

**MAXWELL MUSEUM OF ANTHROPOLOGY
AUDIT OF ALLEGATIONS REGARDING BORROWING CASH**

UNIVERSITY OF NEW MEXICO

**Report 2008-13
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Audit Committee Members

Raymond Sanchez, Chair
John M. "Mel" Eaves, Vice Chair
Carolyn Abeita

Audit Staff

G. Christine Chavez, Audit Director
Yvonne Cox, Audit Manager

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ABBREVIATIONS

Association.....	Maxwell Museum Association
Maxwell Museum.....	Maxwell Museum of Anthropology
UBP.....	University Business Policies and Procedures Manual
University.....	The University of New Mexico
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

Internal Audit received a complaint that the Unit Administrator for the Maxwell Museum of Anthropology (Maxwell Museum) was taking money from the Maxwell Museum Store change fund. We performed a cash count at the Maxwell Museum and reviewed other financial transactions to determine whether the allegation was true and whether other financial areas were impacted.

In summary, the Unit Administrator, who was responsible for implementing and maintaining good cash controls, borrowed \$180 from the change fund, and used cash from the donation box to purchase potentially unallowable items and to cash personal checks. In addition, the Maxwell Museum was not following University cash policies even though we addressed cash issues in an audit report *Maxwell Museum of Anthropology Audit of Cash Handling, Report 2006-10* dated December 22, 2005. This indicates that the Unit Administrator did not assure that cash policy was followed and the former Interim Director did not oversee the Unit Administrator's activities.

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

PROPER HANDLING OF THE DONATION BOX

The donation box should be secured by requiring a two-person process to access the monies. The Director of the Maxwell Museum responded that he will change the process to require a two-person process to access the donation box.

OUTSIDE ORGANIZATION

The Director of the Maxwell Museum should work with the Maxwell Museum Association Board and the University Counsel to determine whether the current agreement complies with State statutes. The Director of the Maxwell Museum responded that he will work with University Counsel and the Maxwell Museum Association to assure that the current agreement complies with State statutes.

CASH MANAGEMENT INTERNAL CONTROLS

The Maxwell Museum staff should familiarize themselves with University cash policies so that they can make appropriate changes to Maxwell Museum procedures. The new procedures should be documented in a manual. The Director of Maxwell Museum responded the Museum Accountant would draft policies and procedures for internal cash management that will meet or exceed UNM policies.

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.”

Maxwell Museum receives cash and cash equivalents from a donation box at the entrance to the museum and through sales of merchandise in the Maxwell Museum Store. For fiscal year 2007, donations received from the donation box were \$566, and store sales were \$35,931.

After having an interim director for several years, Maxwell hired a permanent director in December 2007.

In December 2005, we issued *Maxwell Museum of Anthropology Audit of Cash Handling Report 2006-10*. We addressed the recommendations to the former Interim Director. He responded that the Unit Administrator would make the appropriate adjustments to the cash handling processes at the Maxwell Museum, including educating staff about University cash policies. Subsequently, the Unit Administrator shared documentation with the Internal Audit Department that indicated the Maxwell Museum had made the appropriate changes to address cash management issues identified in the audit report.

The current report has repeat findings from the December 2005 report which indicates the Unit Administrator did not continue the processes she developed and the former Interim Director did not properly oversee the function to assure that the Maxwell Museum was in compliance with University cash management policies.

Because of the issues discussed in this report, the Director worked with the Human Resources Department to appropriately discipline the Unit Administrator. The Unit Administrator resigned on April 30, 2008.

PURPOSE

In February 2008, we received an allegation that the Unit Administrator was taking money from the change fund. The purpose of our audit was to determine if the allegation regarding the inappropriate use of the change fund was accurate and to determine whether there were other financial issues at Maxwell Museum.

SCOPE

Our audit was limited to a review of the allegation, a review of other financial areas over which the Unit Administrator had control and other issues that came to our attention during the audit. Our work was completed on April 30, 2008.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

KEEPING THE CHANGE FUND INTACT

Personal Loans

The Unit Administrator borrowed \$180 from the Maxwell Museum Store's change fund. The Unit Administrator is responsible for the Maxwell Museum Store including supervising the gift shop attendants, who are student employees. The Unit Administrator has access to the safe where the change fund is kept when it is not in the cash register.

Per the *Daily Drawer Count*, which is a count of the contents of the cash drawer, on February 12, 2008, the \$300 change fund was short \$180 when the gift shop attendants opened the store. The Unit Administrator stated that she borrowed \$180 from the change fund when it was in the safe because she lost her wallet. Per the *Daily Drawer Count*, the Unit Administrator replaced the \$180 on the morning of February 14, 2008.

Per University policy, employees may not borrow money from University funds. Section 4.9. "Allowable and Unallowable Expenditures" Policy 4000, University Business Policies and Procedures Manual (UBP) states, "No advances or loans to employees may be made, unless approved by other University published policy such as the University's travel policy or any deferred payment program specifically approved by the Board of Regents."

In addition, University policy states change funds must be intact at all times. Per Section 1.2. "Cash Management" Policy 7200, UBP, "Change funds should only include cash and must be intact at all times." When the Unit Administrator borrowed the \$180, the fund was not intact.

Holding Cash from the Change Fund

On two occasions, the Unit Administrator took cash from the change fund when it was in the safe to allegedly get change but she did not bring the change back until several days later. On December 18, 2007, the change fund was \$50 short at the time the store opened, per the *Daily Drawer Count*. The money was returned on December 21, 2007. On January 29, 2008, the drawer was short \$85 per the *Daily Drawer Count* when the store opened. The money was returned on January 31, 2008. In both situations, the Unit Administrator had taken the money and returned the funds. When we asked her about these incidents, she stated that she took the money from the safe because the change fund needed change. She stated that she did not return the cash immediately because she got busy and did not get to the bank for the change.

It is not standard operating procedure to hold cash for several days when getting change for the cash drawer. The usual process for getting change is an employee takes cash from the cash drawer and goes immediately to the UNM Cashiers Office for change.

Per University policy, change funds must be intact at all times. Section 1.2, Cash Management” Policy 7200, University Business Policies and Procedures Manual (UBP) states “Change funds should only include cash and must be intact at all times.” On the two occasions when the Unit Administrator kept the monies for several days, the change fund was not intact.

Because the Unit Administrator resigned, we have no recommendation for the two findings in this section.

PROPER HANDLING OF THE DONATION BOX

Making Purchases from the Donation Box

On at least three occasions, the Unit Administrator instructed an employee to take cash from the donation box to use for one unallowable and two potentially unallowable expenses. The Maxwell Museum does not charge an entrance fee; instead, they have a donation box for visitors.

The Unit Administrator asked an employee to use the money from the cash box for the following purchases:

- A birthday cake.
- A \$50 gift certificate for a private individual who loaned items to the Maxwell Museum.
- A \$30 reimbursement to pay for gasoline for someone who ran errands for the Maxwell Museum.

Birthday cakes cannot be purchased through the University as they are unallowable expenses. It is unclear whether the University would have paid for the gift certificate and the gasoline as the money was taken from the donation box instead of processing the expense through the University accounting system.

Using the donation box cash or any university money for personal purchases is prohibited by University policy. Section 4.2 “Allowable and Unallowable Expenditures” Policy 4000, UBP states:

Expenditures of any type for personal benefit, other than salary and benefits to which employees are entitled under the University's personnel and faculty policies, *are prohibited*.

These purchases also violate University's cash policy. Section 2. "Cash Management" Policy 7200, UBP states:

Monies received should be deposited at the University Cashiers Department intact the next working day following receipt. When less than \$50 is involved, monies may be accumulated up to a week. 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.

Recommendation 1

The Unit Administrator should reimburse the University for these expenses. If the expenses are appropriate, she can be reimbursed through the University reimbursement process.

Response from the Director of the Maxwell Museum of Anthropology

The Unit Administrator has resigned and the cost of the birthday cake is unknown. However, the director will inform the staff that University monies cannot be used for personal purchases such as birthday cakes.

It is the understanding of the museum that the \$50 gift certificate and \$30 reimbursement for gasoline were authorized and legitimate expenses; however we acknowledge that it was inappropriate to take money from the donation box to pay these expenses. These expenses will be appropriately processed through the University accounting system and \$80 will be redeposited in the donation box account. This process will be initiated prior to the end of FY 08 (July 1, 2008) and the process should be complete by the end of August 2008.

Cashing Personal Checks from the Donation Box

The Unit Administrator cashed her personal checks and personal checks for others using the cash in the donation box. The Unit Administrator took out cash from the donation box and left her check in the box. We noted that other employees' checks were also in the box. Our understanding is that the Unit Administrator cashed these checks for the other employees.

This check cashing violates the University's cash policy. Section 2. "Cash Management" Policy 7200, UBP states:

Monies received should be deposited at the University Cashiers Department intact the next working day following receipt. When less than \$50 is involved, monies may be accumulated up to a week. 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.

Recommendation 2

The Director should assure that the keys to the donation box can only be accessed by a process that includes two people. This can be accomplished by putting the keys in a locked box in a locked safe. One person should have access to the safe but should not have keys to the box. The other person has keys to the box but does not know the combination to the safe.

Response from the Director of the Maxwell Museum of Anthropology

The Museum safe has been moved from an administrative area that was accessed by many employees to the office of the administrative assistant. The lock on this door has been changed and only two employees (the administrative assistant and museum director) have keys to the office. The key to the donation box will be kept in a keyed lock-box that will be kept in the safe.

One set of employees will be given the combination to the safe and another set of employees will have the keys to a locked box within the safe. Access to the donation box will always require two people – one to open the safe and another to open the lock box within the safe. Two employees always will be required to remove and record the contents of the donation box and deposit its contents in the safe.

It is not possible to limit this procedure to only two individuals, because either one or both employees may be on leave or unavailable when the museum is open on Saturdays and some holidays. Additional employees will be cross trained in these procedures to ensure the donation box can be emptied and monies received will be deposited at the University Cashiers Department intact the next working day following receipt. If less than \$50 is involved, monies may accumulate up to a week before a deposit is made. Donation box proceeds are typically small and the Accountant and Unit Administrator will analyze these procedures and donation box proceeds to identify problems.

The Director will reinforce understanding of these policies and procedures verbally in a Museum Staff meeting so that all employees are informed that one individual alone is not authorized to access the donation box. This policy will be also reiterated in the Maxwell Museum's written cash handling policies and procedures currently being drafted. It is anticipated that these policies and procedures and employee training should be complete no later than the end of July 2008.

Recommendation 3

The Director should notify the staff that they can no longer cash checks at the Maxwell Museum.

Response from the Director of the Maxwell Museum of Anthropology

In an email sent May 22, 2008, the Museum Director informed all Maxwell Museum employees that they are not permitted to cash checks at the Maxwell Museum. The Director will reinforce this orally and in writing in the June 2008 Museum Staff meeting. This policy will be also reiterated in the Maxwell Museum's written administrative policies and procedures that should be adopted by the end of July 2008.

OUTSIDE ORGANIZATION

Petty Cash from an Outside Organization

The Unit Administrator received and did not track a \$400 temporary petty cash fund from the Maxwell Museum Association (Association). The Association is an outside organization that raises monies to be used by the Maxwell Museum; the Association has a separate bank account. In October 2007, the Unit Administrator was making purchases for a Maxwell Museum event and requested that the Association give her an advance to be used as a petty cash fund for these purchases. She also had an agreement that she would reimburse herself for any unallowable expenses that were not covered under University policy. An example of this is gross receipts tax on purchases of alcoholic beverages which were used for Maxwell Museum events. The Unit Administrator kept the \$400 in her bank account and did not have a separate accounting for the monies. When questioned about the monies, she stated that, since the check from the Association was written personally to her, it did not involve the University. She returned the monies, net of gross receipts tax paid on alcoholic beverages, after the audit was started.

The above situation violates University policy. Section 2. "Allowable and Unallowable Expenditures" Policy 4000, UBP states:

University employees may not directly control, expend funds, or be reimbursed from affiliated organization accounts for University business unless the funds are transferred to an appropriate University account.

Recommendation 4

The Director should inform both the Maxwell Museum staff and the Association Board that any monies given to University employees must be deposited into a University bank account before making purchases or distributing the monies to the employees.

Response from the Director of the Maxwell Museum of Anthropology

In an email sent May 22, 2008, the Museum Director informed all Maxwell Museum employees that any monies given to University employees must be deposited into a university bank account before making purchases or distributing the monies to the employees. The Director will reinforce this orally in the June 2008 Museum Staff meeting. This University regulation will be reiterated in the Maxwell Museum's written cash management policies and procedures that should be completed and adopted by the end of July 2008. The Director has requested that this topic be placed on the agenda for the next meeting of the Maxwell Museum Association Board.

Association Parking Permits

The Unit Administrator and the Coordinator for Public Programs were using Association Board permits to park in spaces designated for museum visitors. UNM Parking Services allows Maxwell Museum to have a limited number of parking spots for their museum visitors. To park in these spots, the visitor must get a temporary permit from the Museum staff.

UNM Parking Services issued special permits to the Association Board Members so that they also could park in the spaces assigned for visitors. The intent is that when the board members occasionally come on campus for board meetings, they can find parking.

We were told that the Unit Administrator and the Coordinator for Public Programs are both members of the Board. However, they are University employees first and board members second. These space are not for daily employee parking but for the visitors.

Recommendation 5

The Director should inform the employees that they cannot use the visitor spaces, no matter what type of permit is made available to them. If the Association has more permits than Board members, the excess permits should be returned to UNM Parking Services.

Response from the Director of the Maxwell Museum of Anthropology

*On March 20, 2008, the Director orally informed the Maxwell Museum Staff at an all-staff meeting that visitor parking spaces are for use by Museum visitors only. This was reiterated in an all staff email (May 13) that emphasized that visitor parking excluded faculty, staff, students, and volunteers. The number of Maxwell Museum Association Board passes will be ascertained and their distribution restricted to **elected** MMA Board Members only (thus excluding designated ex-officio faculty and staff and UNM employees appointed to the Board by the University President).*

Agreements with Outside Organizations

The relationship between the University and the Association and its subcommittee for Clark Field Archive and Library has not been recently reviewed by the University to determine whether it complies with University policies and New Mexico State statutes.

The Association's purpose is "...to encourage maximum public participation in the programs of the Maxwell Museum..." The Association has its own board and its own bank account. They do not have a memorandum of understanding with the University.

The Clark Field Archive and Library is under the supervision of the Maxwell Museum and the Department of Anthropology. An Association board member set up bank accounts which are separate from the Association bank accounts. He has deposited fundraising proceeds for the Library in these accounts; he stated the fundraising is on behalf of the Clark Field Archive and Library.

Recommendation 6

The Director should work with University Counsel and the Association board to assure that the current agreement between UNM and the Association complies with current statutory requirements.

Response from the Director of the Maxwell Museum of Anthropology

Prior to the end of FY 08 the Museum Director will contact University Counsel to arrange a meeting with the MMA Board to review the current agreement between UNM and the MMA. All parties will reevaluate the current agreement and modify it as necessary to comply with statutory requirements based on the recommendations of University Counsel. It may take several months to complete this task because it requires input from all the stakeholders. The goal is to have a signed agreement by December 31, 2008.

CASH MANAGEMENT INTERNAL CONTROLS

In the December 2005 audit report, we recommended that the Maxwell Museum make changes to cash handling so that their processes would be in line with University policy. Many of the changes did not continue past the time of our follow-up. Since most of the following findings were identified in an earlier audit report, we are summarizing the issues in this report.

- **Safekeeping of monies.** When the Gift Shop Attendant 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.
- **Depositing/recording monies.** Monies collected from the Maxwell Museum Store are accumulated and deposited weekly even when they are in excess of \$50. This is also true of monies from the donation box.
- **Restrictively endorsing checks.** The Maxwell Museum staff is not restrictively endorsing checks when received.
- **Counting the cash drawer when shifts change.** When there is a shift change, the drawer is not counted to ensure that the register is in balance.
- **Cleaning out the cash register.** When we counted the cash in the cash register, we noted that there was extraneous material under the cash drawer.
- **Segregation of duties.** The accountant makes the deposits for the Maxwell Museum. She also reconciles the indices where the deposits are made. These are incompatible functions.
- **Access to the safe.** At least six people have the safe combination because the store is opened when the administrative offices are not opened.
- **Cross-training.** More than one person needs to know how to process money lists so that when an employee is on vacation, deposits can be made.

Recommendation 7

The Director should ask his staff to compare University policies on cash management and the current cash management at Maxwell Museum. The staff should then make the appropriate adjustments to their processes and document them in an office procedures manual.

Response from the Director of the Maxwell Museum of Anthropology

The Museum Accountant (CPA) has been assigned the task of drafting policies and procedures for internal cash management that will meet or exceed UNM policies for safekeeping monies, deposits and recording monies, restrictively endorsing checks, cash drawer counts at shift changes, keeping the register clean, segregation of duties, and access to the Maxwell Museum safe. The cash management policies and procedures will be reviewed and approved by the Museum Director. A search is currently underway for a new Unit Administrator who will be charged with promulgation, implementation, and oversight of internal cash management policies, procedures, and controls.

All staff will be trained by the new Unit Administrator to comply with cash management policies. All employees responsible for internal cash management will be required to sign and date a copy of the cash management policies and procedures attesting to the fact that they have read, understand, and agree to comply to the Museum's cash management policies and procedures. Beginning in FY 09, the Unit Administrator will report the status of cash management training each year in the Museum's annual report. Administrative staff are currently being cross trained to assure that two or more employees can make deposits and perform other essential cash management tasks when one or more are on leave or otherwise unavailable.

CASH MANAGEMENT TRAINING

The Maxwell Museum staff have not attended cash management training. At the time of the December 2005 audit, the University did not offer cash management training.

Section 1.1. "Cash Management" Policy 7200 states,

Individuals responsible for handling cash and their direct supervisor must take the cash management training course offered by the University Employee and Organizational Development Department. Supervisors are responsible for ensuring that new employees, students and volunteers responsible for monies take the required training as soon as possible after being assigned cash handling duties, but no later than sixty (60) days after the assignment date. Individuals currently responsible for cash handling must complete the cash management training course no later than August 1, 2007.

Recommendation 8

The Director of the Maxwell Museum should require that all employees involved in cash handling attend training.

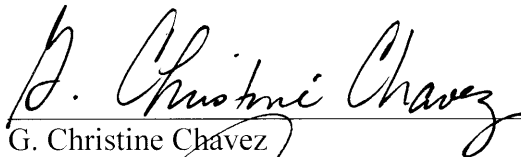
Response from the Director of the Maxwell Museum of Anthropology

There are five positions at the Museum responsible for cash handling: the Unit Administrator, two Gift Shop Attendants, the Administrative Assistant, and Accountant. The Gift Shop Attendants and Administrative Assistant completed UNM's Cash Management class on May 14, 2008. The Accountant completed the course prior to this audit report. The new Unit Administrator and all future employees responsible for cash handling and their immediate supervisors will be required to take this class.

CONCLUSION

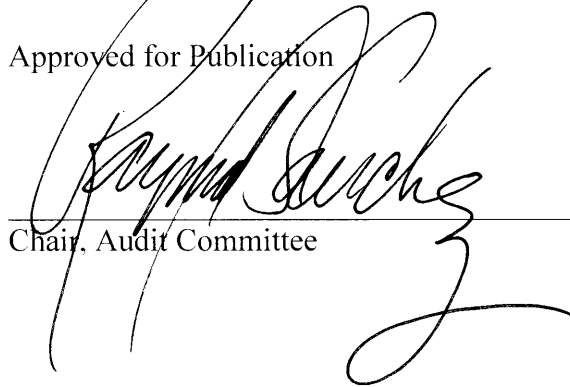
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APPROVALS



G. Christine Chavez
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee