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Eight Findings Identified in Northern Audit

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Northern New Mexico University officials are continually working toward a clean financial reputation, as their latest financial audit showed half as many findings as last year.

Northern auditors released eight findings in the university's 2014 fiscal year audit, which the Board of regents unanimously approved, at the Jan. 27 meeting. The audit was conducted by Albuquerque-based Moss Adams LLP.

"In our opinion, the budgetary comparisons for the year ended June 30, 2014, present fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America," auditors wrote in a letter addressed to former state auditor Hector Balderas.

Northern Vice President for Institutional Advancement Ricky Serna said administrators began the audit in September 2014. This year's audit has a lot less findings than five years ago, when they had about 40.

There were 15 audit findings in the Fiscal Year 2013 audit. Northern was on Balderas's fiscal watch list from 2007 until 2013.

Most importantly, auditors called out university administrators on overspending in 2014..

According to the audit, administrators overspent \$766,000 in capital outlay money, \$233,000 for student aid, grants and stipends and \$54,000 for public service initiatives.

They also overspent \$34,000 for student services, \$27,000 for athletics and \$14,000 for its plant operations.

"The College has overspent its budget for six consecutive years," auditors wrote. "This overspending has contributed to a deficit position in unrestricted net assets and a current ratio of less than 1.0. Additionally, due to insufficient cash, there was \$317,667 in held checks."

State law prohibits public bodies from exceeding amounts indicated in their fiscal year budgets.



(SUNfoto by Ardee Napolitano) Northern New Mexico University Board of Regents Vice President Alfred Herrera chats with Vice President of Finance and Administration Domingo Sanchez before the start of a Jan. 27 Board meeting. The regents unanimously approved, at the meeting, Northern's Fiscal Year 2014 audit, which had eight findings, half less than last year's 15.

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Auditors insisted Northern officials violated state statute when they allotted funds on three capital projects before obtaining required approvals.

"The College was not aware that (state law) required approval by both board of educational finance and the state board of finance," auditors wrote. "We recommend that the College implement procedures to ensure compliance with state statute before beginning capital projects."

Auditors also criticized officials' tardy bank reconciliation process and review of last fiscal year's cash accounts. They stated because of this lateness, the accounts' review process has not concluded by final audit fieldwork.

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Auditors wrote officials should review the accounts every month.

"Not reviewing cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected," they wrote. "We suggest that the College prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reviewed monthly."

Northern administrators attempted to address these findings in the audit. They wrote that they have already established a "formal institutional budgeting process" that will lessen overspending risks in the future.

They said they developed an internal process to review and prepare for capital projects to ensure they have needed approvals. They also made efforts to enhance the cash accounts' review process, the audit states.

"The college has set up a database in Access to take the place of the hard copy signatures and will be maintained online," they wrote. "The database will be implemented in (Fiscal Year) 2015."

Other findings include an unreconciled physical inventory, inaccurate depreciation of equipment and insufficient information technology financial controls.

According to the audit, the College ended last fiscal year with \$40 million in assets and \$4 million in liabilities, or a \$36 million difference between the two line items.

Northern Vice President of Finance and Administration Domingo Sanchez said the current Northern auditors have been instrumental in correcting the institution's past findings.

"I want to mention that this year is a good year with our auditors," Sanchez said

But because Northern officials have worked with Moss Adams for four audits, they are required by state law to switch auditors next fiscal year, he said. Sanchez said they plan to look for bids for a new auditing firm.

Serna said they plan to release a Request for Proposals for a new auditing firm "sometime in the near future."

He said they aim to hire a new auditor by June 30, the end of this fiscal year.

Serna said Northern will strive to achieve a completely clean audit in the coming years.

"In the future, we hope to accomplish the corrective action plans," he said. "We're glad that we're able to eliminate any existing concerns."

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