

**EMERGENCY MEDICAL SERVICES ACADEMY
AUDIT OF CASH HANDLING**

UNIVERSITY OF NEW MEXICO

**Report 2006-40
June 30, 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
TRAINING	3
PETTY CASH FUND.....	3
Funds Intact.....	3
Replenishing the Petty Cash Fund	4
Reimbursement Limitations.....	5
Reconciliation	5
CASH MANAGEMENT INTERNAL CONTROLS.....	6
Restrictive Endorsements.....	6
Opening Mail	6
Training.....	7
PROPERLY DEPOSITING FUNDS INTO UNIVERSITY ACCOUNTS	7
EXPENDITURES.....	9
CONCLUSION	10
APPROVALS.....	10

ABBREVIATIONS

EMS Academy.....	Emergency Medical Services Academy
EMSA.....	Emergency Medical Services Academy
EVPA.....	Executive Vice President for Administration
JOE.....	Joint Organization on Education
PCI.....	The Payment Card Industry Data Security Standard
UBP.....	University Business Policies and Procedures Manual
University.....	University of New Mexico
UNM.....	University of New Mexico

EXECUTIVE SUMMARY

The Emergency Medical Services Academy (EMS Academy) is a division of Department of Emergency Medicine at the University of New Mexico (University) Health Sciences Center. The EMS Academy offers training to men and women in the field of pre-hospital emergency medicine. Our audit was limited to a review of cash controls and related internal management control procedures at EMS Academy.

University employees should be trained in cash handling procedures. The EMS Academy 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 following summary provides management with an overview of conditions requiring attention.

TRAINING

The Acting President should require University employees to attend cash management training prior to handling University monies. The Acting President responded that Employee and Organizational Development in conjunction with Financial Services will develop cash management training.

PETTY CASH FUND

The EMS Academy should require the Petty Cash Fund Custodian to properly maintain the fund and reimburse the fund in a timely manner. The EMS Academy Director responded they will make the necessary changes to make cash handling more secure.

CASH MANAGEMENT INTERNAL CONTROLS

The EMS Academy should make sure that its employees are properly safeguarding and handling monies received through the department. The EMS Academy Director responded they will implement secure cash handling procedures.

PROPERLY DEPOSITING FUNDS INTO UNIVERSITY ACCOUNTS

The EMS Academy should no longer allow its employees to charge personal long distance calls to the University and any University monies should be deposited into the proper University accounts. The EMS Academy Director agrees and will implement the changes.

EXPENDITURES

The EMS Academy should receive approval from the Executive Vice President for Administration for expenditures that may need an exception to policy. The EMS Academy Director agrees and will ask for exceptions when appropriate.

INTRODUCTION

BACKGROUND

The EMS Academy, a division of the Department of Emergency Medicine, provides education, service, and research in the field of emergency medical services throughout New Mexico. For classes offered in Albuquerque, payments are made at the EMS Academy. For classes offered outside of Albuquerque, instructors collect the tuition and send it to the EMS Academy at the University. Between August 26, 2005 through October 3, 2005, \$260 was found missing from student fees. These monies were paid in person for a refresher course at the Albuquerque site. This theft was reported to the University Police. For fiscal year 2005, the EMS Academy received \$476,517 in revenue for training classes.

PURPOSE

The purpose of our audit was to determine if proper cash control and internal management control procedures are in place to decrease the likelihood of thefts at EMS Academy in the future.

SCOPE

Our audit was limited to a review of the cash handling and internal management control procedures at EMS Academy. The fieldwork was completed on May 30, 2006.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

TRAINING

The University does not have a written policy requiring employees who handle cash to attend cash management training prior to handling University monies. Therefore, untrained employees are often given the responsibility to handle cash. For fiscal year 2005, 247 University departments deposited a total of \$320,024,775 through the Bursar's Office. If employees are not properly trained in the handling of monies, monies may not be properly secured and could be lost or stolen.

Recommendation 1

We recommend that the Acting President request that the Policy Office revise the Cash Management policy to require employees to attend cash management 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 and Organizational Development coordinate the training. The training should be presented frequently to avoid delays in training of new employees.

Response from the Acting President

Employee and Organizational Development is working with Financial Services to offer cash management training to UNM employees who handle cash. The training should be available on or before January 1, 2007, and the "Cash Management" policy will be revised at that time to require cash management training.

PETTY CASH FUND

Section 1. "Petty Cash Fund" Policy 7210, University Business Policies and Procedures Manual (UBP), states that "A Petty Cash Fund is used either to reimburse an employee who made authorized purchases for the department out of personal funds or to advance cash to an employee to make an authorized purchase for the department. All Petty Cash purchases must be approved in advance by the employee's supervisor."

Funds Intact

Section 4. "Petty Cash Fund" Policy 7210, UBP, states that "The Fund Custodian is responsible for insuring that the total amount of the fund is intact at all times..." The petty cash fund for the EMS Academy is \$150. At the time of our count, the fund totaled \$160. The staff explained that they co-mingled the petty cash fund with other non-University monies because sometimes the petty cash fund does not have enough money to reimburse employees or to advance cash. This indicates that the fund may not be large enough for the department's petty cash needs. The non-

University monies are donations to the department to use for expenditures that are not allowable under University policy.

Recommendation 2

We recommend that the Director of EMS Academy work with the EMS Academy employees to reevaluate the petty cash needs and contact the Controller's Office to increase the fund, if necessary. In addition, we recommend that the EMS Academy discontinue co-mingling University funds with non-University funds. These funds should function independently of one another.

Response from the Director of EMS Academy

EMSA management agrees with this finding and recommendation. The EMS Academy Director will meet with the Petty Cash Custodian and EMSA Accountant on June 22, 2006 to review petty cash needs. If an increase is necessary, we will contact the Controller's Office by June 29, 2006. The EMS Academy no longer co-mingles University and non-University funds. This practice was discontinued immediately upon the Petty Cash Custodian's meeting with the internal auditor.

Replenishing the Petty Cash Fund

Section 6. "Petty Cash Fund" Policy 7210, UBP, states that "Fund Custodians should replenish the Petty Cash Fund within ten (10) days of the date of purchase." The Petty Cash Fund Custodian is not replenishing the fund timely because she does not take the time for this task and/or she is not receiving receipts from EMS Academy employees in a timely manner. This may result in the expenses not being posted in the appropriate accounting period and not having petty cash on hand when needed.

Recommendation 3

We recommend that the Director of the EMS Academy require the Fund Custodian to replenish the fund in a timely manner and require employees to turn in receipts for reimbursement within ten days of the date of purchase. Management should verify that this is being followed.

Response from the Director of EMS Academy

EMSA management agrees with this finding. An internal policy requiring the recommended actions will be developed and implemented by July 31, 2006.

Reimbursement Limitations

Section 1. “Petty Cash Fund” Policy 7210, UBP, states that “A Petty Cash Fund may be used for departmental purchases of \$100 or less per day/per vendor without having to go through the normal *procurement* procedures.” The petty cash fund is being used for department purchases over \$100, which does not follow normal procurement procedures. If employees spend more than \$100, management should reimburse the employees through the Banner financial system instead of using petty cash.

Recommendation 4

We recommend that the Director of EMS Academy ensure that EMS Academy employees follow University policy regarding spending limits of petty cash funds. Expenditures over \$100.00 are reimbursable expenses through the Banner financial system, and are not petty cash purchases.

Response from the Director of EMS Academy

EMSA management agrees with the finding and recommendation. The policy will be distributed and discussed at the July staff meeting on July 14, 2006.

Reconciliation

Section 4. “Petty Cash Fund” Policy 7210, UBP, states that “The Fund Custodian...should reconcile the Petty Cash Fund once a week. The UNM Petty Cash Fund Reconciliation form (**Exhibit A.**) should be used for this purpose. The Reconciliation form must be signed by the Fund Custodian and maintained for two (2) years.” The Fund Custodian did not reconcile the petty cash fund weekly because she was not aware that this was required. The purpose of the reconciliation is to determine that the fund is intact. At the time of our count, the fund was not intact.

Recommendation 5

We recommend that the Director of EMS Academy ensure that the petty cash fund is reconciled weekly, signed by the Fund Custodian, and maintained for two (2) years.

Response from the Director of EMS Academy

EMSA management agrees with the finding and recommendations. The fund custodian began weekly reconciliation of the petty cash fund upon meeting with internal auditors. The reconciliation will be signed and maintained for 2 years effective immediately.

CASH MANAGEMENT INTERNAL CONTROLS

Section 1. “Cash Management” Policy 7200, UBP, states that “For the purposes 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.”

Restrictive Endorsements

Section 3.2.3. “Cash Management” 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.” Checks are not restrictively endorsed when received at the front desk because the EMS Academy staff thought that endorsing the checks when processing payments was adequate. Checks that are not properly endorsed could be stolen and cashed.

Recommendation 6

We recommend that the Director of the EMS Academy ensure that employees who collect monies have access to an endorsement stamp so that checks can be endorsed immediately upon receipt.

Response from the Director of EMS Academy

EMSA management agrees with the finding and recommendations. The EMSA has already obtained a second endorsement stamp to be located at the front desk. All employees who handle payment will be advised of this procedure at the July staff meeting on July 14, 2006.

Opening Mail

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 present when opening mail that contains monies. Such a situation increases the chance of monies being taken prior to preparing the money list and depositing the monies. It appears that the employee who handles these monies was not aware of the cash handling management policies requiring two individuals to be present when opening mail.

Recommendation 7

We recommend that the Director of EMS Academy assign two individuals the task of opening mail that contains monies.

Response from the Director of EMS Academy

EMSA management agrees with the finding and recommendation. Two individuals are now present when mail containing monies is opened. This began upon receipt of the draft audit report.

Training

The Payment Card Industry Data Security Standard (PCI) 9.9 states that management should “Maintain strict control over the storage and accessibility of media that contains cardholder information:...” Only one employee knows how to process credit card payments and if she is not available, the credit card numbers are written in the receipt book or on the application form to be process at a later time. To comply with the PCI standards, EMS Academy would need to limit access to the application forms and the receipt book.

Instead of limiting access to receipt book and application forms, management should train other employees to process credit card payments. This eliminates the need to record the credit card number. Training other employees also ensures that credit cards are processed at the time of payment and prevents business interruption.

Recommendation 8

We recommend the EMS Academy train other employees to accept credit card payments.

Response from the Director of EMS Academy

EMSA management agrees with the finding and recommendation. As soon as training is available, at least 2 other individuals will be trained to process credit card payments. The EMS Academy is also working with the Bursar’s office to determine feasible methods of web-based payment.

PROPERLY DEPOSITING FUNDS INTO UNIVERSITY ACCOUNTS

There are two situations where University monies are not properly deposited into University accounts: reimbursement for personal long distance calls and vending machine monies.

Section 1. “Long Distance Telephone Calls” Policy 2110, UBP, states that “Only long distance calls for official University business should be charged to the University. Charging long distance telephone calls for personal or other non-University purposes is prohibited and constitutes misuse of University funds. Personal calls made from University telephones must be charged to the caller’s home telephone or personal credit card, to the called party, or to another non-University source. If an emergency situation requires an employee to charge a personal long distance call to the University, the employee must reimburse the University.”

Section 4.2. “Allowable and Unallowable Expenditures” Policy 4000, UBP, states that “Incidental personal use of University property, such as fax machines, copy machines, or cellular phones, etc. is allowed, however, the employee must reimburse the University in a timely manner.”

EMS Academy collects monies from employees for personal reimbursements for personal long distance calls and proceeds from a vending machine. Instead of depositing these monies into a University account, they are using the monies on unallowable expenses. The monies appeared to be about \$370 from 1997 through 2005.

For the convenience of their employees, the EMS Academy allows employees to make long distance calls using the University phone system. Employees are required to reimburse the EMS Academy for these personal calls; however, the reimbursements are used for unallowable expenditures instead of being deposited with the Bursar’s Office. In addition, monies collected from a vending machine are handled in the same way. The EMS Academy should deposit these monies into the University account from which the expense was made, otherwise the monies are not being properly recorded.

Recommendation 9

We recommend that the Director of the EMS Academy determine the amount of money collected from personal long distance calls and the vending machine, and deposit these monies into a University account.

Response from the EMS Academy Director

EMSA management agrees with the findings and recommendations. The EMSA accountant will determine the amount of money to be deposited and deposit it into the proper University account by August 31, 2006.

Recommendation 10

We recommend that the EMS Academy no longer allow its employees to charge personal long distance calls to the University.

Response from the EMS Academy Director

EMSA management agrees with the findings and recommendations. EMSA staff has been advised that long distance phone calls via University telecommunications are not permitted. This will be reiterated in the July staff meeting on July 14, 2006.

EXPENDITURES

Section 5. "Allowable and Unallowable Expenditures" Policy 4000, UBP, states that "Any exceptions to this policy which are not otherwise provided for must be approved, in advance, in writing by the Vice President for Business and Finance [Executive Vice President for Administration (EVPA)]." The EMS Academy requested a blanket approval for EMS Academy retreats, journal club meetings, paramedic graduation, Joint Organization on Education (JOE) and Medical Director meetings, and in-service training session for instructors and staff of EMS Academy. This request was approved by the Chairman of the Department of Emergency Medicine and the Dean of the School of Medicine as opposed to the EVPA. The department did not realize that such approval needed to be approved by the EVPA. Without the proper approval, certain expenditures could be denied.

Recommendation 11

We recommend that the EMS Academy Director request approval for expenditures that may need an exception to policy from the EVPA.

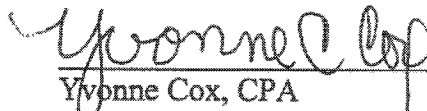
Response from the EMS Academy Director

EMSA management agrees with the findings and recommendation. The EMSA Director, Accountant, and support staff met after the meeting with internal auditors to re-evaluate expenditures for JOE, Medical Direction, and journal club meetings. Refreshments for JOE meetings will only be provided when EMSA staff serves as JOE chair (one out of five years). Refreshments will no longer be provided for journal club meetings. Request for graduation and special events expenditures will be forwarded to the Executive Vice President for Administration effective immediately.

CONCLUSION

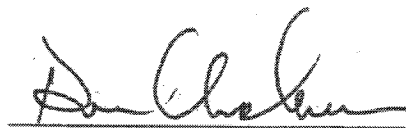
The EMS Academy should enforce University policies and procedures applicable to its operation. Employees should be made aware of University policies and management should verify that the policies are being followed. University employees should be trained in cash handling procedures.

APPROVALS



Yvonne Cox, CPA
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Approved for Publication



Vice Chair, Audit Committee