



The University of New Mexico

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MEMORANDUM

To: Camila Alire, Dean of Library Services

From: Yvonne Cox, Interim Director, Internal Audit Department *Yvonne Cox*

Date: June 10, 2004

Subject: General Library Review of Internal Control Procedures Report 2004-09

Enclosed is the above final report with your integrated response, which has been approved by the President of the University. Those who receive copies of this report package may not photocopy it, release it, nor reveal the contents, in whole or in part, without the advance written approval of the President of the University.

Audit reports will be posted on the Internal Audit Department's University website one week after the final report is issued. The full text of the reports will be made public except for information which could compromise individuals' rights, the security of University systems or impair a pending law enforcement investigation or proceeding.

Please contact the Internal Audit Department when corrective actions are completed so we can perform the follow-up review.

cc: Louis Caldera
Brian Foster
David Harris
Richard Holder
Bill Britton

GENERAL LIBRARY REVIEW OF INTERNAL CONTROL PROCEDURES

INTRODUCTION

PURPOSE

The purpose of this review is to determine whether procedures are in place to ensure that your fiscal internal controls are adequate to comply with University policies and procedures.

SCOPE

This review emphasized, but was not limited to, compliance with University policies and procedures. We looked at the fiscal internal controls but did not review the controls in the Acquisitions Department. The audit review period was for the fiscal year ending June 30, 2003.

BACKGROUND

At your request, we have performed an operational review of the General Library's fiscal functions performed by Administrative Services.

The following libraries make up the General Library: Centennial Science and Engineering, Zimmerman, Fine Arts, Parish Memorial, and Center for Southwest Research. The mission of the General Library is to develop collections that support the educational and research programs of the University of New Mexico and to provide services for the benefit of university and research communities and the residents of the state of New Mexico.

OPINION

We found from our review that overall Administrative Services has established adequate internal controls that comply with University policies and procedures, but there are areas where improvements need to be made.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of our findings. Numbers in brackets[] refer to page numbers in the report.

CASH AND CASH MANAGEMENT [3]

Controls for Cash Drawers [3]

The library lacks adequate internal controls with regard to the handling of cash. The library has now implemented adequate internal controls to insure that cash is properly received and deposited.

Access to Petty Cash [4]

The petty cash fund is made available to more than one individual. The library has now designated one petty cash fund custodian for each fund.

Accounts Receivable [5]

Monitoring of accounts receivable are done by the Library and not by the Bursar's Office as stated in policy. The library has written to the Bursar's Office seeking approval for the library to handle its own receivables.

Handling Payments Received in the Mail [5]

Controls are not in place to ensure that monies received are properly secured. The library has now implemented procedures to ensure that monies received through the mail are properly secured.

COPY CARDS [6]

Copy cards sold by the Library to be used in the copy machines at the libraries were not properly accounted for or secured. The Library instituted procedures that ensure that adequate controls are in place for the copy cards.

EXPENDITURES [7]

University policies and procedures were not consistently followed when preparing travel documents and expense documents. The library has now implemented procedures to ensure that travel and expense documents are completed according to policy.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

CASH AND CASH MANAGEMENT

As part of our review of cash handling procedures, we performed surprise cash counts at the three library branches, counted and reviewed procedures with the petty cash fund custodian, reviewed procedures followed for the handling of cash received through the University mail system and also reviewed accounts receivable procedures. The purpose of reviewing these procedures is to determine that controls are in place to ensure that cash is properly safeguarded and deposited intact into the University system.

Controls for Cash Drawers

In an effort to provide customer service we found that the libraries lack adequate internal controls with regard to the handling of cash. The following are our findings.

- The cash drawers are accessible to all employees during the workday. We also found that these same individuals know the combination to the safe where undeposited monies are kept at the end of the day.
- Checks are not always being restrictively endorsed upon receipt.
- Copies of checks are not being made to support the money lists, in the event that a money list should be stolen.
- The transfer of monies from one individual to another is not always documented in writing and locked deposit bags are not being used.
- The cash drawers are not being reconciled each evening to ensure that the fund is intact at the end of the day.
- If a refund or over ring occurs, the receipt is not being initialed by the supervisor or the customer as a control indicating that the transaction actually occurred.

Failure to adequately control cash handling increases the risk of monies being lost or stolen.

Recommendation 1

We recommend that you review University Business Policy and Procedure Manual (UBPPM) 7200 regarding Cash Management and that you comply with the policies and procedures set forth so that controls over monies are properly instituted.

Response from Dean of Library Services

- *Cash Drawers - The Library has assigned one custodian for each cash drawer per shift. Each cash drawer will be counted at the beginning and end of each shift to include running a sub-total tape ('x' tape) which will be initialed by both the outgoing and incoming custodian.*
Safes - Our safe custodians will log the contents of each safe at the beginning and end of each shift. Additionally, the combinations to the safes will be changed.

Implementation: November 3, 2003

- *All check recipients in the Library system have received an endorsement stamp and have been instructed to endorse all checks restrictively upon receipt.*

Implemented: September 15, 2003

- *[Copies of Checks] The Accounting Technician who creates money lists for the Library system is keeping copies of each check with her copy of the money list.*

Implemented: August 1, 2003

- *[Transfer of Monies] It is now mandatory for any transfer of cash, checks, traveler's checks, or money orders to be receipted, in writing. A locked deposit bag is now used whenever any amount is taken from a cash drawer for deposit.*

Implemented: October 1, 2003

- *All cash registers in the Library system are now being reconciled every evening and a "z" tape will be run at the close of business.*

Implemented: November 3, 2003

- *All Library cashier supervisors are now initialing each such transaction [refund or over rings] by their cashiers.*

Implemented: October 1, 2003

Access to Petty Cash

We counted the petty cash fund, which is a fund used for small purchases, and found that controls are not in place to properly safeguard the monies. Two individuals have access to the petty cash fund. UBPPM 7210.3 states the Petty Cash Fund must be restricted to the individual responsible for the fund.

When access to cash is made available to more than one individual, employees cannot be held accountable for missing monies.

Recommendation 2

We recommend that access to the petty cash fund be limited to the employee responsible for the fund.

Response from Dean of Library Services

The Library has designated one petty cash fund controller for each fund.

Implemented: October 20, 2003

Accounts Receivable

Bursar's Office has responsibility for most accounts receivable on campus. They can delegate this responsibility to departments. UBPPM 7200.3.4 states that if these duties are delegated, the Bursar will test and review transactions and processes to ensure internal accountability.

Although the Library does not have the Bursar's approval, you handle your own accounts receivable instead of channeling them through the Bursar's Office.

Because of this, outstanding reconciling items are not being cleared off the reconciliation: you do not have the processes in place to allow for write offs. These reconciling items have been carried forward for years with no resolution.

Recommendation 3

We recommend that you seek written approval from the Bursar's Office to handle your own receivables. If Bursar's Office allows you to handle your own receivables, we recommend that you work with them to determine how to handle items that you need written off.

Response from Dean of Library Services

The Dean, Camila Alire, is writing a letter to the Bursar's Office seeking approval for the General Library to handle its own receivables. If approval is granted, the Dean's Accounting Staff will work with the Bursar's Office to determine proper handling procedures.

Implementation: Process of resolving this issue began October 20, 2003

Handling Payments Received in the Mail

As a result of handling your own accounts receivable you receive monies through the mail. Controls are not in place to ensure that monies received are properly secured. UBPPM 7200 3.2.2 states that two (2) individuals must be present when opening mail, recording monies, and emptying collection boxes. We found that two individuals are not present when opening mail and recording monies. We also found that the mailroom at the Library is in an open area so it is accessible to many individuals.

Such a situation increases the risk that monies could be lost or stolen.

Recommendation 4

We recommend that you review staff assignments so that two (2) individuals are present when opening mail and that you evaluate the current mailroom situation to increase controls over the mail. You might consider having a staff member deliver your unopened mail directly to the Administrative Suite (this would include Budget and Cost Management where payments are received).

Response from Dean of Library Services

The Library is implementing three procedures in response to this item.

- a) The Library mailroom staff will close and lock the cage whenever they must leave the area to insure that valuable materials such as mail, books, and equipment are secure.*
- b) All mail for the Dean's area (which includes Accounting mail) will be hand-carried to the receptionist in the Dean's office for distribution. The receptionist will sort all Accounting mail and hand-deliver it to the Accounting Technician.*
- c) When the mail arrives, the Accounting Technician will open it immediately with a second accountant present. All checks, money orders, and cash will be processed according to UNM policy.*

Implementation: To be implemented November 3, 2003

COPY CARDS

The Library sells copy cards for the copy machines to UNM departments using a Purchase Requisition and also to Library patrons for cash. These copy cards have dollar values placed on them and should therefore be properly secured and controlled. During our review we found that there were poor controls over these cards. During the course of our review you wrote procedures that instituted controls that we feel are now adequate to control these cards.

Recommendations 5

We recommend that you institute the procedural changes you developed for the copy cards and that you test them to ensure that they provide adequate control over the cards.

Response from Dean of Library Services

Our Copy Card procedure has been in effect for over a month and is effective. BCM staff conduct frequent cash counts, which test the procedure.

Implemented: August 20, 2003

EXPENDITURES

University travel vouchers and payment documents were not always properly prepared. From our review of expenditures we found the following.

- An individual claimed meals for reimbursement that were provided by the conference attended. This was not paid as General Accounting corrected this error.
- An individual did not claim hotel room while on travel and no explanation was provided to explain the situation. This individual could have been under reimbursed.
- Pre-approved transaction codes are not being recorded on the Check Requests.

If documents are not properly filled out, improper payments can be made and reimbursement amounts to employee may not be accurate.

Recommendation 6

We recommend that you review UBPPM 4000 and 4030 so that you are familiar with the policies so that the documents are properly filled out and processed.

Response from Dean of Library Services

- *We reviewed the document in question and discovered our error. Accounting personnel now double check the conference or workshop schedule to determine when meals are provided with the registration fee. Travelers will be notified that they cannot claim meal costs for those meals that are included in the registration fee.*

Implemented: October 1, 2003

- *The Library Accounting office added a checkbox for “No Hotel Claimed” to our internal travel reimbursement form in order to capture this information.*

Implemented: October 15, 2003

- *The Library Accounting personnel now include the proper code with every Check Request.*

Implemented: October 1, 2003