

CHAMPIONSHIP AND NORTH GOLF COURSE REVENUE AND RECEIPT AUDIT

THE UNIVERSITY OF NEW MEXICO

Report 2012-05
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ABBREVIATIONS

CGC.....	Championship Golf Course
Golf Courses.....	UNM Golf Courses Department
NGC.....	North Golf Course
POS.....	Point of Sale
SARM.....	Standard Accounting Resource Manual
UBP.....	University Business Policies and Procedures Manual
University.....	University of New Mexico
UNM.....	University of New Mexico

EXECUTIVE SUMMARY

The Internal Audit Department placed the audit of the cash handling processes at the UNM Golf Courses Department (Golf Courses) on the FY 2012 Audit Plan based on interviews conducted with the Golf Courses' employees following a compliance issue brought to our attention. During the course of the interviews, we noted that there were cash handling procedures that did not appear to comply with UBP 7200 "CASH MANAGEMENT" requirements.

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

RESTRICTING ACCESS TO CASH

The Director of the Golf Courses should restrict access to cash to only those employees receiving the monies. The Director of the Golf Courses concurs. He will restrict employee access to cash.

SEGREGATION OF CASH MANAGEMENT DUTIES

The Director of the Golf Courses should ensure employee's duties are properly segregated. The Director of the Golf Courses concurs. He will appropriately segregate employees' duties.

PREPARATION OF DEPOSITS

The Director of the Golf Courses should ensure that employees make deposits with the correct documentation and using the appropriate forms. The Director of the Golf Courses concurs. He will ensure the Golf Courses make deposits with the correct forms and documentation.

TIMELY DEPOSIT OF MONEY

The Director of the Golf Courses should require employees to deposit all cash by the next working day. The Director of the Golf Courses concurs. He will require employees to deposit monies the next working day.

CASH MANAGEMENT PROCEDURES

The Director of the Golf Courses should develop and implement a comprehensive cash handling procedures manual. The Director of the Golf Courses concurs. He will develop cash handling procedures.

MONTHLY RECONCILIATION DOCUMENTATION

The Director of the Golf Courses should provide reconciliation training to employees to ensure accounts are properly reconciled and all differences identified during the reconciliation process

EXECUTIVE SUMMARY

are documented and resolved. The Director of the Golf Courses concurs. He will develop reconciliation training and procedures.

CONCLUSION

The Golf Courses need to strengthen their cash management procedures. The Director of Golf Courses should provide employees the proper training, develop and implement appropriate cash management procedures, and segregate employees' duties.

Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

INTRODUCTION

BACKGROUND

The Golf Courses consist of two golf courses, the Championship Golf Course (CGC) and North Golf Course (NGC), both of which are located in Albuquerque, NM. The NGC was built in 1941, and at the time, it was the first course to break the 7,000-yard barrier, measuring 7,300 yards. Currently, the NCG offers a nine-hole course that measures 3,333 yards. The CGC opened in 1967, and offers year-round golfing of eighteen holes and a variety of terrains to play on. Golf Week Magazine once rated it the number one course to play in New Mexico. Both courses are also home to our UNM men's and women's golf teams.

The Golf Courses is a small department with few full time permanent employees. Below is a summary provided by the Golf Course of employees by type as of September 2012.

North Golf Course	
Permanent Employees	No. of Employees
Full Time	1
Part Time	2
Temporary Employees	
Part Time	3
Quarter Time	2
Total Employees	8

Championship Golf Course	
Permanent Employees	No. of Employees
Full Time	5
Part Time	3
Temporary Employees	
Part Time	3
Quarter Time	6
Total Employees	17

INTRODUCTION

The information below is a summary of the Operating Ledgers for the NGC and the CGC, as well as the Golf Course Director (Totals of NGC and CGC).

North Golf Course	FY 2011	FY 2012
Revenue	\$546,484.11	\$536,015.10
Less: Expenses	560,820.19	516,369.81
Net (Loss) / Gain	(14,336.08)	19,645.29
Plus: Carry Forward Gain	111,941.09	97,605.01
Total Gain	\$97,605.01	\$117,250.30

Championship Golf Course	FY 2011	FY 2012
Revenue	\$1,450,831.02	\$1,877,606.52
Less: Expenses	1,907,730.85	1,901,398.06
Net Loss	(456,899.83)	(23,791.54)
Less: Carry Forward Loss	(4,500,487.73)	(4,957,387.56)
Total Loss	\$(4,957,387.56)	\$(4,981,179.10)

Golf Course Director	FY 2011	FY 2012
Revenue	\$1,997,315.13	\$2,413,621.62
Less: Expenses	2,468,551.04	2,417,767.87
Net Loss	(471,235.91)	(4,146.25)
Less: Carry Forward Loss	(4,388,546.64)	(4,859,782.55)
Total Loss	\$(4,859,782.55)	\$(4,863,928.80)

PURPOSE

The objective of the audit was to provide assurance that the cash handling processes at the CGC and the NGC are adequate and in accordance with UBP 7200, "CASH MANAGEMENT" requirements.

SCOPE

The audit covered the cash handling procedures in place at the NGC and the CGC during the period of December 2011 through March 2012. Internal Audit performed fieldwork from December 2011 through March 2012. The auditors gathered evidence through interviews, observations, and review of documentation.

Interviews: In order to gain an understanding of processes and controls, we reviewed written policies and procedures and interviewed the management and staff at both the NGC and the CGC.

Documentation Review: In order to test cash handling processes, we reviewed select reconciliations, deposits, money lists, and credit card reports. Internal Audit reviewed documentation from March 2011 through March 2012.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

RESTRICTING ACCESS TO CASH

Statement of Condition: The Golf Courses are not restricting employees' access to monies. Access should be restricted to only the employee responsible for the monies.

- Cashiers at the NGC are sharing user IDs and passwords to the cash registers and the cash register drawers.
- All Cashiers at the NGC have access to the safe, using one combination. Moneybags are stored unlocked in the safe. The safe is located in the sales counter area.
- The Cashiers are not preparing the deposit; instead, employees at both the NGC and the CGC are opening the unlocked moneybags placed in the safes by the Cashiers and re-counting the money to prepare the deposit.

Criteria: UBP 7200 "CASH MANAGEMENT" 3.1. "Limiting Access to Monies" states "access to monies must be restricted to the employee responsible for the monies. Separate cash drawers should be used to accommodate employee breaks. All monies received after the daily deposit must be placed in a secure location."

UBP 7200 "CASH MANAGEMENT" 3.3.1. "Duties of the Employee Accepting Monies" states "Access to monies must be limited to the employee who is responsible for the monies. The following duties should be performed **only** by employees responsible for monies:

- Receive monies either in person, by mail, or electronically (for example, telephone).
- Prepare customer receipts.
- Deposit monies."

Potential Risk: High: Without adequate internal controls to preserve responsibility and accountability, an employee may be able to misappropriate cash without detection. Even if management detects the misappropriation of cash, it may be impossible to determine which employee was responsible for the misappropriation.

Cause: The Golf Courses is a small department with few employees. The Golf Courses gave employees access to the shared drawer and user IDs due to insufficient staffing.

Recommendation 1

The Director of the Golf Courses should review UBP 7200 "CASH MANAGEMENT" and develop procedures at the Golf Courses to ensure the Golf Courses are in compliance with the policies. These procedures should ensure:

- Cashiers are assigned individual user IDs and passwords.
- Cashiers are assigned individual cash drawers.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

- Cashiers are not sharing cash drawers.
- Cashiers are preparing the deposits and locking the monies in a moneybag before dropping the moneybag in the safe.

The Golf Course Director should also implement procedures to secure the safe by limiting access to monies in the safe and evaluating the security of the placement of the safe.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 01/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<i>Corrective Action Planned: We concur. The following concerns have been addressed as noted.</i> <ul style="list-style-type: none">• <i>All cashiers will log in using personal user-ID's into POS.</i>• <i>Manager will provide all cashiers with a \$250 startup bank and own cash drawer at the beginning of their shift.</i>• <i>All cashiers at the conclusion of their shift will Z-out their drawer, prepare the deposit, using a locking moneybag, and place in the drop safe in Manager's Office.</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

SEGREGATION OF CASH MANAGEMENT DUTIES

Statement of Condition: Internal Audit noted segregation of duties issues at both Golf Courses.

- The employee performing the monthly reconciliations between the NGC and CGC systems, the Money Lists, the Credit Card Reports, and Banner also administers the NGC system and works as a NGC Cashier.
- At the NGC, the same employee counts the money, prepares the deposits, Money List, and Credit Card Report, reconciles and corrects transaction errors in the NGC system, and also works as a Cashier.

- At the CGC, the same employee counts the money, prepares the deposits, Money List, and Credit Card Report, and reconciles and corrects transaction errors in the CGC system.

Criteria: UBP 7200 “CASH MANAGEMENT” 3. “Internal Control” states “Internal control is necessary to prevent or detect any possible errors or irregularities involving monies. Internal control requires segregation of accounting, custodial, and authorizations functions from each other. Specifically, UNM cash management internal controls are maintained by:

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

UBP 7200 “CASH MANAGEMENT” 3.3. “Segregation of Duties” 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. When the size of a department does not allow for proper segregation of duties, the University Controller's Office will provide assistance in designing a system that ensures adequate internal control.”

UBP 7200 “CASH MANAGEMENT” 3.3.1 “Duties of the Employee Accepting Monies” states “access to monies must be limited to the employee who is responsible for the monies. The following duties should be performed only by employees responsible for monies: Receive monies in person, either by mail, or electronically (for example, telephone). Prepare customer receipts. Deposit monies.”

UBP 7200 “CASH MANAGEMENT” 3.3.2 “Duties Performed by Someone Who Does Not Have Access to Monies” states “the following duties should be performed by someone in the department who does not have access to monies: Authorize extension of credit. Approve customer's discounts, returns, or allowances. Compare the deposit receipt to customer receipts recorded on the departmental report of transactions.”

Potential Risk: High: Employees whose duties are not adequately segregated may be able to access monies in the normal course of their duties and conceal a fraud or error.

Cause: The Golf Courses is a small department with few employees. Properly segregating duties in a small department may be challenging.

Recommendation 2

The Golf Courses Director should review and understand the segregation of duties requirements for cash management. Based on this review, the Golf Courses Director needs to reassign

employee duties to ensure that they are properly segregated. The following duties should be specifically evaluated: receiving cash, preparing deposits, preparing monthly reconciliations, administering the Golf Courses systems, and entering transactions into the Banner system (Banner Roles).

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 09/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<p><i>Corrective Action Planned: We concur. The Golf Courses will be developing further segregation of duties with the implementation of the following processes:</i></p> <ul style="list-style-type: none"> • <i>Golf Course system upgrade - will address system/employee accesses to POS and Golf Course system information</i> • <i>Revisions in month end procedures will address improvements and segregation of monthly reconciliation processes</i> • <i>Hiring, training, and job development of .50 FTE Fiscal Services Tech position will help increase segregation of duties</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

PREPARATION OF DEPOSITS

Statement of Condition: The Money List in use at the NGC is outdated and does not contain the required field for verification of cash by two department employees.

The NGC Money List and Credit Card Report forms contain a former employee's name typed into the "Prepared By" field. This employee is not the employee who prepares the Money List or the Credit Card Report. The NGC employee who prepares the Money List and the Credit Card Report signs in a space next to the incorrect, pre-typed name in the "Prepared By:" field.

The NGC is not submitting a credit card summary report with the Credit Card Report.

Criteria: UBP 7200 "CASH MANAGEMENT" 3. "Internal Control" states "Internal control is necessary to prevent or detect any possible errors or irregularities involving monies. Internal

control requires segregation of accounting, custodial, and authorizations functions from each other. Specifically, UNM cash management internal controls are maintained by:

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

Deposits are accepted by the University’s Cashiers Office. Deposits of checks or cash must include a Money List. Deposits of credit cards must include a Credit Card Report. According to Unrestricted Accounting Main, “Please note that effective August 28, 2007, the Money List form has been revised. The changes are as follows: 2 people from the department submitting the Money List need to initial under ‘Dept. Verified Cash.’”

Potential Risk: High: The Golf Courses’ documentation may not be adequate to support the Golf Courses’ transactions.

Cause: The Golf Courses have not kept abreast of changes to University policy.

Recommendation 3

The Director of the Golf Courses should start using the updated Money List and Credit Card Report in accordance with University policy.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 01/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<p><i>Corrective Action Planned: We concur. The following concerns have been addressed as noted.</i></p> <ul style="list-style-type: none"> • <i>Money list form has been changed to the current form and the correct preparer.</i> • <i>All credit card deposits now include a Credit Card Report.</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

TIMELY DEPOSIT OF MONEY

Statement of Condition: Neither the NGC nor the CGC are depositing cash on a daily basis.

Criteria: UBP 7200 "Cash Management" 2. "Deposits" states "Monies received should be deposited at the University Cashiers Department intact by the next working day following receipt. When less than \$50 is involved, monies may be accumulated up to a week."

Potential Risk: Moderate: Cash stored at the Golf Courses for longer than necessary may be susceptible to loss if not properly controlled.

Cause: The Golf Courses is a small department with few employees. The Golf Courses make deposits based on scheduling of employee duties.

Recommendation 4

The Director of the Golf Courses should require that the Golf Courses deposit all cash by the next working day in accordance with University policy.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 01/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<p><i>Corrective Action Planned: We concur. The following schedule provides for deposits to be made by the next University business day. NOTE: The Golf Courses are open for business on Saturday and Sunday, while the University is closed.</i></p> <ul style="list-style-type: none"> • <i>Arrange daily pick-ups with Cashier's Office Courier.</i> <ul style="list-style-type: none"> ▪ <i>Monday courier picks up Fri-Sat-Sun deposits</i> ▪ <i>Tuesday Courier picks up Mon deposits</i> ▪ <i>Wednesday picks up Tuesday deposits</i> ▪ <i>Thursday picks up Wednesday deposits</i> ▪ <i>Friday picks up Thursday deposits</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

CASH MANAGEMENT PROCEDURES

Statement of Condition: The Golf Courses have written Cashier procedures but do not have written procedures for all cash management processes, including preparation of deposits and reconciliations.

Criteria: Procedures identify how to implement policies to ensure compliance with University policies, departmental policies, and Federal and State laws. Written procedures establish what to do, as well as how, when and by whom. The procedures normally identify the step-by-step processes of how to implement and carry out the policy, including identifying the specific tasks, and clarifying roles and responsibilities. They should be used to provide consistency in the processes, which can increase overall efficiency. Procedures can also improve communications, establish strong internal controls for regulatory compliance, and standardize bookkeeping to help reduce waste, fraud, and abuse.

Well-defined policies and procedures can provide orientation and training for new employees and refresh the skills of current employees. In addition, they can reduce the risk of confusion, the potential for litigation, and provide documentation for auditors and program reviewers.

Potential Risk: High: Inconsistent application of policies and procedures generally occurs when there is inadequate documentation. Absent documented policies and procedures, there is a substantial risk of business interruption with turnover of key personnel. Documented policies and procedures assist in training and discipline as they set precedent and serve as the authority on how to conduct business.

Cause: The Golf Courses is a small department with limited resources that has not devoted resources to documenting policies and procedures.

Recommendation 5

The Director of the Golf Courses should develop and implement a comprehensive cash handling procedures manual. The policies and procedures should include roles and responsibilities to ensure proper segregation of employee duties.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 09/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<i>Corrective Action Planned: We concur. The Golf Courses will develop and implement a comprehensive cash handling procedures manual that complies with UBP 7200 Cash Management. This manual will be distributed to, and signed off on by all Golf Course employees that are required to handle cash in their duties.</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

MONTHLY RECONCILIATION DOCUMENTATION

Statement of Condition: The monthly reconciliation performed between the general ledger, the Golf Courses reports, the Money Lists, and the Credit Card Report contains reconciling items but does not include documentation supporting the reconciling items.

Criteria: UNM's Standard Accounting Resource Manual (SARM) states the following:

General ledger accounts should be timely and properly reconciled and differences should be identified and resolved during the reconciliation process.

Ensure revenues received are properly recorded in the general ledger. Reconciling an account often means proving or documenting that an account balance is correct.

Part III of UNM Finance: Practical Applications states "Reconciliation means checking the source documents that show what expenses should have been charged to an index, against the expenses that were actually charged to that index. Any discrepancies are then investigated and corrected or explained. This is done monthly." In addition to that, it also states "Comparing the revenue your index receives in Banner with expected revenue, and investigating any variances."

Potential Risk: High: If revenue is not reconciled, the Golf Courses may not be able to ensure that all transactions have been properly posted to the general ledger. This may cause the Golf Courses' revenue to be misstated in the University financial statements.

Cause: The Golf Courses is not correctly performing the reconciliation of accounts due to lack of proper training.

Recommendation 6

The Director of the Golf Courses should provide reconciliation training to employees to ensure accounts are properly reconciled and differences identified during the reconciliation process are documented and resolved.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 09/30/2012 - COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<p><i>Corrective Action Planned: We concur.</i></p> <ul style="list-style-type: none"> • <i>Daily deposit procedures and reporting to be revised by 6/30/2012</i> <ul style="list-style-type: none"> ○ <i>Some balance sheet reconciliation processes will be revised in conjunction with the new Accounts Receivable coding/reporting processes required by UNM General Accounting.</i> ○ <i>Daily deposit procedures to be further revised to accommodate daily Banner reporting/JE and simplify reconciliation processes; and work with General Accounting regarding balance sheet reconciliation questions.</i> • <i>Monthly reconciliation processes to be documented and used for training purposes with the new Fiscal Services Tech position, who will be responsible for Banner reconciliation.</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

CASH HANDLING TRAINING

Condition: The NGC and the CGC employees who handle cash are not required to take the mandated cash handling training.

Criteria: UBP 7200 “CASH MANAGEMENT” 1.1. “Mandatory Cash Handling Training” 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.”

Potential Risk: High: Employees may not be able to manage the money they are handling correctly and in accordance with UNM policies. Internal controls over cash handling may not be effective if employees do not understand their responsibility to account for and safeguard assets through proper cash handling procedures.

Cause: The Golf Courses’ management has not been requiring employees to attend the mandatory Cash Handling Training. The Golf Courses is a small department with few employees. This was unintentional and caused by a lack of oversight.

Recommendation 7

The Director of the Golf Courses should require all current golf course employees to take the Cash Handling Training, and also ensure future employees take the training as required by University policy.

Response from the Director of UNM Golf Courses

Action Items
<i>Targeted Completion Date: 03/30/2012 – COMPLETE</i>
<i>Assigned to: Director of UNM Golf Courses</i>
<i>Corrective Action Planned: We concur. All existing Golf Course employees have completed UNM Cash Handling Training. Further, any new employee will be required to attend Cash Handling Training within 30 days of hire.</i>

Current Status: Internal Audit reviewed the corrective action plan completed by the Golf Courses by interviewing employees, performing physical observations, and reviewing documentation. Internal Audit found the Golf Courses adequately addressed the recommendation.

APPROVALS



Manu Patel, CPA
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee