

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2016**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2015-004 CAPITAL ASSET ACCOUNTING (MATERIAL WEAKNESS)**

**CONDITION**

The following deficiencies were noted during the testing of capital assets:

- The University continues to use a manual spreadsheet to calculate depreciation and maintain asset information. Errors were made in calculations during the year.
- The University's art collection was reported in previous years at an incorrect amount. An increase of approximately \$615,000 was recorded as a prior period adjustment to properly report the original value of art.
- Journal entries to record asset additions were not made.
- Closing entries to record depreciation expense and adjust capital outlay expense for current year additions were not accurate.
- A land acquisition was not added to asset listing or recorded.
- Financial statement note disclosures related to capital assets were not accurate.

**CRITERIA**

Amounts recorded in the financial statements should agree to subsidiary ledgers and such ledgers should be complete and accurate. Financial statement disclosures should agree to underlying data.

**CAUSE**

Manual records are kept in spreadsheets which are very susceptible to human error. Inadequate review of calculations and supporting documentation.

**EFFECT**

Asset and expense accounts had to be adjusted by material amounts.

**RECOMMENDATION**

We recommend a more detailed review of the entire capital asset accounting and financial reporting process. We also recommend that the University consider purchasing a capital asset software package to maintain the subsidiary ledgers to replace the manual spreadsheet currently being used.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The University has made significant changes in process improvement in this area; however, due to recent staff turnover within the Purchasing and Business Departments, the University could not demonstrate that a formal written update procedure was established or put into place during the audit engagement. The University concurs with this finding. The University will ensure that proper procedures, processes, and reporting will be established, and tested by the end of January 2017. The new finance and purchasing directors will be responsible for these actions.

**POINT OF CONTACT**

Adam Bustos – Purchasing Director  
Dominic Chavez – Unrestricted Accounts Manager  
Gayle Martinez – Restricted Accounts Manager