

**OFFICE OF GRADUATE STUDIES  
AUDIT OF CASH HANDLING**

**THE UNIVERSITY OF NEW MEXICO**

**Report 2006-43  
March 29, 2006**



The University of New Mexico

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# CONTENTS

**EXECUTIVE SUMMARY ..... 1**

**INTRODUCTION..... 2**

    BACKGROUND ..... 2

    PURPOSE..... 2

    SCOPE ..... 2

**OBSERVATIONS, RECOMMENDATIONS AND RESPONSES ..... 3**

    INVESTIGATION OF THE UNDEPOSITED CHECKS ..... 3

    TWO INDIVIDUALS TO OPEN THE MAIL..... 4

    RECONCILIATION OF REVENUES..... 4

    WRITTEN PROCEDURES..... 6

**CONCLUSION ..... 7**

**APPROVALS ..... 7**

# ABBREVIATIONS

University.....The University of New Mexico  
UBP.....University Business Policies and Procedures Manual

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## **EXECUTIVE SUMMARY**

The Provost requested our assistance in an audit of the Office of Graduate studies due to a situation where 164 checks totaling \$4,068 from 2004 were found in the office of an employee who was out on leave. We were unable to identify who was responsible for not depositing the checks; however, we performed an audit of cash handling to identify necessary internal controls over cash to prevent this from occurring in the future.

We audited the cash handling processes for monies that are received with the graduate student applications. We found that the Office of Graduate Studies had already made changes in their procedures to incorporate verbal recommendations made during the investigational phase of our review. However, we found that they need to: have two people processing checks received in the mail, reconcile the revenues, and update their written procedures.

We also plan to audit the assistantships and scholarships to ensure controls are in place; however, the Office of Graduate Studies is currently revising and changing procedures in those areas, so we will review them at a later date.

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

### **INVESTIGATION OF THE UNDEPOSITED CHECKS**

The Office Of Graduate Studies had \$4,068 of checks from 2004 which had not been deposited. We were unable to determine who was responsible.

### **TWO INDIVIDUALS TO OPEN THE MAIL**

The Office of Graduate Studies should have two people opening the mail and recording monies as they are received. Management stated that they now have two people processing the mail.

### **RECONCILIATION OF REVENUES**

The Office of Graduate Studies should implement procedures to reconcile the application monies received to the applications processed for admissions. Management agreed and is developing a report to implement this recommendation.

### **WRITTEN PROCEDURES**

The Office of Graduate Studies should update their written procedures to include recommendations from this report. Management agreed and has updated their procedures.

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## **INTRODUCTION**

### **BACKGROUND**

The Provost requested our assistance in an audit of the Office of Graduate Studies due to a situation where 164 checks totaling \$4,068 dated from 2004 were found in the office of an employee who had been out on leave. We were unable to identify who was responsible for not recording or depositing the checks.

The Office of Graduate Studies is responsible for receiving and processing the applications for all graduate students. There is a \$40 fee for most graduate students and a \$10 fee for non-degree students. For the 2005 calendar year, the Office of Graduate Studies received \$41,000 in application fees. The University of New Mexico (University) offers graduate degrees and certificate programs in a variety of fields and disciplines. The University offers 36 doctoral programs, 64 different Master's Programs, Master of Fine Arts Programs in four areas, and four different Education Specialist Programs and Graduate Certificate Programs. Approximately 4,000 applications are processed in a typical year.

In addition, the Office of Graduate Studies is responsible for processing all graduate assistantship contracts: teaching assistants, graduate assistants, teaching associates, research assistants, and project assistants.

The Office of Graduate Studies is also responsible for the distribution of most graduate student scholarships, fellowships, and graduate research and development monies.

We plan to audit the assistantships and scholarships to ensure controls are in place; however, the Office of Graduate Studies is currently revising and changing procedures in those areas, so we will review them at a later date.

### **PURPOSE**

The purpose of our audit was to review cash handling at the Office of Graduate Studies and determine if there were additional internal controls that they should implement.

### **SCOPE**

Our audit procedures were limited to reviewing the cash processes at the Office of Graduate Studies. The fieldwork was completed on March 8, 2006.

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## **OBSERVATIONS, RECOMMENDATIONS AND RESPONSES**

### **INVESTIGATION OF THE UNDEPOSITED CHECKS**

In December of 2005, the Office of Graduate Studies staff found a locked bank bag containing 164 checks totaling \$4,068 from 2004. The checks were from donors, applicants paying their admissions fees, and CollegeNet (the company that accepts web payments for admissions). The bank bag was found in the office of an employee who was out on personal leave. The staff searched the employee's office because CollegeNet was inquiring about a check they had written to the University in 2004 that had not cleared their bank.

At the request of the Provost, we did the following to determine if all applicant fees had been deposited and to identify who was responsible for not depositing the checks in a timely manner.

- We reviewed the contents of the office where the checks were found to see if there were any other undeposited checks or additional information regarding the checks found. We removed a computer, the computer disks, and some other miscellaneous financial records. We made copies of the hard drive and returned the computer. We did not find any exceptions or concerns on the computer disks, hard drive, or financial records.
- We reviewed the University system that documents if the application fee was paid, unpaid, or waived. The system allows students who have not paid to be accepted and take classes.
- We reviewed the cash processes at the Office of Graduate Studies to determine whether there were other deposits missing. We found several control weaknesses including: numerous employees handling the checks before they were deposited, individuals who were both receiving the monies and processing the applications, deposits that were not being made on a daily basis, and checks that were not kept in secured area until they were deposited.
- We interviewed selected employees about the processes for handling checks at the Office of Graduate Studies.

We were unable to determine who was responsible for not depositing the monies in the bank bag and if there were other monies that had not been deposited.

During this process, we made verbal recommendations to the Office of Graduate Studies to increase their internal controls over the receipting and depositing of the fees. These controls were implemented immediately.

## **TWO INDIVIDUALS TO OPEN THE MAIL**

At the Office of Graduate Studies, the receptionist is opening the mail (which includes graduate applications and payments), endorsing the checks, and making the deposits on a daily basis. Section 3.2.2. "Cash Management," Policy 7200, UBP, states that "Where the recording of monies cannot be observed by the person making payment, two (2) individuals must be present when: opening mail; ... and recording monies." Without another person to observe, the receptionist could take monies and it would not be detected immediately.

### **Recommendation 1**

We recommend that the Office of Graduate Studies have a second individual present when the receptionist is opening the mail and processing the checks for deposit.

### **Response from the Interim Dean of the Office of Graduate Studies**

*We concur with the recommendation.*

*The part-time receptionist at the Special Initiatives Office has moved to the main office and will now assist with the processing (opening) of mail during the two deliveries (am & pm). By the end of Spring semester, 2006, all graduate and graduate non-degree application processing will be transferred to the Office of Admissions. Although it will be a gradual transition, application fees will eventually be sent directly to that office so the volume of mail and money handling coming to the Office of Graduate Studies will be significantly decreased. Nonetheless, we will maintain our procedure of having two individuals present when mail is opened and checks are logged.*

## **RECONCILIATION OF REVENUES**

At the time of our review, the Office of Graduate Studies did not have a method to reconcile the daily receipts to the number of applications processed. Section 3. "Cash Management," Policy 7200, UBP, states that, "Internal control is necessary to prevent or detect any possible errors or irregularities involving monies. Internal control requires accountability to be maintain by: ...reconciling accounts." It is necessary to reconcile the money received to the applications processed so that you can identify if there is any money that was not deposited.

There are situations where a student is not required to pay the application fee, and it is "waived." The "waived" student applications were not being reviewed or approved by any one other than the employee who processed the application. Without a review, someone could waive the fee on the system and take the money without the theft being detected.

The reconciliation was not being done because, although the monies were being deposited on the day they were received, the applications were often processed several days later. Therefore, they could not reconcile the number of application payments received for the day to the number of applications processed. The waived fees applications were not reviewed because there was not a report generated that identified which applications, or how many applications, had the fees waived.

The employee who handles the information systems for the Office of Graduate Studies stated that he could generate a daily activity report that would include the applications processed and the detail of which applications were for degree status, non-degree status, and which applications had the fees waived. With this report, the supervisor can reconcile the number of applications processed to the number of application fees deposited each day and also review the files for applications fees that were waived to ensure that they are appropriate.

### **Recommendation 2**

We recommend that, at the end of each month, an Office of Graduate Studies supervisor reconcile the number of applications processed to the number of application fees deposited each day.

### **Response from the Interim Dean of the Office of Graduate Studies**

*We concur with the recommendation.*

*This will be accomplished with the Banner report that the OGS Systems Analyst and Associate Director are currently developing. The report will include the daily admissions applications entered into Banner and the method of payment (check, waiver, etc.).*

*This report will provide the data necessary to reconcile all incoming applications and fees. The Associate Director (or equivalent supervisor) will review the report each month to ensure that waivers are granted according to published policy. When application processing is transferred to the Office of Admissions, this report will continue to be generated and reviewed there.*

*Although Banner Admissions implementation and report generation are still in development, we expect that the monthly report and review will be fully operational by February, 2007.*

### **Recommendation 3**

We recommend that, at the end of each month an Office of Graduate Studies supervisor review the daily activity report and verify that the fees waived were appropriate.

### **Response from the Interim Dean of the Office of Graduate Studies**

*See the response from Recommendation 2.*

## **WRITTEN PROCEDURES**

The Office of Graduate Studies has written cash procedures that need to be updated to include the audit report recommendations. Written procedures inform employees of the processes and procedures, and help ensure that the internal controls are applied on a consistent basis. Without written procedures, a change in personnel could result in a breakdown of controls and a recurrence of problems such as undeposited checks.

### **Recommendation 4**

We recommend that the Office of Graduate Studies update their written cash procedures to include the audit report recommendations.

### **Response from the Interim Dean of the Office of Graduate Studies**

*We concur with the recommendation.*

*OGS written procedures for application fee processing have been created, including the new requirements for (1) at least two people present when mail is opened to ensure proper handling of any checks or currency received, (2) monthly reporting, and (3) monthly review and reconciliation of fees received. These written guidelines will be reviewed annually beginning in December 2006, and whenever there is a change in relevant procedures or personnel.*

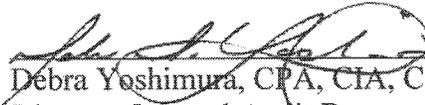
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## CONCLUSION

We audited the cash handling processes for monies that are received with the graduate student applications. We found that the Office of Graduate Studies had already made changes in their procedures to incorporate verbal recommendations made during the investigational phase of our review. However, we found that they need to: have two people processing checks received in the mail, reconcile the revenues, and update their written procedures.

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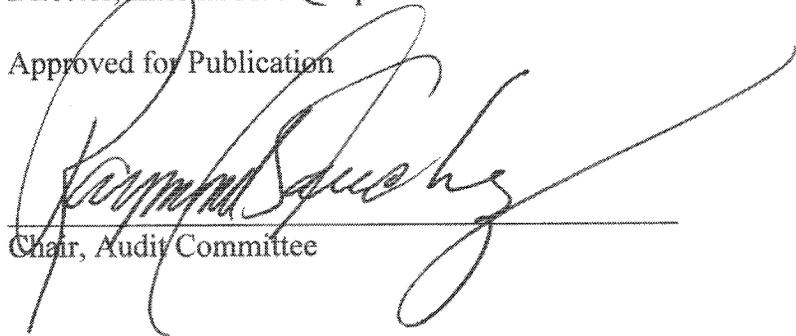
## APPROVALS



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Approved for Publication



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