

NEW MEXICO HIGHLANDS UNIVERSITY STATE OF NEW MEXICO

SUMMARY OF AUDIT FINDINGS

Year Ended June 30, 2018

B. SCHEDULE OF PRIOR YEAR FINDINGS

Financial Statement Audit

2015-002 University Policies Not Approved (Significant Deficiency)	Cleared
2015-004 Capital Asset Accounting (Material Weakness)	Cleared
2015-009 Component Unit (Highlands Stable Isotopes Corporation) (Material Noncompliance)	Cleared
2016-003 Budget Overspending (Other Noncompliance)	Cleared
2017-001 Segregation of duties over Cash Receipts (Significant Deficiency)	Cleared

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2015-002 Insufficient Collateral (Other Noncompliance)	Cleared
2017-001 State Auditor Referral letter (Other Noncompliance)	Cleared
2017-002 Restricted Accounts (Other Noncompliance)	Cleared
2017-003 Internal Controls (Other Noncompliance)	Cleared
2015-009 Tax Status (Material Noncompliance)	Cleared

C. CURRENT YEAR FINDINGS

Financial Statement Audit

2018-005 Financial Report and Closing (Significant Deficiency)	
2018-002 Controls over Campus Life Accounting (Material Weakness)	
2018-006 Controls over Capital Assets (Material Weakness)	
2018-001 Controls over Fuel Card Disbursements (Other Non-Compliance)	
2018-004 Lack of Policies over Budget Adjustment Requests (BARS) (Other Non-Compliance)	

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

FINANCIAL STATEMENT FINDINGS

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2018-001 COMPLIANCE WITH FUEL CARD ACTIVITY (OTHER NONCOMPLIANCE)

CONDITION

During our evaluation of compliance over Fuel Card, it was identified that odometer readings were not being updated based on actual mileage. This is not in compliance with the Universities own internal requirements.

CRITERIA

Per State Auditor Risk Advisory dated June 11, 2013, public entities should design and implement internal controls to ensure that all gas card purchases are in compliance with state regulations (and internal policies) and implement monitoring processes that are geared toward identifying potential unallowed purchases. The University fuel card process state requires that drivers fill out a New Mexico Highland University Motor Pool Trip Ticket upon return of the vehicle logging accurate mileage both on check out and check in of the fuel card/vehicle.

CAUSE

Policies and procedures related to fuel cards were not applied by NMHU staff, and noncompliance was not identified by NMHU staff in the review process.

EFFECT

Noncompliance with the University's internal control requirements may result in misappropriation, misuse, or potential fraud.

RECOMMENDATION

We recommend that all employees with access to a fuel card take additional training on standard operating procedures, and all employees receive up to date polices.

PLAN OF ACTION TO CORRECT SIGNIFICANT DEFICIENCY

Upon review by the Director of Facilities, Sylvia Baca, it was determined the Fleet Manager allowed the mechanic to use one fuel card to fuel numerous vehicles which were being worked on by the mechanic. The Director of Facilities immediately corrected this by implementing an internal control to ensure all gas card purchases are in compliance with state regulations and internal policies. The fuel card used for multiple vehicles was cancelled and the mechanic is now using the cards assigned to each vehicle.

Date of Completion: Immediate Action was taken on July 9, 2018. This finding is conclusive.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The University concurs with the finding related to the fuel card and the non-compliance of not recording odometer readings based on actual mileage. The University has taken immediate action to correct this deficiency and staff has been updated on the standard operating procedures in the Facilities Procedure Manual. Management will work with staff, conduct periodic internal audits, and continue to monitor to assure procedures are being followed.

Point of Contact:

Sylvia Baca - Director of Facilities

STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2018

2018-002 CONTROLS OVER CAMPUS LIFE ACCOUNTING (MATERIAL
WEAKNESS)

CONDITION

During our evaluation of Revenues and Accounts receivable it was identified that none of the transactions processed through the “Campus Life” department have controls over financial reporting. The balances are not being reconciled to actual revenues, there are no segregation of duties over cash receipts or disbursements, and no support could be provided that agreed to the recorded balances.

CRITERIA

CAUSE

Policies and procedures have not been designed or implemented over the “Campus Life” department.

EFFECT

The lack of policies procedures or controls over the accounting of the department make it impossible to reconcile revenue, accounts receivable, and expenses. Additionally, if misappropriations were to occur it may not be identified due to the complete lack of controls and record keeping.

RECOMMENDATION

We recommend that a process be defined for the review of policies and procedures, including the financial close and reporting process, of the University and revisions recommended as appropriate. The revised policies and procedures should be approved by responsible officials and updated periodically as needed.

PLAN OF ACTION TO CORRECT SIGNIFICANT DEFICIENCY

The University recognized the serious nature of this audit finding and concurs, therefore, the Dean of Students will immediately implement the University's currently policy on cash management, receipts, payments, safekeeping, deposits and recording. Secondly, the segregation of duties will happen immediately as the Dean of Students will work within Business Office Controller to identify segregation of internal controls over cash receipts or disbursement. Additionally, internal controls will be implemented and monitored on a quarterly basis to assure we are in compliance with the University policies and procedures.

Additionally, the University will conduct a 5-year internal audit on the cashing handling of Campus Life. The results of this audit may result in identifying additional deficiencies and could result in further corrective actions. Date of Completion: June 30, 2019

Point of Contact:

Max Baca - VP for Finance and Administration

Kimberly Blea - Dean of Students

Paula Escudero - Comptroller / Director of Finance

STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-003 LACK OF POLICIES OVER BUDGET ADJUSTMENT REQUESTS
(BARs)

(OTHER NONCOMPLIANCE)

CONDITION

During our evaluation of Budget Adjustment Request (BARs) it was identified that there are no procedures in place for review or approval of BARs prior to the adjustments being processed resulting in segregation of duties and noncompliance issues.

CRITERIA

Policies and Procedures are a significant and important part of the documented system of internal control and serve principally as directives for required actions to University staff. Policies and procedures define control procedures that help to ensure correct accounting for transactions and effective oversight of identified risk areas. Policies and procedures further demonstrate intent to funding sources to administer funds in accordance with grant covenants where policies are in place that addresses the respective grant requirements. Policies and procedures are a component of the general control environment of the University that allows more specific controls to function effectively.

CAUSE

Lack of policies or procedures over the BARs process.

EFFECT

This lack of segregation of duties in the budget function increases the risk that an error or irregularity could occur and go undetected.

RECOMMENDATION

We recommend that management review the BAR process from start to finish and determine where potential vulnerabilities in internal controls exist, and a process to rectify them. An appropriate level of review prior to final processing should be included in this process.

PLAN OF ACTION TO CORRECT SIGNIFICANT DEFICIENCY

The Director of Finance and the Budget Director will work together to develop the threshold on the BAR approval process and create a written procedure to address the segregation of duties and noncompliance issue to be followed. Staff will be trained on the new process and the Director of Finance/Comptroller will oversee the continued following of this internal control.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The University concurs with this finding. The Director of Finance/Comptroller and the Business Office will review the BAR process and develop policies and procedures to oversee this accounting practice and bring these adjustments into compliance with our internal controls. Date of Completion: January 31, 2019

Point of Contact:

Paula M. Escudero - Director of Finance/ Comptroller
Stephanie Gonzales - Budget Director

STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-004 FINANCIAL REPORT AND CLOSING (SIGNIFICANT DEFICIENCY)

CONDITION

In preparation for final fieldwork it was identified that significant adjustments to various key transaction cycles were required subsequent to the deadline established for the final trial balance. Additionally, the University does not have adequate procedures for yearend close processes related to fixed assets, fund balance, and various accrual accounts.

CRITERIA

Per NMAC 2.20.5.8 Chief Financial Officer and Assignment of Responsibilities Part B states “It is the responsibility of the chief financial officer to ensure that:

- (1) an internal control structure exists at the state agency and is functioning properly.
- (2) all transactions are recorded daily in the agency’s accounting records.
- (3) all transactions are properly classified in the agency’s records.
- (4) cash account records are reconciled timely each month to the division’s reports and to the state

CAUSE

Lack of policies and procedures over year-end financial close and reporting.

EFFECT

The lack of procedures can result in late audits, significant misstatements, and increases potential for misstatements.

RECOMMENDATION

We recommend that management implement year-end process, and set internal deadlines with all financial staff on when all year-end closing processes must be complete.

PLAN OF ACTION TO CORRECT SIGNIFICANT DEFICIENCY

Due to the turnover over of staff, we need to reestablish and uphold the year-end process and internal deadlines. The Business Office will be implementing a quarterly close for 2019. This will help improve the year-end closing and create the opportunity for the departments to communicate more regularly. Additional team meetings between the various financial departments will be added to the quarterly audit schedule.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The University does not agree to the lack of policy and procedures; however, the university does concur on implementing a greater level oversight and adherence to required deadlines across the university. Additional, minor milestones will be implement in the project timeline to ensure a more management. Date of Completion: January 31, 2019

Point of Contact:

Max Baca - VP of Finance and Administration

Paula M. Escudero - Director of Finance

STATE OF NEW MEXICO

NEW MEXICO HIGHLANDS UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2018

FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

2018-005 CONTROLS OVER CAPITAL ASSETS (MATTERIAL WEAKNESS)

CONDITION

During the year, the University implemented a new fixed asset module to replace their spreadsheet tracking system. As a result, it was determined that their spreadsheet system had miscalculated amounts embedded within it.

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, and inadequate review of calculations and supporting documentation could result in misstatements.

EFFECT

The University has restated the Capital Asset beginning balance by a net amount of \$1,042,759, to correct the variances identified as a result of the University converting from a manually maintained spreadsheet to the banner fixed asset module.

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

RECOMMENDATION

We recommend the University continue the process of converting maintenance of Capital Assets to the Banner system, and reconcile monthly rather than on an annual basis.

PLAN OF ACTION TO CORRECT SIGNIFICANT DEFICIENCY

The University believes this item has been addressed as we recognized the prior year differences and trued up our balances in the Banner Finance accounting system. There is no action plan as this issue has been fixed and reconciled with Banner and the audited Financial Statements.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The University agrees with the finding, however, this was initiated because of the threshold of the audit and truing up the prior year fund balances. University has made significant improvements in address the fixed assets operations and utilization of NMHU Banner system. This implementation now provides a seamless alignment with financial and fixed assets systems. In addition, fixed assets reconciliation will be aligned with the financial quarterly reviews. Date of Completion: No plan of Action. This finding is conclusive.

Point of Contact:

Max Baca - VP of Finance and Administration

Adam Bustos - Purchasing Director