

UNM HEALTH SCIENCES CENTER BAKE SALES - CASH CONTROLS

THE UNIVERSITY OF NEW MEXICO

Report 2016-10
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ABBREVIATIONS

ADA.....	American Diabetes Association
CHHC.....	UNM Children’s Hospital Heart Center
HSC.....	Health Sciences Center
Internal Audit.....	University of New Mexico Internal Audit Department
Nusenda.....	Nusenda Federal Credit Union, formerly NM Educators FCU
Pediatrics.....	UNM Department of Pediatrics or Pediatrics Department
Pediatrics-Cardiology.....	UNM Department of Pediatrics-Cardiology
Pediatrics-Endocrinology.....	UNM Department of Pediatrics-Endocrinology
Pediatrics-Nephrology.....	UNM Department of Pediatrics-Nephrology
Pediatrics-Pulmonary.....	UNM Department of Pediatrics-Pulmonary
SOM.....	School of Medicine
UAPP.....	University Administrative Policy and Procedure
University.....	University of New Mexico
UNM	University of New Mexico

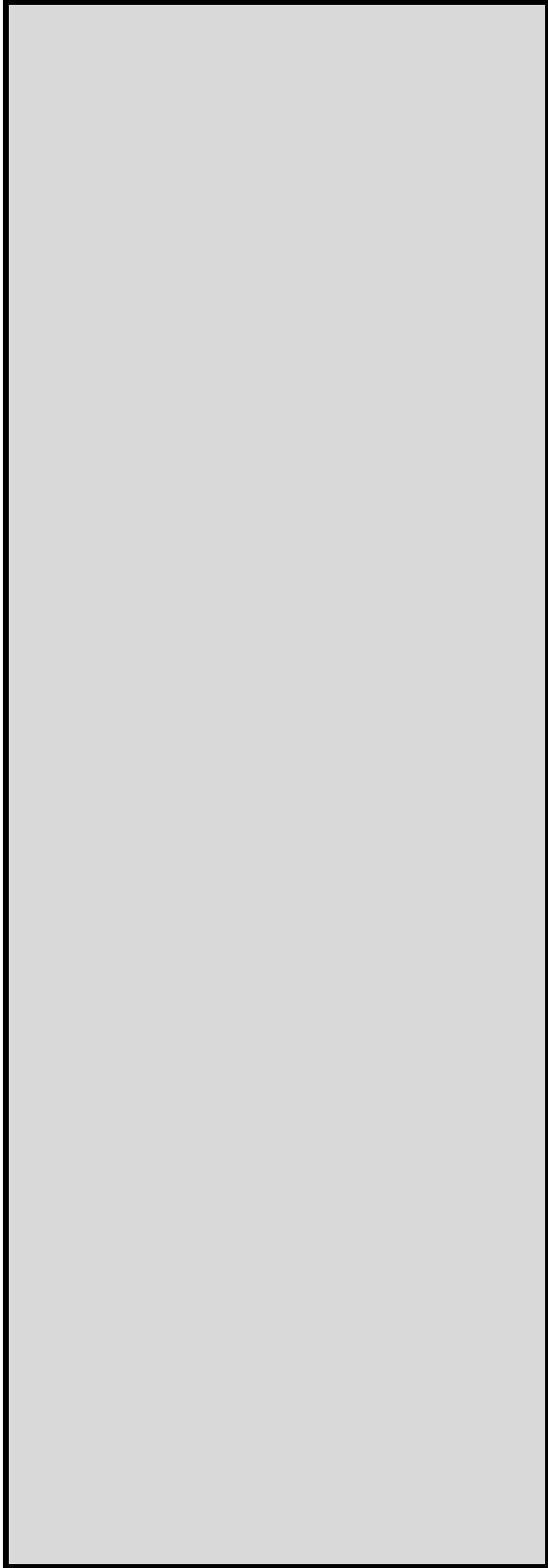
EXECUTIVE SUMMARY

CASH CONTROLS OVER BAKE SALES

Several divisions within the UNM Pediatrics Department (Pediatrics) hold a bake sale each year to help fund activities informally supported by the department. Such activities include patient and family reunions, instructional seminars, and day camps centered on teaching and instruction for the patients' recovery. The divisions within Pediatrics holding the bake sales and the supported activities are:

- Cardiology Division – a reunion picnic for patients and family members of the UNM Children's Hospital Heart Center (CHHC).
- Nephrology Division – an annual bake sale to help fund an annual event for the pediatric patients and their families.
- Pulmonary Division – bake sale to raise money to send a number of families to a Cystic Fibrosis Conference each year.
- Endocrinology Division – yearly bake sale, with proceeds to help send kids to Diabetes Camp. Normally used to pay the \$50 non-refundable deposit for families that cannot afford it.

A theft of \$275 cash occurred in Pediatrics – Cardiology in November 2015. Due to absence of accounting records and weak internal controls over bake sales, responsibility for the theft was undeterminable and inconclusive. The weak internal controls prompted an audit of all bake sales occurring within Pediatrics.



Key Recommendations

1. SOM should use the Banner accounting system to record all cash receipts for the bake sales.
2. SOM should make deposits of cash at the UNM Cashier Office the next business day following bakes sales or any other activity involving cash collection.
3. SOM should establish appropriate internal controls over cash collections from bake sales and the related expenditures on programs and events.
4. SOM should strengthen internal controls to prevent the establishment of external bank accounts. Pediatrics should close the external bank account set up by Endocrinology and deposit the funds in an appropriate Banner index.
5. The HSC should enforce mandatory cash handling training for all HSC employees receiving cash.
6. The HSC should strengthen the internal controls over bake sale-type activities at the HSC, making sure that the monies are timely deposited in appropriate indexes.

Conclusion

Internal Audit, working with Pediatrics Department, has reviewed the documentation and verified the implementation of Recommendations 1 – 4. Recommendations 5 and 6 will be implemented by June 1st, 2016.

INTRODUCTION

BACKGROUND

Several divisions within Pediatrics hold a bake sale each year to help fund activities informally supported by the department. Such activities include patient and family reunions, instructional seminars, and day camps centered on teaching and instruction for the patients' recovery. The divisions within Pediatrics holding the bake sales and the supported activities are:

- Cardiology Division – a reunion picnic for patients and family members of the UNM Children's Hospital Heart Center (CHHC).
- Nephrology Division – an annual bake sale to help fund an annual event for the pediatric patients and their families.
- Pulmonary Division – bake sale to raise money to send a number of families to a Cystic Fibrosis Conference each year.
- Endocrinology Division – yearly bake sale, with proceeds to help send kids to Diabetes Camp. Normally used to pay the \$50 non-refundable deposit for families that cannot afford it.

PURPOSE, SCOPE AND OBJECTIVES

The audit originally began as an investigation of the theft of bake sale money at the UNM Pediatrics – Cardiology division. During the investigation, we discovered additional Pediatrics divisions with control weakness over their bake sales and consequently converted the investigation into an audit. This report focuses on the cash controls within the UNM Pediatrics Department at the UNM Health Sciences Center.

PROCEDURES

Our review procedures included interviewing personnel, performing analytical procedures on financial data, and reviewing accounting documents. We also reviewed relevant UNM policies and performed analysis of internal controls over the UNM Pediatrics Department's bake sales.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

CASH CONTROLS OVER PEDIATRICS DEPARTMENT BAKE SALES

Pediatrics – Cardiology division has an annual bake sale each February to help provide support for a patient and family reunion event. The bake sale and family reunion events are conducted jointly by employees of the Pediatrics – Cardiology division and employees of the UNM Children’s Hospital Heart Center. The baked goods are homemade by the employees and proceeds from the sale are used to fund a patient and family reunion picnic. The May 2015 picnic was held at the Explora Museum.

In November 2015, while preparing for the upcoming Joint Commission hospital review, the Pediatrics and hospital staff discovered the remaining \$275 in cash from the bake sale fund was missing. Upon discovery of the theft, the Pediatrics and Hospital employees filed a report with the UNM Hospital security department. The UNM Hospital security department referred the case to the Pediatrics Department, who turned it over to the UNM Police Department. The Police Department determined it was a financial controls issue and declined to investigate, instead referring the case to UNM Human Resources and Internal Audit.

During the course of the Pediatrics – Cardiology investigation, Internal Audit discovered additional Pediatrics divisions that held bake sales, each with inadequate internal controls, and the investigation was converted into an audit of all Pediatrics bake sales. There are four divisions at Pediatrics that have bake sales, the proceeds of which are generally designated for pediatric patient related events, and for patient and family support. The four Pediatrics Divisions with bake sales are:

1. Pediatrics-Cardiology
2. Pediatrics-Nephrology
3. Pediatrics-Pulmonary
4. Pediatrics-Endocrinology

Pediatrics – Cardiology Division

Pediatrics-Cardiology - Bake Sale Process

The Pediatrics-Cardiology bake sale takes place at the Health Sciences Center, where a table is set up in a high traffic hallway of the hospital. The bake sale is a one day event taking place in February, usually on or around Valentine’s Day. Cash proceeds are taken in at the sales table in a manual process and are held in a cash box. Throughout the bake sale, accumulated cash is periodically transferred back to the administrative offices of the Children’s Hospital Heart Center by various employees manning the bake sale table. No cash count is made before or after transporting the cash to the administrative office. At the end of the bake sale, the cash is counted, however the cash count is not documented and no record of the count exists. The cash is then given to the designated cash custodian who puts it in a safe. When interviewed, the custodian claimed

that the combination to the safe was kept in an unsecured location in the office and claimed that access to the safe was compromised.

The 2015 bake sale revenue (cash collection) was \$870, and was accounted for separately from prior year bake sale collections. Because the prior bake sales provided sufficient funds to cover the family reunion event, the \$870 in 2015 bake sale revenue was designated to provide patient support at the Children’s Hospital Heart Center. The balance forward of bake sale collections from prior years (2012 – 2014) was \$1,320 and was used to fund the 2015 family reunion event.

The patient and family reunion event was held on May 2, 2015 at the Explora Science Museum. Total attendance was approximately 125 people including physicians, nurses and other hospital workers, and various staff from Pediatrics-Cardiology, as well as numerous patients and family members. The activities of the Pediatrics-Cardiology bake sale fund for calendar years 2013-2015 are as follows:

Balance Forward 5/2/2015	<u>\$1,320</u>
Available Cash	\$1,320
Explora Venue Rental	484
Explora Ticket Admissions	330
Entertainment (Isotopes Orbit)	150
Photography and Tips	50
Desserts	<u>31</u>
Total Expenses	<u>\$1,045</u>
Cash Balance at 5/3/2015	<u>\$ 275</u>

Source: UNM Pediatrics Department

Family reunion expenses paid for outside of the bake sale fund included: Pizza - \$264, paid by the UNM Cardiothoracic Surgery Department; T-Shirts - \$500, paid by the Pediatrics UNM Foundation index; Flyers - \$144, paid by the Pediatrics-Cardiology Department index.

The University policy governing cash management is Administrative Policies and Procedures Manual - Policy 7200: Cash Management. The relevant portions of the policy for Pediatrics-Cardiology are as follows:

UNM Administrative Policy 7200, Section 2.1. Money List and Credit Card Reports states:

A Money List form, must be prepared immediately upon receipt of monies. The Money List, which accompanies the deposit, shows the amount paid and the University index number and account code where the monies are to be deposited. The department is also responsible for maintaining all documentation necessary for reconstruction of the Money List and Credit Card Report should the deposit be stolen.

UNM Administrative Policy 7200, Section 2. Deposits provides that

Monies received should be deposited at the University Cashier Department intact by the next working day following receipt. When less than fifty dollars (\$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.

Whenever monies being deposited are transferred from one individual to another individual, the transfer of responsibility must be documented in writing.

Internal control weaknesses identified with the cash collection process at the Pediatrics-Cardiology bake sale are as follows:

- No controls over the cash collections or access to cash
- No chain of custody over transfers of cash
- No accounting or documentation of cash collected
- No money list prepared and no cash deposited with UNM Cashier

After the bake sale, and before the family reunion event, there were no controls over the cash fund.

- The combination to the safe was kept in an unsecured desk and office.
- The money was transferred from the custodian to the reunion event chairperson offsite and outside of business hours. The event chairperson did attest to the receiving the balance of \$1,320 from the custodian of cash; however, there was no documented cash count or dual verification of cash as required by policy.
- No documentation of cash or dual verification of cash prior to the event.

During and after the family reunion event the following control weaknesses existed:

- A manual accounting of the event expenses was performed; however, there is no assurance of completeness. Banner is the University's accounting system of record and was not used to record the family reunion expenses.
- Receipts for expenses were provided, however it is inconclusive as to the completeness of the documentation and resulting accounting.
- No documentation of left over balance transferred from the event chairperson to the custodian of cash.

UNM Administrative Policy 7200, Section 3. Internal Control states that 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 depositing cash collections, immediately recording payment transactions, segregating duties, and reconciling accounts. These controls were absent in the Pediatrics-Cardiology bake sales and family reunion processes.

Recommendation 1

School of Medicine departments should use the Banner accounting system to record all cash receipts for the bake sales and use the UNM Purchasing system, through purchase order or P-card, for expenditures associated with the bake sale function and related programs or events.

Response from the Executive Vice Dean - UNM School of Medicine

Action Items
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Pediatrics Department Administrator</i>
<p>Corrective Action Planned: We concur with Recommendation 1. On March 1, 2016, Banner Indexes were created for all divisions listed in this audit. All cash receipts for bake sale-like activities will be deposited through the University of New Mexico Cashier Office. All expenditures associated with the bake sale function and related program or events will be processed through the Banner system through a purchase order or P-card process. This same process will be followed for any Pediatric Division that is interested in having bake sale events.</p> <p>Indexes set-up: Cardiology – 9972E1 Effective 3/1/16 Pulmonary Index – 9972EG Effective 3/1/2016 Nephrology Index – 9972EH Effective 3/1/16 (997725 – existing foundation index) Endocrinology Index – 9972EJ Effective 3/1/16</p>

Recommendation 2

School of Medicine departments should make deposits of cash at the UNM Cashier Office the next business day following bake sales or any other activity involving cash collection. The deposit should be accompanied by a money list and posted to the appropriate Banner index and account code.

Response from the Executive Vice Dean - UNM School of Medicine

Action Items
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Pediatrics Department Administrator</i>
<p>Corrective Action Planned: We concur with Recommendation 2. The Pediatric Department will follow UNM's Administrative Policy 7200, Section 2. A locked bag, supplied by the Cashier Office was obtained on March 23, 2016 to safely transport larger deposits to the Main Cashier Office. In Addition, Pediatrics will use the Bursar's courier service to transport any deposit (\$500) or over.</p> <p>Deposits:</p> <ul style="list-style-type: none"> -Cardiology: cash funds have been deposited into Banner Index 9972EI in the amount of \$320.21 -Pulmonary: cash funds have been deposited into Banner Index 9972EG in the amount of \$1,257.53 -Nephrology: cash funds were deposited in to a Foundation index 997725 (which was approved by Foundation) on 4/17/2015 in the amount of \$386.00 -Endocrinology: cash funds have been deposited into Banner Index 9972EG in the amount of \$91.20

Recommendation 3

School of Medicine departments should establish appropriate internal controls over cash collections from bake sales and the related expenditures on programs and events. The controls should include, but not be limited to the following:

- Control over the custody of cash receipts
- Separation of duties between cash handling and Banner access, record keeping and accounting
- Reconciliation of deposits and Banner accounting records
- Management review and oversight of the process

Response from the Executive Vice Dean - UNM School of Medicine

Action Items
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Pediatrics Department Administrator</i>
<p><i>Corrective Action Planned:</i> We concur with Recommendation 3. The Pediatric Department created a draft of written internal cash controls procedures in March, 2016 over cash collections from bake sales and the related expenditures on programs and events. The Department's draft cash controls document has been submitted to the Internal Audit department and the Executive Office for Finance and Administration. All Department employees to be involved in bake sales are required to take proper training over the Cash Control process. This would include Learning Central Cash Management Training as well as review of the Pediatric Department internal cash controls procedures document. The controls the Department Accounting Team will manage will include but are not limited to the following:</p> <ul style="list-style-type: none"> • Controls over the custody of cash receipts • Separation of duties between cash handling and Banner access, record keeping and accounting • Reconciliation of deposits and Banner accounting records • Management review and oversight of the process

Pediatrics-Cardiology - Theft of Cash

Since Pediatrics-Cardiology did not keep accounting records, the precise amount of collections from the bake sales is not known. There was no record of bake sales from prior years up to the end of calendar year 2014. For 2015, a record of bake sales was kept, showing \$870 in bake sale revenue. The 2015 bake sale money was kept separate from prior bake sale collections and was set aside for patient support at the Children's Hospital Heart Center. The 2015 fund had minimal activity and has since been returned to Pediatrics department to be deposited with UNM Cashier.

The amount of cash available for the 2015 family reunion event was pieced together through sparse documentation and oral testimony of bake sale participants. Based on the recollections of the participants, the amount of cash on hand prior to the 2015 bake sale should have been approximately \$2,050. The actual amount of cash turned over to the family reunion chairperson by the cash custodian was \$1,320, a potential difference of \$730. At the end of the family reunion event in May 2015, the balance of the cash fund was \$275. The family reunion chairperson returned \$275 to the cash custodian; however, there are no written documents for this transaction. The fund was stored in a safe at the Children's Hospital Heart Center, and no inquiry or cash count was made until the discovery of the theft in November 2015.

The \$275 was stolen at some point between May 2015, and November 2015. When asked, the fund custodian claimed not to have checked on the cash fund since placing it into the safe in May 2015. The custodian also claimed that the combination to the safe was kept in an unsecured desk in an unlocked office.

The amount of cash stolen could possible range between \$275 and \$1,005 (\$275 + \$730). This amount, however, is somewhat speculative because it is based on the bake sale participants' testimony and not actual accounting records. The only certain amount stolen is the \$275 balance at the end of the 2015 family reunion event. Responsibility for the theft of cash could not be conclusively established due the following lack of accounting and internal controls over the bake sale process, custody of cash, and transfer of cash between persons:

- Accounting records were non-existent and actual amount of cash collected could not be established
- Identified weaknesses in internal control over the bake sale process
- Actual custody of cash changed hands throughout the timeline with no verifying counts of cash or chain of custody
- Lack of oversight and controls over the safe
- Lack of management oversight during the six month lapse of time between the patient/family reunion (May 2015) and the discovery of the theft (November 2015)

Pediatrics – Nephrology Division

Pediatrics – Nephrology - Bake Sale Process

The Pediatrics – Nephrology division's first annual bake sale was held in April, 2015, with Pediatrics department employees and outside vendors donating drinks and food for the bake sale. The proceeds are to be used for nephrology patients' needs, such as gas cards and medical supplies, while the patient is receiving inpatient or clinic treatment.

After the bake sale, two Pediatrics – Nephrology employees counted the cash, prepared the money list, and scanned the documents for the Pediatrics accounting department. A total of \$406 was collected for the bake sale, which was deposited in a UNM Foundation Index and is accounted for in Banner. Pediatrics – Nephrology has not yet expended any of the bake sale proceeds.

The Pediatrics department should be consistent in its treatment of bake sales among its divisions; whether bake sale proceeds are to be deposited at the UNM Cashier to a department index, or at the UNM Foundation in a gift fund account.

Governmental Gross Receipts Tax

It appears that bake sale receipts are not subject to the New Mexico Governmental Gross Receipts Tax.

Section 3.2.20.23 A of the New Mexico Administrative Code states that:

“The proceeds of any agency, institution, instrumentality or political subdivision of the state of New Mexico from grants from other governmental entities (federal, state or local) or grants, donations or bequests from private persons are not receipts from a taxable activity and are not governmental gross receipts.”

The statute further points out that bake sale proceeds that are donated to a hospital are from donations and are not governmental gross receipts.

It should be noted that UNM General Accounting reports the gross receipts tax at the index level. The gross receipts tax is applied to all transactions posted to accounting indexes that are designated as subject to gross receipts tax. Therefore, departments should take care to properly post bake sale revenue to indexes and account codes that are not designated as subject to the governmental gross receipts tax.

Pediatrics - Pulmonary Division

The Pediatrics-Pulmonary division conducts several bake sales each year. The baked goods are provided by Pulmonary Department employees who also work at the bake sale tables. Pulmonary division employees who work the bake sales do so on a volunteer basis.

Pulmonary division has two main purposes for the cash fund 1) emergency use for gas and food expenses to assist inpatient or clinic patients, and 2) expenses for parents to attend North American Cystic Fibrosis Conference. The fund also supports the division’s Cystic Fibrosis Family Advisor Council dinners which host speakers and facilitates discussion of patient family issues.

Prior to 2012, there was no documentation of bake sale collections. Beginning in 2012, informal notes of bake sale activity was kept with transaction details; however, there was no formal logging of the transactions in Banner. The activity of the fund for calendar years 2012-2015, reconstructed from the informal records, is as follows:

Balance Forward 1/1/2012	\$1,901
Bake Sale Revenue	<u>2,586</u>
Available Cash	\$4,487
Cystic Fibrosis Family Advisory Council Dinner	356
Gas, food, and formula	460
Send patient’s Parents to	1,314
North American Cystic Fibrosis Conference	
Funeral Expense for Family	<u>1,100</u>
Total Expenses	<u>\$3,230</u>
Cash Balance at 2/19/2016	<u>\$1,257</u>

Source: UNM Pediatrics Department

Pediatrics-Pulmonary - Bake Sale Process

During the bake sales, the Pulmonary Division employees secure the revenue collected in money bags at the bake sale table. At the end of the bake sale, the fund custodian (a Pulmonary Division social worker) and the Pulmonary Division administrative staff supervisor count the cash and verify total collections from the bake sale. The money is kept in the social worker's desk in a locked compartment. When requested, the fund custodian would disburse cash on hand to parents for patient support, and would document the expenditure on a sheet of paper with patient name.

The cash handling procedures at Pediatrics-Pulmonary are not in compliance with University Administrative Policy 7200, as follows:

- Deposits of cash should be made at UNM Cashier within one day of receipt
- The transactions should be recorded in Banner
- Banner transactions should be reconciled with deposit and expense records

There was no evidence of cash shortages at Pediatrics-Pulmonary; however, due to incomplete accounting records there is no way of verifying how much revenue was collected each bake sale and whether all monies have been accounted for.

Pediatrics – Endocrinology Division

Pediatrics Endocrinology division has held bake sales for several years, with the proceeds providing financial assistance for families to attend the American Diabetes Association (ADA) Camp 180°. The ADA camp is an environment where pediatric patients can gain understanding of diabetes and the process of self-management, under skilled medical supervision. The camp fees are \$425 per attendee, plus a \$50 non-refundable deposit. The proceeds from the bake sales are generally used for patient's \$50 deposit.

The activity of the Pediatrics-Endocrinology bake sale fund for calendar years 2013-2015 are as follows:

Balance forward at 5/10/2013	\$ 25
Bake sale revenue	2,025
Donations	<u>385</u>
Available cash	<u>\$2,435</u>
Check fees	11
Diabetes camp registration fees	<u>2,283</u>
Total Expenses	<u>\$2,294</u>
Cash Balance at 2/19/2016	<u>\$ 141</u>

Source: UNM Pediatrics Department

Pediatrics-Endocrinology - Bake Sale Process

The bake sales generally occur in high traffic hallways of the Health Sciences Center, and are worked by various employees of the Endocrinology division. During the bake sales, cash proceeds are accumulated in a lock box and held until end of the bake sale. At the end of the bake sale there is a final count, and the custody of the money is given to either of two Endocrinology employees. There is no formal accounting or chain of custody documented for when the cash was turned over to the custodians.

In 2013, UNM Pediatrics-Endocrinology employees set up an unauthorized external bank account at Nusenda Federal Credit Union, and used it to deposit proceeds from the bake sales. The bake sale process and the unauthorized bank account circumvented internal controls establish by UNM Administrative Policy 7200 by:

- Not depositing cash with the UNM Cashier within one day of receipt
- Not recording the transactions in Banner
- Not reconciling Banner accounts with deposit and expense records

In addition to cash receipts from the bake sale, various individuals donated money to the Endocrinology bake sale fund. The cash and checks were deposited in the Nusenda account; however, there was not adequate supervision of the process and no accounting personnel counted or observed when money was given.

UNM Administrative Policy 7200, Section 1.4. Bank Accounts states:

“All funds must be deposited in a University account; no bank accounts may be set up except those established by the UNM Controller or the HSC Senior Executive Officer for Finance and Administration, as appropriate, with the approval of the Executive Vice President for Administration. Chartered Student Organizations that receive funding from the University must deposit all funds that they collect in an internal University account, through the Student Government Accounting Office.”

Unauthorized external bank accounts pose the risk of inadequate monitoring and reconciliation, and potential for misappropriation of funds or unallowable purchases from the fund. Although Pediatrics-Endocrinology established an unauthorized outside bank account, there was no indication of improper payments from the account.

Recommendation 4

School of Medicine departments should strengthen internal controls over the bake sale process and prevent the establishment external bank accounts. Pediatrics should close the external bank account set up by Endocrinology and deposit the funds in an appropriate Banner Index.

Response from the Executive Vice Dean - UNM School of Medicine

Action Items
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Pediatrics Department Administrator</i>
<p>Corrective Action Planned: We concur with Recommendation 4. The Pediatric Department has included in their draft of written internal cash controls procedures that external bank accounts are prohibited. Pediatrics has also specified the requirement for all divisions to obtain pre-approval of any and all bake sale events by both the Pediatrics CARE committee and Pediatrics Accounting department to ensure proper controls and processes are being followed and overseen. This will also be communicated in the internal Pediatrics required cash controls training that will be given to employees wishing to participate in bake sale events.</p> <p>Endocrinology has closed their external bank account and the Pediatrics Accounting Team deposited the cash funds through the Bursars office into the established Banner index.</p>

OTHER DEPARTMENTAL BAKE SALES THROUGHOUT HSC**Mandatory Cash Handling Training**

Each of the four Pediatrics divisions conducting bake sales exhibited internal control weakness due to unfamiliarity with University policy on cash management. Pediatrics personnel engaged in the bake sale process either had not taken the mandatory cash handling training required by policy, or had taken it several years ago and are in need of refreshed training.

Based on interviews with Pediatrics personnel, it appears that bake sale activities are also occurring with regularity in other UNM HSC departments. The bake sales are generally manned by volunteer personnel from the department, which may not be accounting personnel, and have not had the training required by UNM employees handling cash.

UNM Administrative Policy 7200, Section 1.1. – Mandatory Cash Handling Training provides

“Individuals responsible for handling cash and their direct supervisor must take the online "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.”

Recommendation 5

Employees engaged in cash collection during bake sales at HSC should take the mandatory cash handling training required by UNM Administrative Policy 7200.

Response from the HSC Senior Executive Officer for Finance & Administration

Action Items
<i>Targeted Completion Date: June 1st, 2016</i>
<i>Assigned to: HSC Financial Services Department</i>
<p><i>Corrective Action Planned:</i> The HSC Senior Executive Officer for Finance & Administration agrees to the recommendation and will send a memo to HSC Deans, Directors, Department Chairs and Administrators regarding UNM Administrative Policy 7200 and the mandatory cash handling training.</p> <p>Currently the HSC Unrestricted Accounting Division conducts random Money List Reviews to examine department's understanding of and compliance with UNM Policies and the presence of internal departmental controls in the area of handling and depositing funds.</p> <p>Departmental Money List Review objectives are twofold. One objective is to allow the reviewer to learn about department processes and become familiar with the department's procedures in the area of money lists and the handling of funds. This is done in order to evaluate compliance with UNM Business Policies as well as sufficiency of internal control practices. The other objective is to observe all money list documentation kept by the department and summarize any concerns noted as well as make recommendations where appropriate.</p> <p>During the review, HSC Unrestricted Accounting verifies through the University Employee and Organizational Development (EOD) Department that all departmental personnel have taken the Cash Management Training course.</p> <p>The HSC Unrestricted Accounting Division has presented several training sessions at both HSC and Main Campus on Cash Management and Money List processing via the LEARN series. In addition, reminders regarding compliance expectations are brought forth in other HSC group forums, such as the Research Administrators Forum and Training (RAFT) sessions, Reach Out meeting and department administrator's meetings.</p>

Internal Controls at HSC Bake Sales

During the theft of money investigation at Pediatrics, IA inquired into if there were other Departments at HSC that also engaged in bake sales. Each person interviewed indicated that there are other HSC departments that hold bake sales in the halls at the hospital and within the HSC departments, and that it was very noticeable that bake sales occur frequently throughout HSC.

Due to the informal nature of the bake sale processes and the internal control weaknesses at the Pediatrics Department, there is concern that other HSC departments engaged in bake sales may also have undeposited cash funds, and weaknesses in internal control over the process.

UNM Administrative Policy 7200, Section 3 provides:

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

In addition, given the experience at Pediatrics, other HSC departments should ensure that all cash collected through bake sales are properly deposited with the UNM Cashier as required by UNM Administrative Policy 7200.

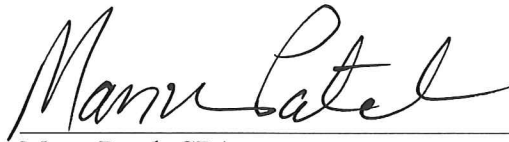
Recommendation 6

The HSC Controllers office should strengthen the internal controls over bake sale type activities at HSC, making sure that the monies are timely deposited in appropriate indexes.

Response from the HSC Senior Executive Officer for Finance & Administration

Action Items
<i>Targeted Completion Date: June 1st, 2016</i>
<i>Assigned to: HSC Financial Services Department</i>
<p><i>Corrective Action Planned:</i> HSC Financial Services Division agrees that a process needs to be established to monitor bake sale activities at the Health Sciences Center. It recommends that each College establish a permission form be submitted to them in advance for units who wish to sponsor these charitable events. Cash custodians would be identified as part of the application process and training compliance could be verified prior to the date of the event. The college should require a fundraising report at the conclusion of the event to ensure all monies have been accounted for in the Banner Finance System. Subsequent requests for events should not be granted if a unit does not comply with these new standards.</p> <p>The HSC Senior Executive Officer for Finance & Administration will send a memo to HSC Deans, Directors, Department Chairs and Administrators regarding UNM Administrative Policy 7200 and the above mentioned guidance.</p>

APPROVALS



Manu Patel, CPA
Director, Internal Audit Department

Approved for Publication



Chair, Audit and Compliance Committee