

**DEVELOPMENT OFFICE
REVIEW OF DONATIONS**

THE UNIVERSITY OF NEW MEXICO

**Report 2004-10
October 3, 2005**



The University of New Mexico

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ABBREVIATIONS

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

EXECUTIVE SUMMARY

The Development Office's function is to staff the UNM Foundation Inc. The Development Office directs and manages the fund-raising activities of the University and should therefore be following University policies and procedures applicable to its operation. Our audit was limited to a review of cash control procedures and procedures followed for handling donations. In addition, we reviewed the procedures followed for establishing endowments.

The Development Office should enforce University policies and procedures in relation to cash management, its petty cash fund, and long distance personal calls. Employees should be made aware of the applicable policies and management should verify that the policies are being followed. The following summary provides management with an overview of conditions requiring attention.

CASH MANAGEMENT INTERNAL CONTROL

The Development Office should make sure that its employees follow University policies and procedures regarding the safeguarding and handling of monies received through the department. The Director of Institutional Advancement stated that they will reduce the number of employees who know the combination to the safe, limit access to the keys to the safe, and require employees to endorse checks immediately upon receipt.

PETTY CASH FUND

The Development Office should enforce University policy by requiring its employees to turn in receipts for reimbursement within ten days of the date of purchase. The Vice President of Institutional Advancement stated that they have advised employees that they must turn in receipts within ten days of the date of purchase.

LONG DISTANCE TELEPHONE CALLS

The Development Office should no longer allow its employees the convenience of making personal long distance calls and then reimbursing the University. The Vice President of Institutional Advancement stated that they informed employees that only long distance calls for University business should be charged to the University.

INTRODUCTION

BACKGROUND

The University Development Office's function is to direct and manage the fund-raising activities of the UNM Foundation Inc. Section 1. "Gifts Made To The University" Policy 1030, University Business Policies and Procedures Manual (UBP) states that "The University Development Office staffs the Foundation under the oversight of the Foundation Board of Directors and the Vice President for Institutional Advancement." Section 2. Policy 1030, UBP states that "The Development Office in conjunction with the Foundation Board of Directors and the Vice President for [Institutional] Advancement directs and manages the fund-raising activities of the University."

The UNM Foundation Inc. was established in order to develop private financial support for the University of New Mexico. The UNM Foundation's web-site states that "Although the Foundation exists solely as the nonprofit arm of the University, it operates independently with its own board of directors. All private gifts are received through the Foundation.

PURPOSE

The purpose of our audit was to determine whether controls are in place to ensure that donations received are applied as specified by the donors, to audit the procedures followed for establishing endowments, and to determine that proper cash control procedures are in place.

SCOPE

Our audit was limited to a review of the allocation process for payroll deduction donations and the allocation of donations from outside donors. We also audited the procedures followed to establish endowments, and performed an audit of cash controls. Our review covered the time period from January 1, 2005 through June 30, 2005. The fieldwork was completed on June 30, 2005.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

CASH MANAGEMENT INTERNAL CONTROL

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 maintained by:

- limiting access to monies;
- immediately recording payment transactions;
- segregating duties;
- billing on a timely basis; and
- reconciling accounts.”

Access to Safe

All donations received at the Development Office during the day are placed in a locked safe until the deposit is made the following morning. The safe requires both a key and combination to open. There are as many as five employees in the Development Office who know the combination to the safe. Two individuals have keys to the safe, but these keys are left in the employees’ desk drawers, which are accessible to others. Since the Development Office is not limiting access to the monies, they could be placing their employees in a compromising situation if monies were missing.

The Development Office feels that it is necessary to have several employees who know the combination to the safe because donations that are received in the afternoon must be secured and these donations must be accessible in the morning when the deposit is made.

Recommendation 1

We recommend that the Development Office limit the number of employees who know the combination to the safe. Once this is done, we recommend that the combination to the safe be changed.

Response from the Vice President of Institutional Advancement

Currently there are five employees who know the combination to the safe. These include four senior employees in the accounting area and one senior employee in the gift processing area. While it is necessary to ensure that there is always someone available to open the safe, as of the date of this memo, we have taken the necessary action to change the combination to the safe and reduce the number of employees who know the combination to four, including two employees from the accounting area and two employees from the gift processing area.

Recommendation 2

We recommend that the keys to the safe be properly safeguarded so that only the two employees responsible for the keys have access to them.

Response from the Vice President of Institutional Advancement

As of the date of this memo, management has taken the necessary steps to ensure that access to the keys to the safe is limited to the employees responsible for the keys and not accessible to others.

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.” Development Office staff are not restrictively endorsing walk-in donations, which are donations brought in by individual donors or University departments. At the end of the day, these checks are placed in the locked safe and are endorsed the following morning when the deposit is made.

The Development Office thought that endorsing the checks when the deposit was made was adequate.

Recommendation 3

We recommend that each of the employees at the Development Office who is authorized to accept walk-in donations have access to an endorsement stamp so that they can endorse the checks immediately upon receipt.

Response from the Vice President of Institutional Advancement

In the past, checks received as walk-in donations were immediately placed in the employees locked money bag and then transferred to the safe at the end of the day. These checks were endorsed when the bank deposit was prepared the next morning. Employees who accept walk-in donations have access to an endorsement stamp and have already been instructed to endorse checks immediately upon receipt rather than waiting until the bank deposit is prepared.

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 Fund Custodian has been unable to replenish the fund within ten days of the date of purchase because some employees are turning in receipts for reimbursement that are up to five months old. If receipts are not turned in, in a timely manner, the expenses may not be posted in the appropriate accounting period.

Recommendation 4

We recommend that the Development Office enforce this policy by requiring its 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 Vice President of Institutional Advancement

The petty cash custodian normally processes reimbursement requests and replenishes the petty cash fund within ten days of when receipts are received. Management has advised employees that they must turn in receipts within ten days of the date of purchase in order to be reimbursed and will follow-up to ensure that this policy is being followed.

LONG DISTANCE TELEPHONE CALLS

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.” Development Office employees are routinely allowed to make long distance calls using the University phone system. By allowing employees to make long distance personal calls, it is difficult to determine which calls are personal and which are allowable University business long distance calls. In addition, staff must spend its time accounting for these calls.

The Development Office has allowed its employees to make long distance calls as a convenience to the employees. Employees were required to reimburse the Development Office for personal calls made using the University phone system.

Recommendation 5

We recommend that the Development Office follow University policy and no longer allow its employees to charge personal long distance calls to the University.

Response from the Vice President of Institutional Advancement

The Development Office has always required employees to reimburse the University for any incidental personal use of university resources including those for personal long distance calls and personal use of cellular phones and has established procedures to process these reimbursements. As of the date of this memo, management has informed employees that only long distance calls for university business should be charged to the university and that charging long distance telephone calls for personal or other non University purposes is prohibited and that personal calls should be charged to the caller's home telephone or personal credit card, to the called party, or to another non-university source.

CONCLUSION

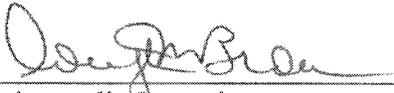
The Development Office should enforce University policies and procedures in relation to cash management, the petty cash fund, and long distance personal calls. Employees should be made aware of the applicable policies and management should verify that the policies are being followed.

APPROVALS



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Approved for Publication



Chair, Audit Committee