrator at the Maxwell Museum instruct employees to discontinue selling the interdepartmental parking permits to visitors of the Maxwell Museum. Any monies collected at this point from permit sales should be deposited into the University system. In addition, we recommend that if the interdepartmental parking permits are provided to individuals with University business, the Maxwell Museum track who they gave permits to and the University business purpose.

Response from the Interim Director of Maxwell Museum of Anthropology

A second parking matter that concerned the auditors was that the museum was re-selling interdepartmental parking permits as a courtesy to visitors. The permits are sold originally by Parking and Transportation Services, and their resale is in violation of Parking and Transportation Services rules. Recommendation 21 was that the Museum discontinue resale of the permits and deposit any monies from such re-sales into the University system. Any future courtesy use of these permits for individuals with University business should be tracked. We agree, and have ceased resale of the permits, and will institute a log to track the use of interdepartmental parking permits by those individuals visiting the Museum for University business.

POLICY UPDATES

When there are updates to the UBP employees should be notified of the changes that affect their jobs. The employees at the Maxwell Museum were not aware of how changes to the UBP are communicated. If employees are not aware of policy changes in areas that affect them, this could cause them to perform their jobs incorrectly. It appears that responsibility for communicating policy changes has not been assigned to an employee.

Recommendation 22

We recommend that the Unit Administrator of the Maxwell Museum assign an employee the responsibility for communicating policy changes to the staff.

Response from the Interim Director of Maxwell Museum of Anthropology

The auditors noted that although it was important for employees to be aware of updates to UBP, there was no clear mechanism by which notification of updates occurred. Recommendation 22 was that the Unit Administrator assign an employee to be responsible for communicating policy changes to the staff. We agree, and have assigned the Administrative Assistant the duty of informing the Museum staff of policy updates and changes. Staff members will sign a document to signify that they have read and understand UBP changes.

GENERAL COMMENTS FROM THE INTERIM DIRECTOR OF MAXWELL MUSEUM OF ANTHROPOLOGY

Thank you very much for meeting with the Unit Administrator and me on November 17 to discuss the results of your audit of cash handling procedures at the Maxwell. We appreciated your willingness to discuss the draft report of your findings and clarify certain of the recommended changes. We hope that you were satisfied with the changes that we had already implemented at the time of our meeting.

CONCLUSION

The Maxwell Museum should enforce University policies and procedures in relation to cash management and internal management controls. Employees should be made aware of the applicable policies, and management should verify that the policies are being followed. The Executive Vice President for Administration should request that the Policy Office revise the Cash Management policy to require employees to attend cash training prior to handling University monies.

APPROVALS



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Approved for Publication



Chair, Audit Committee