FOWLER MUSEUM AT UCLA

AUDIT REPORT #18-4008

Audit & Advisory Services

October 2018

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# Background

In accordance with the Campus fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) performed an audit of the Fowler Museum at UCLA (Fowler).

As part of the UCLA’s School of the Arts and Architecture, Fowler explores global arts and cultures with an emphasis on works from Africa, Asia, the Pacific, and the Americas, past and present. Fowler enhances the understanding and appreciation of the diverse peoples, cultures, and religions of the world through its exhibitions, publications, and public programs. Fowler’s mission has expanded in recent years to include a strong focus on contemporary artistic production from the various regions of the world, and one of the goals is to show how artistic creativity is flourishing in the postcolonial, transnational contexts in the world today. Admission is free to the museum, and is open to the general public.

Fowler was founded by UCLA Chancellor Franklin D. Murphy in 1963 to consolidate the multicultural collections on campus, and to make them accessible to the University community and to the general public. Its art and ethnographic collections (“art inventory”) now include more than 125,000 objects from six continents, and millions of individual archaeological objects. The collections offer a comprehensive resource for exhibitions, scholarship, and teaching central to Fowler’s mandate. Many of the archaeological artifacts and associated documentation are actively used in scientific research projects. Also, the department has produced and published 205 titles on museum exhibitions and activities. As of June 2017, the publication inventory included 48,948 items. Fowler also operates the Museum Store, which sells books, jewelry, handcrafted creations, and other items.

The Fowler Director oversees the department’s operations and approximately 90 staff members, including 34 full-time and 56 part-time employees. Also, volunteers contribute their time and expertise to a variety of areas, including curatorial, collections, photography, conservation, etc. In fiscal year 2016-17, Fowler reported total revenues and expenditures of approximately $4.8 million and $4.9 million, respectively.

# Purpose and Scope

The purpose of the review was to ensure that there are adequate internal controls over the Fowler’s administrative and financial activities. Where applicable, compliance with University policies and procedures were also evaluated. The scope of the audit covered the following areas:

Inventory Practices

Child Safety

Cash Handling

Reconciliation and Monitoring

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests, and other procedures considered necessary to achieve the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, the Fowler Museum has established effective systems of internal controls and business practices to ensure that the financial and administrative objectives of Fowler are met. Also, Fowler’s administrative staff appear to be experienced and knowledgeable of the University’s policies and procedures. However, the review did find additional areas where internal controls could be further strengthened. The following were noted:

Inventory Practices

While on-site art inventory storage practices appear reasonable, management should discontinue using an employee’s personal cloud account to back-up the art inventory data off-site. Rather, off-site data should be stored using a University sanctioned option to improve the security of the data.

Management should enhance current procedures and increase the reliability of the art inventory data by considering the following:

* + Objects should appear in only one inventory report; either the art inventory report or a consolidated archaeological inventory report.
  + Correct or remove clerical errors from the system by appropriate users at the time when they are discovered.
  + If an object is not returned to the location from which it was taken or is misplaced, within a certain period of time, it should be considered for deaccessioning, and properly documented.

In order to increase the reliability of the archaeological inventory data, management should consider the following:

* + If an object is not returned to the location from which it was taken or is misplaced, within a certain period of time, it should be considered for deaccessioning, and properly documented.
  + Object status should be updated in the catalog records for deaccessioned objects, to clearly separate them from current items in Fowler’s permanent collection.

Also, A&AS supports management’s efforts to catalog and consolidate the archaeological inventory records.

A&AS supports management’s efforts to pursue the full implementation of the new version of Argus and their plans to clean up the database with regard to art inventory. This will help to ensure the reliability of the inventory data and associated reports.

Management should develop policies and procedures for collection review, retention decisions, and disposal of material as they pertain to art and archaeological items. Criteria for weeding the collection includes, reviewing the items' physical condition, relevance of the item, etc.

A&AS recognizes that there are resource and staffing constraints which prohibit Fowler from having separate individuals perform each inventory function as it pertains to receiving, maintaining or issuing items, updating inventory records, and performing physical inventory counts. However, as a compensating control, management should require two people present whenever publication and equipment inventory counts are performed. The publication inventory counts should also be documented by both individuals who performed the verification.

Child Safety

Management should remind the appropriate personnel, that background check documents for Mandated Reporters should be properly completed and retained in the employee's personnel file.

Management should implement a tracking system to ensure that the UCLA Mandated Reporter forms are properly completed and retained in the employee's personnel file.

*Cash Handling*

For the two departmental safes, access should be limited to essential personnel. Also, dual control safes should be properly used so that no one individual can access the safe by themselves. Management should also document the issuance of safe keys and safe combinations.

Individual accountability should be established and maintained, as required by University policy, for all cash handling operations from receipt through deposit. Procedures should be established to require staff to verify and document that collections are intact when transferred between personnel. Verifications should be done in the presence of both persons transferring funds.

Management should evaluate the risk of the current setup where one cash drawer is shared amongst cashiers. Management should determine if each cashier should be provided their own cash register drawer or cash drawer insert to ensure that individual accountability is maintained over funds.

The safe combinations should be changed at least annually, or when an employee who knows the combination separates from the University. Also, combination changes should be documented to note the date and reason of the change. For emergency back-up access, a spare set of keys and/or a record of the combination should be maintained in a locked receptacle in a manner that requires two people together to get physical access to the funds.

Cash draw keys should be kept away from the cash register and accessible only to designated personnel, to secure museum store funds.

Management should continue to ensure that mailed-in payments are opened and processed by two individuals. A dual-signed log should be used to document payments opened immediately upon receipt, and the two individuals verifying the payment. An independent person should review the dual-signed log, and verify that all payments on the log were deposited intact.

Checks should be restrictively endorsed with an official University stamp upon receipt. A University issued endorsement stamp should be made available to all staff receiving check payments (in-person payments and mailed-in remittances).

To establish a record at cash acceptance, a receipt should be provided to customers making in-person payments. Payments should be recorded on an official pre-numbered, multiple-part University receipt, and a copy should be provided to the payer. Original copies of receipts should be maintained for reconciliation and auditing purposes.

Deposits should be validated and prepared under dual custody. Both individuals should sign and date bank deposit documents to evidence verification before sealing the deposit into the bank deposit bag.

Reconciliation and Monitoring

Reconciliations of revenues and expenditures should include comparisons of source documents to financial system reports. Specifically, to ensure that all monies collected by the museum store is completely and properly deposited, general ledger reconciliation procedures should include comparison to cash register reports. When reviewing expenses and disbursements, vendor invoices should be reviewed and agreed to the general ledger to ensure propriety of the transaction.

Also, management should consider using the Statements on Auditing Standards (SAS) 115, Key Internal Controls’ month-end check list to ensure that monthly general ledger reconciliations are properly completed and documented.

Management should regularly review Post Authorization Notification (PAN) aging reports via Document Direct to verify that mandatory reviewers are reviewing PANs in a timely manner, as required by the UCLA Financial Policy. Management should send reminders to staff, if needed.

The audit results and recommendations are detailed in the following section of this report.

Audit Results and Recommendations

| # | FINDING andCRITERIA, where applicable | RECOMMENDATION | MANAGEMENT’S RESPONSE |
| --- | --- | --- | --- |
| INVENTORY PRACTICES | | | |
| The Fowler collections and publications are housed in several storage areas on Campus. The art inventory is tracked in the Argus system; the archaeological inventory is maintained in various other databases, including Paradox and FileMaker Pro; and the publication inventory is recorded in Microsoft Excel. The equipment custodian is in charge of managing the department inventorial equipment. Audit work included the following:   * Review of art, archaeological, and publication inventory reports, and data back-up procedures. * Discussions with the management and staff regarding physical controls over the inventory, data back-up procedures, and separation of duties. * Observations were performed of the collection and publication storage areas. * Review of employees with access to storage sites. * Observation of 40 collection inventory selections from reports dated February 16, 2017, March 1, 2018, and March 16, 2018. * Discussions with Campus Counsel, Gift Policy management, and other UC campuses to determine best practices for disposing of inventory items.   Issues noted are summarized below. | | | |
| 1. | Art Inventory Data Off-Site Back-ups: Off-site back-up procedures for the data of art inventory warrants improvement. Currently, the Argus server performs on-site internal back-ups to a secondary drive inside the server. These daily back-ups include all structured query language (SQL) information stored in the database. These back-ups are maintained on that second drive daily for a month, and then one per month for older back-ups. All of the SQL back-ups (daily and monthly) as well as all of the images on the server are also mirrored to a workstation inside of the locked IT office at the Fowler on a daily basis.  However, there is an additional off-site back-up which is currently stored in the personal cloud account of a University employee. Management was concerned that data in the outdated system could be lost, so as an added precaution, the department decided to perform cloud back-ups. Daily back-ups to the non-University owned cloud account is scheduled to continue for the next few months until the new version of Argus is fully implemented.  Under the current setup, there is no contract between the University and the vendor hosting the cloud back-up files. As a result, the Campus does not control access rights to the information, which would be needed if the employee were to separate from the University, or if access was needed as part of a disaster recovery situation.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  Business and Finance Bulletin (BFB) Records Management and Privacy (RMP) 2: Records Retention and Disposition: Principles, Processes, and Guidelines, Appendix A, “If storage is contracted to non-University facilities, standards of the facility/organization should meet or exceed the University’s own capabilities with regard to security, environmental protections, employee training, etc. Any such requirements should be stipulated in the contract.” | Management should discontinue using an employee’s personal cloud account to back-up the art inventory data off-site. Rather, off-site data should be stored using a University sanctioned option to improve the security of the data. | The practice of using an employee’s personal cloud account to back up the “old” Argus server has been discontinued. That system is now only available for read only purposes, and no data in that system will change, and that server will be retired during this fiscal year. The “new” Argus server is hosted through a third party and a contract for that service was approved by UCLA Purchasing. |
| 2. | Art Inventory: A&AS could not reconcile 14 out of 20 physical items with the information contained in the art inventory listing. Based on 20 objects judgmentally selected for testing, the following were noted:   * The location or description recorded in Argus for three archeological items are outdated. Management explained that these records are noted with "See Curator of Archeology" to indicate that the information is updated in a separate inventory database. * The records for three items were either incorrect or the information was missing because the inventory report was outdated by approximately 11 months. Management explained that the data was converted into the new Argus system on February 17, 2017, and it remained stagnant in the old version of the system. * The location for four items was not properly updated in the inventory report. For three of these items, management explained that the new Argus system will have features that facilitate the process of updating the information to accurately display the building name. The new system is expected to be fully implemented by the end of 2018. * One clerical error was not removed from the system. Management explained that student workers are given restricted user rights to prevent them from deleting valid records from the system, but it also prevents them from removing clerical errors. * Three items could not be physically located at the time of the observation. One of the three items has not yet been cataloged in a separate archeology database, so management only has an approximate location. Two of these records have notes indicating that the exact location is not known.   Also, a data analysis performed on the Argus inventory database indicated that 7,673 out of 130,596 records as of February 16, 2017, were noted with “Unknown Location” or “Not in Location.”  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  National Park Service Museum Handbook, Part II, Museum Records, Chapter 4.III.C, “What if the object is not found? Start the process of deaccessioning the object if you can’t find it within thirty days after reporting its loss.” | Management should enhance current procedures and increase the reliability of the art inventory data by considering the following:   * Objects should appear in only one inventory report; either the art inventory report, or a consolidated archaeological inventory report. * Correct or remove clerical errors from the system by appropriate users at the time when they are discovered. * If an object is not returned to the location from which it was taken or is misplaced, within a certain period of time, it should be considered for deaccessioning, and properly documented.   Also, A&AS supports management’s efforts to pursue the full implementation of the new version of Argus and ensure that object locations and any changes that occurred since February 17, 2017, are updated. | Management is addressing the recommendations as follows:   * Objects that were originally entered into one database and then transferred to another database will still have records in both systems. The records in the system where the object was removed will remain there with a note that they are in the other system. This will allow us to keep track of donations of collections or sets of objects that may be have some objects in each of the databases. * We are correcting errors on an ongoing basis, which is somewhat easier to do in the new system. * In the unlikely event that something that was temporarily misplaced is never found, we will deaccession that object, but only after a thorough investigation has been performed. The Fowler has never lost an object in the 17 years since the Museum Director and Deputy Director assumed their positions. |
| 3. | Archaeological Inventory: A&AS could not reconcile nine out of 20 physical items with the information contained in the archaeological inventory listings. Based on 20 selections randomly selected for testing, the following were noted:     * For one selection, a group of objects listed in the accession report could not be physically located at the time of the observation. The Museum Accession Record dated January 1969 indicates that the location of the objects was unknown at the time, and it concluded that the collection did not exist. * For one selection, an accession listed on the report could not be physically located because the information was not accurate. The Master Box Inventory (MBI) move list indicates that the item is "missing" and the location field is blank, however, management explained that these items were part of the Native American collection that was repatriated. The database will be updated to reflect "returned." * For two selections, the "content description" in the MBI is vague, so it was difficult to determine that the records and the physical items matched. Descriptive information about the selections could not be found in the other inventory databases provided. * Information for four selections are not listed in the MBI report initially provided by management, but they are recorded in other databases provided after the samples were selected and observations were made from the storage areas.   The inventory is currently recorded in multiple databases; however, management explained that the department is in an ongoing long-term process of vetting and cataloging the remaining 1.5 million archeological objects into one database. Cataloging is a systematic process of recording detailed information about individual objects or groups of related objects. This process is approximately 75% complete. There is no approximate completion date because the department mainly depends on the support of volunteers to perform the work.   * For one selection, the catalog number for an item could not be found in the inventory reports at the time of the audit.   \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  National Park Service Museum Handbook, Part II, Museum Records:   * Chapter 3.B, “When do I catalog objects? If possible, catalog objects when you accession them.” * Chapter 3.B, “It’s important to keep your backlog from growing larger in the future. This may not be possible if you receive a large accession of materials. However, you can address the backlog of project-generated collections. Make sure all contract agreements and permits include the requirement to catalog all collections that the project generates.” * Chapter 4.III.C, “What if the object is not found? Start the process of deaccessioning the object if you can’t find it within thirty days after reporting its loss.” | In order to increase the reliability of the archaeological inventory data, management should consider the following:   * If an object is not returned to the location from which it was taken or is misplaced, within a certain period of time, it should be considered for deaccessioning, and properly documented. * Object status should be updated in the catalog records for deaccessioned objects to clearly separate them from current items in Fowler’s permanent collection.   Also, A&AS supports management’s efforts to catalog and consolidate the archaeological inventory records. | We agree with these recommendations and will consider deaccessioning objects that cannot be found after some investigation, and will re-accession them should they be found at a later date, and will sort future electronic reports so that deaccessioned items are not combined with accessioned items. This will not be possible for paper records.  Cataloguing of the collections is an ongoing process and we are continuing to make progress. |
| 4. | Art Inventory Records: Controls over the art inventory records can be improved. Based on audit review of all 130,596 object records in the Argus system as of February 16, 2017, the following were noted:   * There are 559 duplicate object records. * 4,911 records are missing a synopsis (description). * The current location is not specified for 842 item records.   Management indicated that certain issues, such as duplicates, were discovered after the inventory data was transferred in a previous system update. The department plans to clean up the database with the new version of Argus. Management also stated that detailed information about each item, which was not displayed in the inventory report, is kept in the system and in hard copy files.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  National Park Service Museum Handbook, Part II, Museum Records, Chapter 3.D, “If the duplicate catalog numbers are for…   * identical records, then… delete one of the records. * different objects, then… assign a new number to one of the objects with a cross-reference to the old number.” | A&AS supports management’s efforts to pursue the full implementation of the new version of Argus and their plans to clean up the database. This will help to ensure the reliability of the inventory data and associated reports. | The implementation phase of the new version of Argus, Argus.net, was completed on July 25, 2018, and the system is now in use by all staff, and the vendor continues to make minor modifications as we request them. The functionality of the new system makes it much easier to identify and fix problems. |
| 5. | Deaccession Practices: The current deaccessioning process for art and archeological items warrants improvement.  Items have not been regularly disposed of. As a result, the collection of items has not been regularly weeded/updated, and the lack of space with the accumulation of items is becoming an issue.  Information about the donor is maintained for donated items, while few items include provisions indicating items that need to be returned to heirs.    A&AS supports Fowler's efforts to recognize items donated from prior years as under Fowler's purview and that items may be deaccessed, with reasonable efforts made (including emails, letters, etc.) to heirs regarding the deaccession of these items, unless specific provisions indicate that the item(s) shall be returned to heir(s).    Major benefits of weeding the collection and disposing of items include saving space and time, ensuring that the collection is up-to-date and is in good physical condition, and keeping up with collection needs. | Management should develop policies and practices for collection review, retention decisions, and disposal of material.  Criteria for weeding the collection includes reviewing items' physical condition, relevance of the item, etc.    The following ways to dispose of unwanted items and materials should be considered:   * Sale * Donation to other charitable organizations. * Trade/exchange with other museums. * Recycle * Destroy/send to landfill.   Deciding on which approach to take depends upon:   * Evaluation of the relative cost of staffing requirements. * Evaluation of the discarded material for potential interest/value to other organizations or individuals, in terms of subject/content and physical condition. * Evaluation of alignment with Campus policies and procedures.     Best practices for enacting any of these means of disposal should incorporate:   * Appropriate record-keeping, including updating information in the online records about items. * Development of an appropriate communication plan for stakeholders and participants. * Working with the Campus Compliance Coordinator and Gifts Administration to ensure compliance with Campus and California state policies and regulations regarding the disposal process. | We accept this recommendation and have identified some objects we would like to deaccession soon and will work with the appropriate campus departments to develop our internal procedures for this process. |
| 6. | Inventory Separation of Duties and Accountability: Controls to safeguard the publication and equipment inventory can be improved.  Separation of duties and accountability are not maintained for the publication inventory. The Security Guard performs the annual counts on his own and also is responsible for recording the information by inputting the count values in the database. The Fowler Deputy Director and the Financial Services Coordinator review and approve the annual publication inventory and perform a second count if anomalies are noted. However, under the current setup, it would be difficult to detect if an item were to go missing.  Also, accountability is not maintained over equipment inventory, as the Security/Facilities Supervisor, who is also the equipment custodian, performs the inventory count on his own.  \_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 360, Internal Control Guidelines for Campus Departments, Section IV, Attachment A, “A reasonable separation of duties should be established after considering the associated costs, benefits, and available resources. Under optimal conditions, no employee should have complete control over more than one of the following groups of duties:   1. Receiving, maintaining or issuing items; 2. Preparing and maintaining up-to-date records of the location, transfer, damage, disposal, or loss of inventory; 3. Performing annual physical inventory counts or inspections.” | A&AS recognizes that there are resource and staffing constraints which prohibit Fowler from having separate individuals perform each inventory function as it pertains to receiving, maintaining or issuing items, updating inventory records, and performing physical inventory counts. However, as a compensating control, management should require two people present whenever publication and equipment inventory counts are performed. The publication inventory counts should also be documented by both individuals who performed the verification. | We accept this recommendation. Two people will be present for publication and equipment inventory counts, and counts will be documented and verified by both individuals. |
| CHILD SAFETY | | | |
| Fowler provides programs lead by the Education unit dedicated to engaging visitors, including K-12 students, in learning experiences. Gallery tours and workshops are guided by student Museum Educators that go through extensive training, which incorporates safety awareness. Audit work included the following:   * Review of procedures regarding background checks, training requirements, and California Child Abuse and Neglect Reporting Act (CANRA) training. * Discussion with management regarding background checks, the training process, and compliance with CANRA. * Review of Fowler Mandated Reporter training completion dates. * Review of personnel files for all eight Mandated Reporters to determine whether CANRA forms and background check documentation are maintained.   Issues noted are summarized below. | | | |
| 7. | Background Checks: Background check documents for two of the eight Mandated Reporters were not in the employee’s personnel files. The University is committed to providing a safe and secure environment for its staff, faculty, students, and others in the University community, and the background check is an essential control to support these efforts.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UC Policy CANRA, Reporting Child Abuse and Neglect Accessible, Section VII.12, "Mandated Reporters and other University employees who regularly encounter minors in the course and scope of their employment, work, or studies typically are considered to fill “Critical Positions” and would therefore be subject to background checks." | Management should remind the appropriate personnel that background check documents for Mandated Reporters should be properly completed and retained in the employee's personnel file. | We accept your recommendation and have reminded the appropriate staff of the procedures. |
| 8. | CANRA: The Mandated Reporter Identification Form for seven of the eight individuals reviewed were not in the employee’s personnel files. The form is important to ensure that each department head or designee identifies job classifications and individual employees who are UCLA Mandated Reporters.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 136, Reporting Child Abuse and Neglect, Section III.A, "Both the completed Identification Form and Acknowledgement Statement shall be submitted to the appropriate human resources representative and a copy retained in the Employee’s personnel or other appropriate department file." | Management should implement a tracking system to ensure that the UCLA Mandated Reporter forms are properly completed and retained in the employee's personnel file. | We accept your recommendation and have implemented the new tracking system. |
| CASH HANDLING | | | |
| Fowler receives payments for various activities, including items sold in the museum store, fees for exhibitions, publication sales, event fees, and venue rental fees. While cash, checks, and credit card payments are accepted at the store, only checks are accepted for other activities. In fiscal year 2016-17, Fowler cash receipts totaled approximately $434,000. Audit work included the following:   * Discussion with management and staff regarding mailed-in payments, physical security of funds, individual accountability, and separation of duties throughout the cash handling process. * Audit observation on March 22, 2018, of cash handling and cash storage areas.   Issues noted are summarized below. | | | |
| 9. | Access to Safes: Individual accountability over funds stored in the two departmental safes is not adequately maintained. Fowler has two safes, one located inside the museum store and one located inside the security office.  Museum store safe  The museum store safe combination is given to all store employees. While the safe is a dual control safe, the physical key is stored in a place that is known and accessible to all employees. Furthermore, management explained that the museum store safe is very old and, therefore, the safe combination cannot be changed. Under the current structure, any store employee can access funds stored inside the safe by themselves and any unauthorized access would be undetected.  Security office safe  While the security office safe was manufactured as a dual control safe, the physical key is currently broken. As such, only the combination is required to open the safe. The safe combination is given to three supervisors. Under the current set-up, if funds were to go missing, it would be difficult to hold any one of the three security supervisors accountable.  During audit review, management expressed that they have begun the process to procure a new safe for the museum store so that they can implement proper safe access controls. However, the current budget does not allow for the replacement of the security office safe, but management hopes to replace the security office safe in the future.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  Per UC Business and Finance Bulletin-49 (BUS-49), Policy for Cash and Cash Equivalents Received, Policy IX.8, "the combination of a safe must be given only to supervisory and authorized personnel who must then commit the combination to memory". | Management should ensure that individual accountability is properly maintained over funds stored in the two departmental safes. Safe access should be limited to essential personnel. Also, dual control safes should be properly used so that no one individual can access the safe by themselves. Management should also document the issuance of safe keys and safe combinations. | We accept your recommendation.  The Fowler Museum Store has since implemented a dual lock safe recommended by the auditor to replace the old safe. The safe is only accessed by the Store Manager and the Security Supervisor. Safe keys are securely stored at the Security Console. Safe combinations will be changed annually, or when an employee leaves his/her position per the recommendation, and a log will be kept at the Security Console to document the change each time.  *Security Office Safe*  A new safe for the security office was delivered to the museum on September 11, 2018, and will be installed by September 18, 2018. It is identical to the one that was purchased for the store which is serving our needs well. Safe combinations will be changed annually, or when an employee leaves his/her position per the recommendation, and a log will be kept at the Security Console to document the change each time. |
| 10. | Transfer of Monies Between Individuals: The transfer of funds between individuals (from receiving, to recording, to deposit) is not jointly verified nor documented. Currently, remittances can be received by the Exhibitions Manager and the Events & Visitor Services Manager. The area managers deliver the monies to the Financial Services Coordinator, who records the funds received. Finally, the Financial Services Coordinator delivers the funds to the Security Manager, who prepares the deposit.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  BUS-49, Policy VIIIA.2, “Individual accountability must be maintained and documented for all cash handling procedures”.  BUS-49, Policy IXA.3, “All cash transfers must be documented and the documentation of accountability maintained by category (i.e., currency, checks and other forms of payment)”. | Individual accountability should be established and maintained, as required by University policy, for all cash handling operations from receipt through deposit. Procedures should be established to require staff to verify and document that collections are intact when transferred between personnel. Verifications should be done in the presence of both persons transferring funds. | We accept your recommendation and have since implemented a Check Receiving and Deposit log to document how check is transferred and verified within department. Each check is recorded throughout the entire process: received by, forwarded to, and deposited by. Both the area managers and the Financial Services Coordinator are present when transferring funds. |
| 11. | Shared Cash Drawer: Individual accountability is not maintained for cash collections, as cashiers do not have individual cash drawers. On a typical day, one cash register is opened for the store and cashiers share the cash register funds between shifts.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  BUS-49, Policy VIIIA.2.1, “Each cashier shall be assigned a unique identifier not accessible by or shared with other individuals. The unit must provide a cash register drawer, a cash drawer insert or another secure cash receptacle to which  only the cashier has access”.  BUS-49, Policy VIIIB.6.5, “Each cashier/remittance processor must be assigned a unique identifier that is not accessible to other individuals. A cash register drawer, cash drawer insert, and an endorsement stamp or its mechanical equivalent must also be provided”. | Management should evaluate the risk of the current setup, and determine whether each cashier should be provided their own cash register drawer or cash drawer insert to ensure that individual accountability is maintained over funds. | We accept your recommendation.  We have evaluated the risk of the current setup. The volume of cash handled in the Museum Store is minimal and we have determined that unless there is an exhibition opening, there is need for only one cash drawer on a regular basis. All cashiers are screened and trained on cash drawer usage and cash handling. Each cashier has own unique log-in to get into the system. Security cameras are installed and actively monitoring store and register activities. |
| 12. | Safe Requirements: Current controls over the two Fowler safes can be strengthened to improve physical security over departmental funds. Based on discussion with various personnel, the following exceptions were identified regarding the museum store safe and the security office safe:   * The museum store safe combination is not changed after a person who knew the combination is separated from the University. The store typically employs student employees in the cashier position, naturally leading to higher staff turnover. * The museum store safe combination is not changed at least annually. * While the security office safe combination is changed once a year, this process is not documented. * A record of the two safe combinations is not properly kept away from the safe area and sealed to prevent undetected access. Currently, a record of the museum store combination is kept in the security office safe, but access to the security office safe is not dually controlled as discussed above. The backup record of the security office safe combination is maintained electronically in a word document on the Security Manager's computer.   During audit review, management indicated that both departmental safes are very old, inhibiting the functionality of the safe. As such, they are immediately replacing the museum store safe and, as funds become available, they will be replacing the security office safe.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  BUS-49, Policy IX.11, "A safe's combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes".  BUS-49, Policy IX.8, "A record of the combination, sealed and opened only under double-custody to prevent undetected access, must be maintained away from the safe area". | The safe combinations should be changed at least annually, or when an employee who knows the combination separates from the University. Also, combination changes should be documented to note the date and reason of the change. For emergency back-up access, a spare set of keys and/or a record of the combination should be maintained in a locked receptacle in a manner that requires two people together to get physical access to the funds. | We accept your recommendation.  Safe combinations for both the store and the security office will be changed annually, or when a person leaves his/her position, and a log will be securely kept to document the changes. |
| 13. | Museum Store Cash Register Keys: Based on discussion with staff and from audit observation on March 22, 2018, the cash draw key is always kept in the cash register. This could potentially lead to undetected access to the funds in the cash register. | Cash draw keys should be kept away from the cash register and accessible only to designated personnel, to secure museum store funds. | We accept your recommendation. |
| 14. | Mailed-in Payments: Controls over mailed-in payments can be improved. The current practice is for individuals to open mailed-in payments by themselves in the department mail room, and the receipt of payment is not immediately documented.  Individuals receiving mailed-in payments include the Financial Services Coordinator, the Exhibitions Manager, and the Events & Visitor Services Manager. If payments are received and opened by the area managers, they deliver the check to the Financial Services Coordinator. The Financial Services Coordinator records all payments and notes the proper account to deposit the funds into. Any checks received and opened by the Financial Services Coordinator directly are also recorded in the same process coordinator’s records.  Mailed-in payments should be logged immediately upon receipt to ensure that a record of all checks received is created. Adequate controls will minimize loss, theft, and misappropriation, and help to maintain individual accountability.  Based on A&AS observations during the audit review, the Financial Services Coordinator began implementing the recommended processes for mailed-in payments to ensure that mailed-in remittances are immediately verified and processed by two employees, and documented on a dual-signed log.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  BUS-49, Policy VIIIA.1.3, “Mailed remittances shall be verified and processed by two employees”. | Management should continue to ensure that mailed-in payments are opened and processed by two individuals. A dual-signed log should be used to document payments immediately upon receipt and the two individuals verifying the payment. An independent person should review the dual-signed log, and verify that all payments on the log were deposited intact. | We accept your recommendation.  Mailed in checks are opened in front of at least two persons and immediately verified and documented in the Check Receiving and Deposit Log, which was implemented since audit field work. |
| 15. | Check Endorsement: Checks received by Fowler personnel are not always immediately restrictively endorsed upon receipt. The museum store provides a check endorsement stamp for cashiers at the cash register. However, for payments received for other activities, the current procedure is for the Security Manager to endorse checks when preparing the deposit (which may not be at the time of receipt).  Compliance with BUS-49 and endorsing checks will help safeguard check payments from tampering and theft.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  BUS-49, Policy VIIIB.1, “Immediately upon receipt, checks must be restrictively endorsed ‘for deposit only’”.  BUS-49, VIIIB.1.1, “Each Cashier must be provided an official endorsement stamp or its mechanical equivalent”. | Checks should be restrictively endorsed with an official University stamp upon receipt. A University issued endorsement stamp should be made available to all staff receiving check payments (in-person payments and mailed-in remittances). | We accept your recommendation.  Immediately following audit field work, the Financial Services Coordinator ordered endorsement stamps for all staff members handling checks; each area manager now endorses checks immediately after receipt of a check. |
| 16. | Customer Receipts for In-Person Payments: Occasionally, the Events & Visitor Services Manager will receive in-person payments for events or venue rentals, and a receipt is not provided to the customer at the time of payment.  Proper record keeping is essential to establish and maintain individual accountability over assets, and to minimize risk of misappropriation, lost, or theft.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  BUS-49, Policy VIIIB.2, “An official University cash receipt shall be recorded for each collection. A copy of the receipt shall be provided to payers making an in-person payment and to payers making currency and coin payments through the mail”.  BUS-49, Policy VIIIB.5, "A collection not recorded on cash register or point of sale equipment must be recorded on an official pre-numbered, multiple-part Cash Receipt.” | To establish a record at cash acceptance, a receipt should be provided to customers making in-person payments. Payments should be recorded on an official pre-numbered, multiple-part University receipt, and a copy should be provided to the payer. Original copies of receipts should be maintained for reconciliation and auditing purposes. | We accept your recommendation.  The only in-person check acceptance would be for space rental (from a student group) and this rarely happens. Since audit field work, we ordered a receipt book for the Event Manager to use in the event that a check is accepted in person. |
| 17. | Deposit Process: All Fowler cash receipts are deposited on a weekly basis by the Security Manager. The Security Manager prepares deposits alone at their desk. Also, deposit funds are not counted and verified by another individual for accuracy and completeness.  While the Security Manager's desk is located in a secured office, the deposits should be jointly prepared and validated by two individuals to ensure that the deposit is accurately prepared and intact.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  Per BUS-49, Policy XA.1, "Deposits must be validated and prepared under dual custody at all times in a safe and secure area". | Deposits should be validated and prepared under dual custody. Both individuals should sign and date bank deposit documents to evidence verification before sealing the deposit into the bank deposit bag. | We accept your recommendation.  Deposits are now prepared by one Security Supervisor and validated by another Security Supervisor. Both supervisors’ signatures are on the deposit slip. |
| RECONCILIATION & MONITORING | | | |
| Audit work included the following:   * Discussion with management. * Review of the general ledger reconciliation for March 2018 for Fowler, and PAN reports.   Issues noted are summarized below. | | | |
| 18. | Reconciliation Process: Based on discussions with the Fowler Financial Services Coordinator and review of reconciliation documents for March 2018, Fowler procedures over general ledger reconciliations can be improved. The following was identified:   * The Financial Services Coordinator performs general ledger reconciliations on a quarterly basis. However, University policies requires reconciliations to be performed monthly. Reconciliation documentations for March 2018 that were reviewed by A&AS showed that reconciliation documents were not dated and signed to evidence review. * Reconciliation of museum store cash receipts include comparison of CashNet reports to the general ledger, but does not include review of cash register reports. To ensure that all monies collected by the museum store is completely and properly deposited, reconciliation procedures should include comparison to cash register reports (daily sales report, z-receipts, etc.). * Reconciliation of expenditures does not include a review of vendor invoices. Expenditures posted to the general ledger should be compared against invoices to ensure that all expenditures posted to the general ledger are proper and accurate.   Financial system reports should be reconciled to source documents on a monthly basis to ensure propriety of financial transactions and accuracy of financial reports.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  Related guidelines per UCLA Policy 360, Internal Control Guidelines for Campus Departments, Attachment A:   * Accounting Records and Reports: "To ensure the accuracy and integrity of departmental records and reports and to avoid making departmental decisions based on inaccurate or incomplete information, departmental personnel are expected to reconcile departmental records and source documents on a monthly basis with the University financial system ledger and other financial system reports". * Purchasing Receiving and Disbursements, 3.a: "Employees who possess overall knowledge of departmental accounts are assigned to review monthly financial system reports to ensure the validity, accuracy and completeness of all current non-payroll expenditures. This review includes comparing current month expenditures to source documents. This reconciliation is documented by the employee assigned this responsibility". * Cash Receipts, 4.b.1: "Cash receipts are reconciled to deposits, and deposits are reconciled to financial system reports". | Reconciliations of revenues and expenditures should include comparisons of source documents to financial system reports. Specifically, to ensure that all monies collected by the museum store is completely and properly deposited, general ledger reconciliation procedures should include comparison to cash register reports. When reviewing expenses and disbursements, vendor invoices should be reviewed and agreed to the general ledger to ensure propriety of the transaction.  Also, management should use the SAS 115, Key Internal Controls month-end check list to ensure that monthly general ledger reconciliations are properly completed and documented. | We accept your recommendation.  The Financial Services Coordinator has since been performing monthly reconciliation of encumbrances, invoices, deposits, and the financial ledger. A more thorough reconciliation procedure is implemented during ongoing discussion with the auditor.  The reconciliation process for the Museum Store is fine-tuned to include comparison between the Point of Sale (POS) system (credit card settlement and sales reports/Z receipts), CashNet, and the general ledger. The Financial Services Coordinator conducts a monthly reconciliation to ensure that not only CashNet transaction is properly posted to the general ledger, but also all monies collected or refunded are deposited and recorded accurately and completely.  We are working to clarify the procedures to reconcile with the Bank of America Deposit Statement, but know that this will ensure that money processed for deposit makes it to the bank and that each piece of the process agrees with each other.  The reconciliation of expenditures now includes review of all vendor invoices organized by funds. Invoices are kept in a locked file cabinet and are compared to the ledger to ensure the transaction has been posted and accurate.  A month-end check list will be implemented to ensure/certify that reconciliations are properly completed and documented. |
| 19. | Post Authorization Notification (PAN): Fowler mandatory reviewers are not reviewing PANs within two working days of receipt, in accordance with the UCLA Financial Policy. One mandatory reviewer had over 200 PANs unread in their queue for six to 14 calendar days, one had 176 PANs unread in their queue for six to 31 calendar days, and the remaining mandatory reviewer had eight PANs unread in their queue for six to 12 calendar days.    PANs should be reviewed in a timely manner to ensure propriety of financial and other transactions. Timely review also ensures that corrective actions can be taken expeditiously if issues are identified.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Financial Policy, Principles of Financial Accountability, Responsibility, Section 2, “A Reviewer must…review all transaction within two working days of receipt”. | Management should regularly review PAN aging reports via Document Direct to verify that mandatory reviewers are reviewing PANs within two working days of receipt as required by the UCLA Financial Policy. Management should send reminders to staff, if needed. | All PANs are reviewed by at least two mandatory reviewers at the Fowler Museum and at least one non-mandatory reviewer from the Dean’s Office. The Fowler reviewer is notified by the Dean’s Office when PANs have not been reviewed for an extended period of time. In the event of reviewer going on vacation or extended leave, School DACSS Manager(s) in the Dean’s Office will be notified to make prior arrangement to ensure that proper PAN review of transactions will be maintained/covered during the reviewer’s absence. |

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