

**NEW MEXICO HIGHLANDS UNIVERSITY**  
c/o Office of the Vice President for Finance and Administration  
Box 9000  
Las Vegas, New Mexico 87701

National Science Foundation Award Numbers  
ESR-9554468  
DUE-0094896  
EAR-0216556

Financial Audit  
of  
Financial Schedules  
and  
Independent Auditors' Reports

For the Period July 1, 1999 to July 31, 2004

This audit was performed by:

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## Acronyms

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<u>Acronym</u>	<u>Explanation of Acronym</u>
ASU	Arizona State University
BPS	Bernalillo Public Schools
DACS	Division of Acquisition and Cost Support
DGA	Division of Grants and Agreements
DIAS	Division of Institution and Award Support
FCTR	Federal Cash Transactions Report
GPM	Grant Policy Manual
GSA	General Services Administration
MTDC	Modified Total Direct Costs
NMHU	New Mexico Highlands University
NSF	National Science Foundation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PI	Principal Investigator
RSI	Rural Systemic Initiative

**EXECUTIVE SUMMARY**

## **BACKGROUND**

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We audited funds awarded by the National Science Foundation (NSF) to New Mexico Highlands University (NMHU) under award numbers ESR-9554468, DUE-0094896, and EAR-0216556 for the period July 1, 1999 to July 31, 2004. NMHU, formerly known as New Mexico Normal University, was established in 1893 and provides academic instruction through four-year programs leading to degrees under Bachelor of Arts, Bachelor of Science, Bachelor of Social Work, or Bachelor of Science in Engineering. The University also offers limited graduate programs.

NMHU, as a Federal awardee, is required to follow the cost principles specified in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* and federal administrative requirements contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. The following information is pertinent for each of the awards under audit.

**No. ESR-9554468.** NSF awarded a cooperative agreement no. ESR-9554468 to NMHU for the period September 15, 1995 to August 31, 2000 in the amount of \$9,500,000 to operate a Rural Systemic Initiative (RSI) Program in the States of Utah, Colorado, Arizona and New Mexico. The overall mission of the RSI program was to improve scientific and mathematical literacy and achievement of all students in rural, economically disadvantaged regions; to provide the mathematics and science fundamentals to permit all students to participate fully in technological society; and to empower a significantly greater number of students to pursue careers in mathematics, science, engineering and technology. On June 28, 2000, NSF notified NMHU that it would not continue the RSI Program with NMHU since their program continuation proposal “did not receive ratings that were sufficient to merit discussion for possible funding.” As a result, NSF granted a phase down period that terminated the award on May 31, 2001. Total cost share required for this award was \$5,549,616.

We conducted our audit of this award for the period July 1, 1999 to May 31, 2001. Cumulative disbursements for grant number ESR-9554468 reported to NSF for the audit period were \$2,879,551. NMHU also claimed \$2,125,431 of cost sharing to NSF for the audit period but incurred total cost share of \$2,347,439. Cost sharing required for the audit period was \$1,110,493.

**No. DUE-0094896.** NSF awarded grant no. DUE-0094896 to NMHU for the period March 1, 2001, to February 28, 2003 in the amount of \$101,248 for the purpose of awarding scholarships to minority students enrolled in degree programs in computer science and mathematics. The program provided thirty scholarships to junior and senior students. These scholarships were to be awarded to ten students in the first year of the program and to twenty students in the second year of the program. Cumulative disbursements for grant number DUE-0094896 reported to NSF through February 28, 2003 (the end of the award period) were \$101,248. NMHU was not required to provide cost sharing for this award.

EAR-0216556:

**No. EAR-0216556.** NSF awarded grant no. EAR-0216556 to NMHU for the period August 15, 2002 to July 31, 2004 in the amount of \$91,188 to purchase “Powder X-Ray Diffraction and Spectroscopy Instrumentation” to conduct mineral and soil research. Cumulative disbursements for grant number EAR-0216556 reported to NSF through July 31, 2004 (the end of the award period) were \$91,188. NMHU was not required to provide cost sharing for this award.

**AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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The objectives of our audit engagement were to:

1. Determine whether NMHU’s Schedules of Award Costs present fairly, in all material respects, the costs claimed on the Federal Cash Transactions Reports (FCTR) – Federal Share of Net Disbursements and if the costs claimed, including cost sharing, are in conformity with Federal and NSF award requirements.
2. Identify matters concerning instances of noncompliance with laws, regulations, and the provisions of the award agreements pertaining to the NSF awards and weaknesses in NMHU’s internal control over financial reporting that could have a direct and material effect on the Schedules of Award Costs and NMHU’s ability to properly administer, account for, and monitor its NSF awards.
3. Determine whether the costs incurred under subcontracts awarded by NMHU to Arizona Tribal Coalition/Arizona State University and New Mexico County Coalition/Bernalillo Public Schools, were documented and allowable under the terms and conditions of the subcontract agreements, NSF and Federal regulations, based upon performing on-site audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards (June 2003 Revision)* issued by the Comptroller General of the United States; and the *National Science Foundation Audit Guide*, September 1996, as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation as presented in the Schedules of Award Costs (Schedules A-1 to A-3), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Award Costs (Schedules A-1 to A-3). An audit also includes assessing the accounting principles used and significant estimates made by NMHU, as well as evaluating the overall financial schedules’ presentation. We believe that our audit provides a reasonable basis for our opinion.

## SUMMARY OF AUDIT RESULTS

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We performed an audit on the costs claimed in financial reports submitted to the National Science Foundation as well as cost sharing provided by NMHU on the NSF awards audited. Only one of the three awards audited required cost sharing. These costs and costs questioned are shown in the *Schedules of Award Costs* (Schedules A-1 to A-3) and are summarized as follows:

<u>Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned NSF Costs</u>	<u>Questioned Cost Sharing</u>
ESR-9554468	\$ 9,500,000 (A)	\$ 2,879,551 (B)	\$ 160,783	
DUE-0094896	101,248 (D)	53,870 (F)	4,689	
EAR-0216556	<u>91,188 (E)</u>	<u>91,188</u>	<u>-0-</u>	
Total	<u>\$ 9,692,436</u>	<u>\$ 3,024,609</u>	<u>\$ 165,472</u>	
Cost Sharing on ESR- 9554468	<u>\$ 5,549,616(A)</u>	<u>\$ 2,347,439(C)</u>		<u>\$ 1,959,263</u>

(A) For the award period September 15, 1995, to May 31, 2001.

(B) Costs claimed for the audit period July 1, 1999, to May 31, 2001.

(C) For the period October 1, 1999, to September 30, 2000, NMHU claimed \$2,125,431 of cost share. However, NMHU incurred additional cost sharing of \$220,008 during this period which was not claimed to NSF.

(D) For the period March 3, 2001 to February 28, 2003. This period comprises both the award period and the audit period.

(E) For the period August 15, 2002 to July 31, 2004. This period comprises both the award period and the audit period.

(F) Original claimed costs to NSF were \$101,248. However, \$46,458 was refunded by NMHU to NSF as a result of this audit because NMHU inaccurately reported expenditures on its FCTR because it did not reconcile the costs it claimed on the FCTRs it submitted to NSF to its official books of record.

Except for the \$165,472 in questioned salaries and wages, fringe, travel, consultants, subawardees, materials and supplies, and participant support costs, we determined that the costs claimed by NMHU appear fairly stated and are allowable, allocable, and reasonable. Specifically, we questioned \$81,787 of subawardee costs and \$12,720 of travel, material and supplies, and consultant costs due to lack of documentation; \$60,000 for the purchase of materials and supplies at the very end of the grant period for which the auditee could not explain how these purchases benefited the NSF program; \$6,276 of salaries and wages, related fringe and indirect cost charged to the award for a professor who did not work on the NSF program; and, \$4,689 of scholarship costs paid for students who were not eligible to

participate in the NSF program. Additionally, we questioned \$1,959,263 of cost share due to a lack of adequate supporting documentation.

NMHU had a number of internal control deficiencies which we consider to be material. In general, NMHU's systems of internal controls were not adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and federal grant requirements in the areas of cost sharing, fiscal monitoring of subaward recipients, expenditure reporting, and conflict of interest disclosures. Specifically:

- NMHU lacked a system to identify, account for and monitor the cost share it attributed to NSF award no. ESR-9554468, raising questions as to the reliability and integrity of the \$2,125,431 that it claimed on its certified cost sharing reports to NSF. NMHU's accounting system, while it captured all expenses, did not separately identify and track those expenses incurred as cost sharing for its NSF award or provide adequate documentation. Thus, NMHU could not readily identify in its accounting records the cost sharing amounts it had claimed to NSF. Moreover, University management indicated that to support cost sharing amounts claimed to NSF, program officials maintained an electronic spreadsheet on a computer in the RSI Program Office. However, NMHU sold the computer after the program ended and thus, the electronic spreadsheet was lost. Likewise, NMHU acknowledged that they did not have written policies and procedures for the identification, monitoring or reporting of cost share.
- NMHU lacked an adequate system and policies and procedures for the monitoring and the reporting of subawardee costs it incurred for its NSF award. Therefore, NMHU was unable to monitor the subawardee costs it claimed to NSF to ensure those costs were allowable. As a result of this internal control deficiency, we were required to perform additional on-site procedures at two NMHU's subawardees to satisfy ourselves that the subawardee costs charged to the NSF grant were allowable. As a result of our additional procedures, we questioned \$81,787 of subawardee costs due to lack of supporting documentation maintained by these subawardees.
- NMHU inaccurately reported expenditures on its NSF awards because it did not reconcile the costs it claimed on the FCTRs it submitted to NSF to its official books of record. This internal control deficiency resulted in NMHU over claiming costs of \$46,458 on grant DUE-0094896. Once informed during the audit, NMHU reimbursed NSF for these costs on July 7, 2005.
- NMHU could not provide conflict of interest disclosure statements for either the PIs or Co-PIs for any of its NSF awards. These conflict of interest disclosure statements were unavailable even though NMHU maintains a conflict of interest policy that is in compliance with NSF *Grant Policy Manual*.

Accordingly, we recommend that the NSF Directors of the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) direct NMHU to a) establish a system to identify, account for, monitor, report, and document cost sharing; b) establish a system, including policies and procedures, to monitor subaward costs and

accurately report those costs to NSF; c) develop and implement policies and procedures that require the reporting to NSF of actual costs incurred for NSF grants as recorded in NMHU's official books and records, including reconciliation procedures to ensure that costs reported to NSF are equal to amounts recorded in NMHU's official books and records; and d) ensure that all PIs and Co-PIs complete and NMHU maintains conflict of interest disclosure forms.

The awardee responded to the draft report on September 7, 2006. In its response, NMHU stated that it is combining its compliance and accounting functions and in 2006/2007 will implement an accounting system grant module that will track cost sharing. NMHU also responded that its grant accounting office is now verifying cost sharing and in-kind contributions. NMHU officials also stated they have taken steps to improve their subawardee monitoring. However, NMHU disagrees with the \$1,959,263 of questioned cost share and the \$81,787 of questioned subawardee costs. The awardee also disagreed that the \$60,000 purchase of Casio hand held calculators at the end of the NSF grant period did not benefit the NSF program and disagreed

NMHU did agree that it had inaccurate and unallowable expenditure reporting and that it could not provide conflict of interest disclosures for its NSF program PIs and Co-PIs. NMHU also agreed with the \$6,276 of questioned salaries and wages and the \$4,689 of questioned scholarship costs.

NMHU's response has been summarized within the body of the report and has been included in Appendix A. NMHU also submitted additional documentation and materials related to corrective actions it has taken with regard to newly implemented policies, procedures and practices. Because these materials are voluminous, they are contained in a separate volume of this report and are available upon request from the NSF OIG.

The findings in this report should not be closed nor should additional awards be made to NMHU until NSF has determined that all the recommendations have been adequately addressed. NMHU should also be flagged in the NSF award system for a follow-up review should future additional funding be provided, to ensure that all the corrective actions proposed to address all the recommendations in this audit have been addressed.

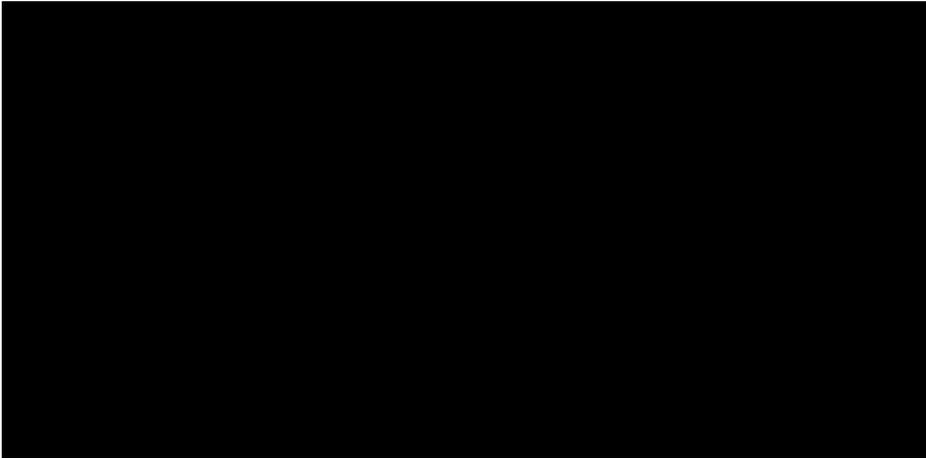
For a complete discussion of the audit findings, refer to the Independent Auditor's Report on Compliance with Laws and Regulations and Internal Control Over Financial Reporting.

## **EXIT CONFERENCE**

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We conducted an exit conference on July 28, 2005, at NMHU. We discussed findings and recommendations as well as other observations contained in this report with those attending.

Representing NMHU were:



Representing M.D. Oppenheim & Company, P.C. were:

Richard L. Sobine LPA, Audit Manager  
Andreas Savva, Staff Accountant

**FINDINGS AND RECOMMENDATIONS**

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

We have audited costs claimed by New Mexico Highlands University (NMHU) to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTR) for the NSF awards listed below. In addition, we audited the amount of cost sharing claimed on award number ESR-9554468. The FCTRs, as presented in the Schedules of Award Costs (Schedules A-1 through A-3) are the responsibility of NMHU's management. Our responsibility is to express an opinion on the Schedules of Award Costs (Schedules A-1 through A-3) based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
ESR-9554468	09/15/95 to 05/31/01	07/01/99 to 05/31/01
DUE-0094896	03/01/01 to 02/28/03	03/01/01 to 02/28/03
EAR-0216556	08/15/02 to 07/31/04	08/15/02 to 07/31/04

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* (2003 Revision) issued by the Comptroller General of the United States; and the *National Science Foundation Audit Guide*, September 1996, as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to NSF as presented in the Schedules of Award Costs (Schedules A-1 through A-3), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Award Costs (Schedules A-1 through A-3). An audit also includes assessing the accounting principles used and significant estimates made by NMHU's management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial schedules were prepared to comply with the requirements of the *National Science Foundation Audit Guide* as described in the Notes to the Schedules, and are not intended to be a complete presentation of NMHU's financial position in conformity with accounting principles generally accepted in the United States of America.

The Schedules of Questioned Costs (Schedules B-1 and B-2) explains the \$165,472 (6%) of NSF funded costs that we questioned for allowability. These questioned costs include travel, consultants, and subawardees costs; and, the purchase of materials and supplies at the very end of the grant period for which the auditee could not explain how these purchases benefited the NSF program. These questioned costs also include unallowable salary, wages, fringe, indirect, and participant support costs. The Schedule of Cost Sharing for award ESR-9554468 (Schedule D) explains that \$1,959,263 (92%) of the total cost share claimed by NMHU during the audit period July 1, 1999 to May 31, 2001 was questioned due to lack of supporting documentation.

Questioned costs are (1) costs for which there is documentation that the recorded costs were expended in violation of the laws, regulations or specific award conditions, (2) costs that require additional support by the awardee, or (3) costs that require interpretation of allowability by NSF's Division of Institution and Award Support (DIAS). The final determination as to whether such costs are allowable will be made by NSF. The ultimate outcome of this determination cannot presently be determined. Accordingly, no adjustment has been made to costs claimed for any potential disallowance by NSF.

In our opinion, except for \$165,472 of questioned NSF funded costs, the Schedules of Award Costs (Schedules A-1 through A-3) referred to above present fairly, in all material respects, costs claimed on the Federal Cash Transactions Reports and cost sharing claimed for the period July 1, 1999 to July 31, 2004, in conformity with the *National Science Foundation Audit Guide*, *NSF Grant Policy Manual*, the terms and conditions of the NSF awards, and on the basis of accounting policies described in the Notes to the Financial Schedules. These schedules are not intended to be a complete presentation of financial position in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and the provisions of the *National Science Foundation Audit Guide*, we have also issued a report dated July 28, 2005, on our tests of NMHU's compliance with certain provisions of laws, regulations, and the NSF award agreements, and our consideration of NMHU's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of NMHU's management, NSF, NMHU's cognizant federal agency, the Office of Management and Budget, and the Congress of the United States of America and is not intended to be, and should not be used, by anyone other than these specified parties.

*M.D. Oppenheim & Company, P.C.*

July 28, 2005

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS AND  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited costs claimed as presented in the Schedules of Award Costs (Schedules A-1 through A-3), which summarize financial reports submitted by New Mexico Highlands University (NMHU) to the National Science Foundation (NSF) for the awards listed below and claimed cost sharing for award No. ESR-9554468 and have issued our report thereon dated July 28, 2005.

Award Number	Award Period	Audit Period
ESR-9554468	09/15/95 to 05/31/01	07/01/99 to 05/31/01
DUE-0094896	03/01/01 to 02/28/03	03/01/01 to 02/28/03
EAR-0216556	08/15/02 to 07/31/04	08/15/02 to 07/31/04

We conducted our audit of the Schedule of Award Costs as presented in Schedules A-1 through A-3 in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* (2003 revision), issued by the Comptroller General of the United States; and the *National Science Foundation Audit Guide*, September 1996, as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

**COMPLIANCE WITH LAWS AND REGULATIONS**

Compliance with applicable federal laws, regulations, and NSF award terms and conditions is the responsibility of NMHU's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of NMHU's compliance with certain provisions of applicable laws, regulations, and NSF award terms and conditions, noncompliance with which could have a direct and material effect on the determination of the financial schedule amounts. However, providing an opinion on compliance with these provisions is not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and the *National Science Foundation Audit Guide*; see Findings 1 through 4, below.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the Schedules of Award Costs for the period July 1, 1999 through July 31, 2004, we considered NMHU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express such an opinion.

We noted, however, certain matters described below involving internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect NMHU's ability to record, process, summarize and report financial data consistent with management's assertions in the financial schedules. Reportable conditions we found are described in Finding Nos. 1 through 4 below.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters related to internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions also considered to also be material weaknesses. We consider all of the reportable conditions described below to be material weaknesses.

## FINDINGS

### **Finding 1. Lack of System to Identify, Account for, Monitor and Report Cost Sharing**

NMHU lacked a system to identify, account for and monitor the cost sharing it attributed to NSF award number ESR-9554468, raising questions as to the reliability and integrity of the \$2,125,431 (including \$2,044,131 reported to NMHU by its subawardees) NMHU claimed as cost sharing for the period July 1, 1999 to May 31, 2001 on its certified reports to NSF. Only one of the three awards audited required cost sharing.

NSF's Grant Policy Manual (GPM) Section 333.6, *Cost Sharing Records and Reports* and OMB Circular A-110, Subpart C, Section 23, require grantees to maintain records of all costs claimed as cost sharing, and states that those records are subject to audit. These regulations also state that cost-sharing expenses must be verifiable from the recipient's records, not be included as contributions to any other federal award, or funded by any other federal award. Circular A-110, Section 23, also states that to be accepted as part of the recipient's cost sharing, the expenditures must be necessary and reasonable for proper and efficient accomplishment of project or program objectives and allowable under the applicable cost principles.

NMHU's accounting system, while it captured all expenses, did not separately identify and track those expenses incurred and reported by NMHU and its subawardees as cost sharing for its NSF award. Thus, NMHU could not readily identify in its accounting records the cost sharing amounts it had claimed to NSF.

NMHU management indicated that to support cost sharing amounts it had claimed under the NSF award, program officials maintained an electronic spreadsheet on a computer in the RSI Program office. According to the RSI Program Executive Director, NMHU sold the computer after the program ended and thus, the electronic spreadsheet was subsequently lost. No hard copies of this spreadsheet were maintained in program files.

During the audit, NMHU attempted to reconstruct and document the cost sharing it claimed to NSF by contacting RSI Program Coalition Members or their fiscal agents to obtain supporting documentation. This attempt to reconstruct cost sharing records was not successful because either the coalition members did not maintain cost sharing records or the cost sharing records that were requested were lost or destroyed due to the age of the records (e.g., 1999/2000 time period).

Likewise, NMHU representatives acknowledged that they did not have written policies and procedures for the identification, monitoring or reporting of cost sharing. Additionally, NMHU representatives did not appear to understand that cost sharing expenditures had to be verifiable from the awardee's records, adequately supported by source documentation, certified and reported to NSF accurately and annually, and be allowable under federal and NSF grant requirements. As such, NMHU was unable to monitor cost sharing expenditures to ensure that costs claimed were allowable and in compliance with the cost share commitment as required by the NSF award.

Moreover, \$2,044,131 or 96% of the cost sharing NMHU claimed to NSF was attributable to the six subawardees of the RSI program. However, as detailed in Finding Number 2, below, NMHU did not monitor its subawardee costs. Thus, NMHU did not verify either through inquiry or inspection of source documentation, the accuracy of subawardee cost sharing amounts reported to NSF.

Because NMHU could not provide adequate documentation, we questioned \$1,959,263 of cost sharing claimed by NMHU on its certified reports to NSF. See Schedules D to D1-e for a detailed explanation of the questioned cost sharing. As stated in GPM 333.3, a failure to provide the level of cost sharing reflected in the approved award may result in disallowance of award costs. However we did not calculate the impact of the lack of cost share on direct costs at this time because we did not audit cost sharing amounts claimed by NMHU to NSF for the period prior to July 1, 1999.

### ***Recommendation 1***

We recommend that the NSF Division Directors for the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) direct NMHU to establish a system to identify, account for, monitor, and report cost sharing expenses and, at a minimum, ensure that:

- a. Cost sharing for NSF funds is separately tracked, accounted for, and verifiable in NMHU's accounting records; is not included as contributions for any other federally-assisted project or program; is necessary and reasonable for proper and efficient accomplishment of project and program objectives; is allowable under applicable cost principles; and is not paid by the Federal government under another award;
- b. All NSF awards with cost sharing requirements are identified and reported to NMHU's Accounting Department so they can be adequately recorded and tracked as required by NSF's award agreements;
- c. Cost sharing costs incurred and claimed on NSF awards are appropriately reviewed, approved, and recorded as they occur to establish that they are reasonable, allocable, and allowable to NSF awards;
- d. Cost sharing records for NSF awards are adequately maintained and documented; and,
- e. Cost sharing policies and procedures are developed, consistent with NSF requirements, documented in writing, and communicated to appropriate NMHU staff.

### ***Auditee's Response***

NMHU officials stated that they are combining the compliance and accounting functions and in 2006/2007 will implement an accounting system grants module that will track cost sharing. NMHU's grant accounting department is now verifying cost share and in-kind

contributions and ensuring that its claimed cost share is in compliance with federal regulations. However, NMHU officials disagreed with the \$1,959,263 in questioned cost sharing. In addition, NMHU's response included numerous comments and documents related to the cost sharing questioned in the amount of \$1,959,263. These responses are presented in Schedules D-1a to D-1e of this report. Finally, NMHU stated that the documents required to support the cost sharing were beyond the record retention period.

### ***Auditors' Comment***

In regards to the \$1,959,263 of questioned cost sharing, we reviewed the NMHU responses and documents submitted and based upon that review the questioned costs remain as stated because adequate supporting documentation such as general ledgers, payroll records, paid invoices, and vouchers either was not available or did not explain how the costs were related to the NSF program. Our detailed response to each of NMHU's response is also included in Schedules D-1a to D-1e of this report. Finally, NMHU's assertion that the record retention period had expired is incorrect. Per the NSF Grant Policy Manual, Section 350, *Records Retention and Audit*, "Financial records, supporting documents, statistical records and other records pertinent to a grant will be retained by the grantee for a period of three years from submission of the Final Project Report." The Final Project Report was filed by NMHU to NSF in October 2002, therefore requiring the records to be available thru October 2005, which was after the completion of this audit in July 2005. Thus, this finding remains open and cannot be resolved until all recommendations have been adequately addressed and NSF verifies that the proposed corrective actions have been satisfactorily implemented.

### **Finding 2. Lack of Adequate Fiscal Monitoring of Subawardee Costs**

NMHU lacked an adequate system and policies and procedures for the monitoring and the reporting of subawardee costs it incurred for its NSF award. As such, we were required to perform additional on-site audit procedures at two NMHU's subawardees to determine if \$2,218,038 of subawardee costs charged by NMHU to NSF award ESR-9554468 were allowable and allocable. Our alternative procedures resulted in the questioning of \$81,787 of costs charged by NMHU to its NSF award due to lack of supporting documentation. We also determined that NMHU lacked an adequate system to fiscally monitor its subaward recipients.

OMB Circular A-110, Subpart C, Section .51 (a), requires recipients to manage and monitor each project, program and subaward. In addition, Subpart C, Section .21 (b) (1) requires accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. NSF Award number ESR-9554468, amendment number three, also required NMHU to monitor all subcontracts and subawards it entered into that were supported with NSF funds in accordance with the applicable Federal cost principles and administrative requirements.

NMHU had seven subaward recipients (also referred to as "Coalition Members") under NSF award ESR-9554468. These seven subawards represented 77 percent of the total costs NMHU claimed on its award to NSF for the period July 1, 1999 to May 31, 2001. Despite the materiality of its subawardee costs, NMHU did not have an adequate system in place to monitor such costs. NMHU did not separately track the costs it incurred for each of its

subawardees. Instead, NMHU recorded all its subawardee costs in its accounting system in an account entitled “Professional Services.” This account was also used to track other types of service costs in addition to subawardee costs. Thus, the subawardee costs incurred by NMHU were mingled with other types of costs within the account.

Although NMHU provided us with a summary total of subawardee costs incurred by fund and by fiscal year, NMHU could not determine the actual costs it incurred for each subawardee under its NSF grant because it did not track subawardee costs by specific subawardee organization. Thus, the University could not determine if the amounts it paid to each subawardee were in compliance with the NSF approved program budget for each subawardee.

Moreover, as a result of audit procedures conducted at NMHU, we determined that NMHU did not maintain in a centralized location, copies of subawardee agreements, contract modifications, applicable budgets, or invoices. NMHU also did not maintain a summary listing of subawardee contact information (i.e., name of the coalition member, contact person’s name, telephone number and address) and thus, the University could neither explain what goods or services were received from subawardees for costs charged to its NSF grant nor provide us with subawardee contact information.

We also learned from NMHU personnel that the University does not have written policies and procedures for the fiscal monitoring of its subawardees. NMHU management indicated that because program and the fiscal staff from the time period of the RSI program were no longer employed at the University, they could not fully explain the reasons for the lack of fiscal monitoring of its subawardees.

As aforementioned, because of NMHU’s lack of fiscal monitoring of subaward costs, we were required to perform additional on-site audit procedures at two of NMHU’s subawardees, Arizona State University and Bernalillo Public Schools. At Arizona State University, we questioned \$4,793 because Arizona State University could not provide vendor invoices or other supporting documentation for costs it claimed to NMHU. At Bernalillo Public Schools, we questioned \$76,994 of costs claimed to NMHU for the NSF grant also due to lack of adequate documentation. This amount included \$51,893 (100%) for unsupported salaries and wages and fringe benefits (See Schedule B-1). Therefore, while we did not find material questioned costs at the subawardees, inadequate oversight procedures at NMHU posed considerable and serious risk for misuse, loss, or theft of NSF funds.

### ***Recommendation 2***

We recommend that NSF Division Directors for DIAS and DGA require that NMHU establish a system and policies and procedures to monitor its subaward costs and accurately report those costs to NSF; ensure that NMHU tracks subawardee costs by subawardee organization; and maintain appropriate documentation to support subawardee costs charged to NSF grants.

### ***Auditee's Response***

NMHU identified steps it took to monitor its subawardees and indicated that in fiscal year 2004 it implemented additional procedures to verify that all subawardee costs it claimed were in compliance with federal regulations. NMHU also stated that it did not agree to the \$81,787 of questioned subawardee costs.

### ***Auditors' Comment***

NMHU stated that additional submonitoring procedures were implemented in fiscal year 2004. However, NMHU did not provide any additional documentation to support the questioned costs of \$81,787. Thus, the finding remains remain as stated and cannot be resolved until all recommendations have been adequately addressed and NSF verifies that the proposed corrective actions have been satisfactorily implemented.

### **Finding 3. Inaccurate and Unallowable Expenditure Reporting**

NMHU inaccurately reported expenditures on its NSF awards as follows:

- Costs reported by NMHU to NSF for award number DUE-0094896 on the FCTR for the period March 1, 2001 to February 28, 2003 did not agree with NMHU's official accounting books and records. These differences occurred in the FCTRs for the quarters ended June 30, 2002, June 30, 2003 and March 31, 2004 in the amounts of \$920, \$(14,067) and \$(33,311), respectively, for a total over claim of \$46,458 for this grant. As a result of our audit findings, NMHU refunded this amount to NSF on July 7, 2005.
- Costs reported by NMHU to NSF for award number ESR-9554468 also did not agree with NMHU's official books and records. However, in this instance, costs were under claimed on the FCTR for the quarters ended June 30, 2000 and June 30, 2001 in the amounts of \$94,715 and \$39,152, respectively, for a total underclaim of \$133,867.

NMHU reported unallowable expenditures on its NSF awards as follows:

- For NSF award ESR-9554468: \$60,000 for the purchase of materials and supplies at the very end of the grant period for which the auditee could not explain how these purchases benefited the NSF program; and \$6,276 of salaries and wages and related fringe and indirect costs charged to the award for a professor who did not work on the NSF program.
- For NSF award DUE-0094896: \$4,689 of scholarship costs paid for students who were not eligible to participate in the NSF program.

OMB Circular A-110, Section 21, requires awardee financial management systems to provide accurate, current, and complete disclosure of the financial results of each award; records that adequately identify the source and application of funds; effective control over and accountability for all funds, assuring that all funds are used solely for authorized

purposes; comparison of outlays with budget amounts for each award; written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable federal and award requirements; and accounting records, including cost accounting records, supported by source documentation. Additionally, NSF GPM Section 451 requires the awardee's certification of the truthfulness and accuracy of the information presented on the FCTR each quarter. The accuracy of the information reported should be based on the actual costs recorded in the awardee's books and records for the corresponding quarter.

Because the accounting personnel who were involved in the preparation and submission of the FCTR reports and claimed unallowable costs were no longer employed at NMHU, NMHU was unable to explain why these reporting inaccuracies and claimed unallowable costs occurred.

### ***Recommendation No. 3***

NSF's Division Directors of DIAS and DGA should ensure that NMHU develop and implement written policies and procedures that require the reporting to NSF of actual costs incurred for its NSF grants as recorded in NMHU's official books and records. These policies and procedures should also include reconciliation procedures so that NMHU ensures that costs reported on its FCTRs to NSF are equal to the amounts recorded in its official books and records.

### ***Auditee's Response***

NMHU agreed with the finding that it had inaccurate reporting of program expenditures and agreed with the questioned costs of \$6,276 and \$4,689. However, NMHU stated that the \$60,000 purchase of material and supplies was discussed with the NSF grant consultant and approved.

### ***Auditors' Comment***

NMHU did not provide in its response any written NSF approval to corroborate their statement that the \$60,000 of materials and supplied was approved by NSF. The finding remains remain as stated and cannot be resolved until all recommendations have been adequately addressed and NSF verifies that the proposed corrective actions have been satisfactorily implemented.

### **Finding 4. Lack of Conflict of Interest Disclosures by PI and Co-PIs**

NMHU could not provide conflict of interest disclosure statements for either the PI's or Co-PIs for any of its NSF awards. These conflict of interest disclosure statements were unavailable even though NMHU maintains a conflict of interest policy that is in compliance with NSF *Grant Policy Manual* requirements and requires PIs and Co-PIs to file these statements on an annual basis or as new reportable significant financial interests are obtained.

*NSF Grant Policy Manual*, Section 510, requires each institution employing more than fifty persons to maintain an appropriate written and enforced policy on conflict of interest. That

policy should require each principal investigator, co-principal investigator, and any other person who is responsible for the design, conduct, or reporting of research or educational activities funded or proposed for funding by NSF, to disclose to a responsible institutional representative all significant financial interests (including those of the investigator's spouse and dependent children). Financial interests required to be reported include: (a) those that would reasonably appear to be affected by the research or educational activities funded or proposed for funding by NSF; or (b) those institutional entities whose financial interests would reasonably appear to be affected by such activities. The term "significant financial interest" means anything of monetary value, including, but not limited to, salary or other payments for services, equity interest, and intellectual property rights. Such conflict of interest policy must also ensure that investigators provide all required financial disclosures at the time a proposal is submitted to NSF and must also provide for the updating of financial disclosures during the period of the award, either on an annual basis or as new reportable significant financial interests are obtained.

Our audit found that NMHU maintains a conflict of interest policy that is in compliance with the requirements of the NSF *Grant Policy Manual*. NMHU further indicated that all investigators assigned to NSF awards were required to complete, sign and submit conflict of interest disclosure statements. However, NMHU was unable to locate the conflict of interest forms submitted by the investigators for any of the NSF awards under audit.

NMHU management stated that the conflict of interest records were archived in a campus building that was condemned. Those records were subsequently destroyed when the building was demolished. As such, NMHU could not provide documentation which verified their adherence to either their own or NSF's conflict of interest policy requirements.

#### ***Recommendation 4***

We recommend that the NSF Directors of DACS and DGA ensure that NMHU properly document and maintain conflict of interest forms for all investigators working on NSF funded programs.

#### ***Auditee's Response***

NMHU agreed that it could not provide conflict of interest statements and stated that it has implemented procedures to address the lack of conflict of interest disclosures by PI's and Co-PI's.

#### ***Auditors' Comment***

Overall NMHU's comment appears responsive to the recommendation. However, the finding cannot be resolved until the recommendation has been adequately addressed and NSF verifies that the proposed corrective action has been satisfactorily implemented.

We considered these instances of noncompliance and internal control weaknesses in forming our opinion on whether the Schedules of Award Costs (Schedule A-1 through A-3) present fairly, in all material respects, costs claimed by NMHU on the FCTR and cost sharing claimed for the period July 1, 1999 to July 31, 2004, in conformity with the National Science Foundation Audit Guide, NSF Grant Policy Manual, federal and NSF award terms and

conditions, and determined that this report does not affect our report dated July 28, 2005, on the financial schedule.

This report is intended solely for the information and use of NMHU's management, the National Science Foundation, the cognizant federal agency, the Office of Management and Budget, and the Congress of the United States and is not intended to be and should not be used by anyone other than these specified parties.

*M.D. Oppenheim & Company, P.C.*

July 28, 2005

**FINANCIAL SCHEDULES AND  
SUPPLEMENTAL INFORMATION**

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Schedule of Award Costs  
Award Period: September 15, 1995 to May 31, 2001  
Audit Period: July 1, 1999 to May 31, 2001  
Final

Cost Category	(A) Approved Budget	(B) Claimed Costs	(Schedule C-1) Adjustments and Reclassifications	Claimed Costs After Adjustments and Reclassifications	Questioned NSF Costs and Questioned Cost Sharing	
					Amount	Schedule Reference
Direct costs:						
Salaries and wages					\$ 3,520	B-1
Fringe benefits					750	B-1
Travel					1,992	B-1
Participant support						
Other direct costs:						
Materials and supplies					63,500	B-1
Publication costs					7,228	B-1
Consultant services					81,787	B-1
Subcontracts						
Other						
Total direct costs					158,777	
Indirect costs	403,657	156,761(C)		156,761	2,006	B-1
Costs per books of account greater than claimed to NSF		(133,867) (B)		(133,867)		
Total	<u>\$ 9,500,000</u>	<u>\$ 2,879,551</u>	<u>\$ -0-</u>	<u>\$ 2,879,551</u>	<u>\$ 160,783</u>	
Cost sharing	<u>\$ 5,549,616</u>	<u>\$ 2,125,431(D)</u>	<u>\$ 222,008</u>	<u>\$ 2,347,439</u>	<u>\$ 1,959,263</u>	D-1

(A) Award budget for the period September 15, 1995 to May 31, 2001.

(B) The total representing NSF funded costs claimed agreed with the expenditures reported on the Federal Cash Transactions Report – Federal Share of Net Disbursements as of the quarter ended June 30, 2001 for the period July 1, 1999 to May 31, 2001. Claimed costs reported above are taken directly from the NMHU’s books of account. However, NMHU’s books of account identified \$133,867 of costs which were incurred but which were not claimed to NSF. See Finding No. 3.

(C) Indirect costs were budgeted and approved by NSF at 57% of direct salaries and wages. NMHU’s negotiated rate through their cognizant Federal Agency (U.S. Department of Health and Human Services) was 43% of MTDC. The indirect costs charged by NMHU utilizing the 57% rate resulted in lower indirect costs than would have occurred by utilizing the 43% MTDC rate.

(D) The amount of cost sharing required and claimed in the final year of this program for the period October 1, 1999 to September 30, 2000 are \$1,110,493 and \$2,125,431, respectively.

Schedule A-1

See accompanying notes to this financial schedule.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. DUE-0094896  
Schedule of Award Costs  
From March 1, 2001 to February 28, 2003  
Final

Cost Category	Approved Budget	(A) Claimed Costs	Adjustments and Reclassifications	Claimed Costs After Adjustments and Reclassifications	Questioned NSF Costs	
					Amount	Schedule Reference
Direct costs:						
Salaries and wages	██████████	██████████	\$	██████████	\$	
Fringe benefits	██████████	██████████		██████████		
Travel	██████████	██████████		██████████		
Participant support	██████████	██████████		██████████	4,689	B-2
Other direct costs:						
Materials and supplies	██████████	██████████		██████████		
Publication costs	165	- 0 -		-0-		
Costs claimed in excess of actual	_____	<u>46,458</u>	_____	<u>46,458</u>	_____	
Total direct costs	██████████	██████████		██████████	4,689	
Amount refunded to NSF on June 7, 2005	_____	_____	<u>(47,378) (B)</u>	<u>(47,378)</u>	_____	
Total	<u>\$ 101,248</u>	<u>\$ 101,248</u>	<u>\$ (47,378)</u>	<u>\$ 53,870</u>	<u>\$ 4,689</u>	

- (A) The total representing costs claimed agreed with the expenditures reported on the Federal Cash Transactions Report – Federal Share of Net Disbursements as of the quarter ended December 31, 2003. Claimed costs reported above are taken directly from the New Mexico Highlands University’s books of account.
- (B) NMHU inaccurately reported expenditures on its NSF awards because it did not reconcile the costs it claimed on the FCTRs it submitted to NSF to its official books of record.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. EAR-0216556  
Schedule of Award Costs  
From August 15, 2002 to July 31, 2004  
Final

Cost Category	Approved Budget	(A) Claimed Costs	Adjustments and Reclassifications	Claimed Costs After Adjustments and Reclassifications	Questioned NSF Costs
Direct costs:					
Permanent equipment	██████████	██████████	██████████	██████████	\$
Less: costs per books of account over maximum total budget amount	_____	_____ (15)	_____	_____ (15)	_____
Total	<u>\$ 91,188</u>	<u>\$ 91,188</u>	<u>\$ -0-</u>	<u>\$ 91,188</u>	<u>\$ -0-</u>

(A) The total representing costs claimed agreed with the expenditures reported on the Federal Cash Transactions Report – Federal Share of Net Disbursements as of the quarter ended September 30, 2004. Claimed costs reported above are taken directly from the New Mexico Highlands University’s books of account. However, NMHU’s books of account identified \$15 of costs which were incurred but which were not claimed to NSF.

NEW MEXICO HIGHLANDS UNIVERSITY  
LAS VEGAS, NEW MEXICO

National Science Foundation Award No. ESR-9554468  
Schedule of Questioned Costs  
From July 1, 1999 to May 31, 2001

**1. Salaries and Wages and Fringe Benefits**

A retroactive payroll adjustment for the Dean - College of Arts and Sciences and Tenured Professor of Mathematics and Education, for \$3,520 was recorded on September 29, 2000 for the payroll period ended June 30, 1994. This date was prior to this award's inception date of September 15, 1995 and, in addition, this individual's salary was not applicable to this NSF award. Therefore, we are questioning \$3,520 of payroll and \$750 of applicable fringe benefits.

**2. Travel**

We are questioning \$1,992 of travel expenses claimed due to the lack of documentation to support the travel expenses as recorded in the books of account of NMHU. In three instances, totaling \$1,570, out-of-town travel expense reports were filed by the employee for three different trips; however, the travel expenses included hotel lodging with no hotel bill. In one other instance, for \$422, no documentation was provided by NMHU for this expense. Without the supporting documentation we cannot determine the propriety of these expenses.

**3. Material and Supplies**

We are questioning \$63,500 of materials and supplies for the following reasons:

1. The timing of the purchase of \$60,000 in supplies for the purchase of scientific calculators in March 2001 is questioned. We were not provided an explanation or documentation by NMHU on how this expense/purchase benefited the program since it was so close to the end of the no-cost extension period of the award. The award ended May 31, 2001.
2. There was one transaction in the amount of \$3,500 for which NMHU was unable to provide documentation in the form of a vendor's invoice.

**4. Consultant Services**

We are questioning \$7,228 of consultant services because NMHU could not provide supporting documentation in the form of a vendor's invoice to support the costs claimed for nine expenses.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Schedule of Questioned Costs (Cont.)  
From July 1, 1999 to May 31, 2001

5. **Subcontracts**

The total of \$81,787 in questioned subawardee costs relate to the following two Coalition Members/Fiscal Agents:

- Arizona Tribal Coalition/Arizona State University (ASU): We are questioning \$4,793 of subawardee costs because ASU could not provide supporting documentation in the form of a vendor's invoice to support the costs claimed for two expenses.
- New Mexico County Coalition/Bernalillo Public Schools (BPS): We are questioning \$76,994 of subcontract costs for the following reasons:
  1. Personnel costs totaling [REDACTED], which represents [REDACTED] of the salaries and wages and applicable fringe benefits claimed to NMHU, because BPS could not provide any documentation (time records, personnel files, personnel activity reports) to support these costs.
  2. \$2,615 because BPS could not provide supporting documentation in the form of a vendor's invoice to support the costs claimed for three expenses.
  3. \$16,113 because BPS could not provide consulting agreements for three different consultants. The agreements were necessary to determine the validity of consultant invoices because the invoices were not detailed and the documentation was necessary to validate the invoices marked "billing for services provided per agreement." In addition, without the agreements we cannot determine if the services contracted for were those actually provided.
  4. Indirect costs were to be charged to the subcontract based upon MTDC. The BPS Federal and State rate was [REDACTED]. In the course of applying this rate to MTDC we noted that for the period December 1, 1999 to June 30, 2000, BPS inadvertently over claimed indirect costs in the amount of \$4,276. In addition to these indirect costs, we are also questioning indirect costs as a result of questioning direct costs of \$70, 621 (\$51,893 + \$2,615 + \$16,113). The amount of this indirect questioned cost is \$2,097 [REDACTED]. Total indirect subawardee costs questions is \$6,373.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Schedule of Questioned Costs (Cont.)  
From July 1, 1999 to May 31, 2001

**6. Indirect Costs**

NMHU claimed indirect costs to NSF based upon applying a [REDACTED] rate against claimed salaries and wages. As a result, based upon the questioning of \$3,520 of salaries and wages we are questioning \$2,006 of indirect cost [REDACTED].

OMB Circular A-110, Subpart C, Section 21, paragraph (7) requires that accounting records be supported by source documentation. In addition, GPM 350 requires that financial records, supporting documents and other records pertinent to a grant be retained by the grantee for a period of three years from submission of the Final Project Report, which for NSF Award No. ESR-9554468 would be until October 2005.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. DUE-0094896  
Schedule of Questioned Costs  
From March 1, 2001 to February 28, 2003

**Participant Support Costs**

We are questioning \$4,689 of participant support cost for two NMHU students receiving scholarships under this program. These students did not meet the eligibility criteria to receive scholarships under this NSF award. One of the criteria for the scholarship was for the student to meet a financial need requirement. NMHU's Financial Aid Office screened the students in this program, however, these two students were deemed not to meet the Pell Grant criteria (the financial criteria for this program). Therefore, they should not have received scholarships and, as a result, these costs should not have been claimed under the award.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Schedule of Adjustments and Reclassifications  
From July 1, 1999 to May 31, 2001

The following is the adjustment to the cost sharing reported by New Mexico Highlands University to NSF:

To record additional cost sharing of \$222,008 from the Coalition Members/Fiscal Agents listed below applicable to a revised amount of cost sharing in excess of the amount originally reported to NMHU for the period October 1, 1999 to September 30, 2000.

<u>Coalition Member/Fiscal Agent</u>	<u>Original Amount</u>	<u>Revised Amount</u>	<u>Amount of Adjustment</u>
New Mexico County Coalition/Bernalillo Public Schools	\$ 644,200	\$ 740,112	\$ 95,912
Southern Colorado Coalition/Adams State College	64,000	124,568	60,568
Arizona Tribal Coalition/Arizona State University	<u>31,700</u>	<u>97,228</u>	<u>65,528</u>
Totals	<u>\$ 739,900</u>	<u>\$ 961,908</u>	<u>\$ 222,008</u>

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Schedule of Cost Sharing  
From October 1, 1999 to September 30, 2000

<u>Cost Sharing Required</u>	<u>Cost Sharing Claimed</u>	<u>Adjustments and Reclassifications</u>	<u>Cost Sharing Claimed After Adjustments and Reclassifications</u>	<u>Questioned Cost Sharing</u>	
				<u>Amount</u>	<u>Schedule Reference</u>
<u>\$ 1,110,493</u> (A)	<u>\$ 2,125,431</u> (A)	<u>\$ 222,008</u> (Schedule C-1)	<u>\$ 2,347,439</u>	<u>\$ 1,959,263</u>	D-1

(A) The amounts represent the cost sharing required and reported for the period October 1, 1999 to September 30, 2000.

The accompanying schedule referenced to explain questioned costs is an integral part of this financial schedule.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Summary Schedule of Questioned Cost Sharing  
From October 1, 1999 to September 30, 2000

Questioned cost sharing of \$1,959,263 is comprised of the following:

<u>Coalition Member/ Fiscal Agent</u>	<u>Summary of Questioned Cost</u>	<u>Questioned Amount</u>	<u>Schedule Reference</u>
New Mexico Tribal Coalition/Santa Fe Indian School	No supporting documentation due to loss of records destroyed by a flood.	\$ 562,700	D-1a
UTE Four Corners Coalition/Southern UTE Indian Tribe	No supporting documentation provided for all of the cost sharing reported.	741,531	D-1b
New Mexico County Coalition/Bernalillo Public Schools	No supporting documentation provided for some of the cost sharing reported.	472,343	D-1c
Southern Colorado Coalition/Adams State College	No supporting documentation provided for all of the cost sharing reported.	<u>124,568</u>	D-1d
Sub-total for questioned cost sharing for Coalition Members		1,901,142	
Plus: Questioned costs related to cost sharing at New Mexico Highlands University for lack of adequate supporting documentation and the amount not supported by records. (See Schedule D-1e)		<u>58,121</u>	
Total cost sharing questioned		<u>\$ 1,959,263</u>	

NEW MEXICO HIGHLANDS UNIVERSITY  
 National Science Foundation Award No. ESR-9554468  
 Detailed Schedule of Questioned Cost Sharing  
 From October 1, 1999 to September 30, 2000

New Mexico Tribal Coalition/Santa Fe Indian School:

The cost sharing reported by the New Mexico Tribal Coalition/Santa Fe Indian School to NMHU was \$562,700. In the process of auditing that amount of cost sharing, we were informed by the Santa Fe Indian School that the records to support the cost sharing were destroyed as a result of a flood at their premises during June 2002. Therefore we are questioning 100% of the cost sharing reported to NMHU by the New Mexico Tribal Coalition/Santa Fe Indian School due to the lack of supporting documentation, as follows:

<u>Description of Cost Sharing Reported</u>	<u>Amount</u>
	
Total cost sharing questioned	<u>\$ 562,700</u>

***Auditee's Response***

NMHU officials in their September 2006 response letter provided a copy of a trial balance received from the New Mexico Tribal Coalition/Santa Fe Indian School the for the year ended June 30, 2000. This trial balance, per this coalition member, represented the cost sharing for that year end applicable to the NSF Program.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Detailed Schedule of Questioned Cost Sharing (Cont.)  
From October 1, 1999 to September 30, 2000

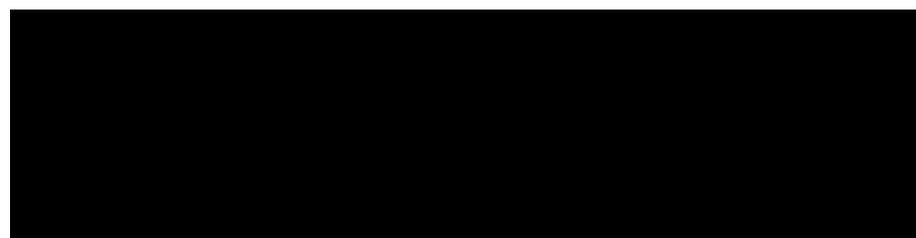
*Auditors' Comment*

The trial balance provided is not sufficient documentation to alleviate the questioned cost sharing. There were no records provided during the course of the audit or in the NMHU response (i.e. general ledger, supporting detailed records in the form of payroll registers, time and attendance records and paid vendor invoices) to support the amounts reflected in the trial balance. Without supporting detailed records that would document the cost sharing claimed, the cost sharing remains questioned as previously stated.

NEW MEXICO HIGHLANDS UNIVERSITY  
 National Science Foundation Award No. ESR-9554468  
 Detailed Schedule of Questioned Cost Sharing  
 From October 1, 1999 to September 30, 2000

UTE Four Corners Coalition/Southern UTE Indian Tribe:

The cost sharing reported by the UTE Four Corners Coalition/Southern UTE Indian Tribe to NMHU was \$741,531. In the process of auditing that amount of cost sharing, we were informed by NMHU that UTE Four Corners could not provide any records to support the cost sharing as reported. Thus, we are questioning 100% of the cost sharing reported to NMHU by the UTE Four Corners Coalition/Southern UTE Indian Tribe due to the lack of supporting documentation, as follows:

<u>Description of Cost Sharing Reported</u>	<u>Amount</u>
	
Total cost sharing questioned	<u>\$ 741,531</u>

***Auditee's Response***

NMHU officials in their September 2006 response letter stated that subsequent to the audit UTE Four Corners Coalition was able to locate documentation for the actual cost sharing provided. As part of the NMHU response voluminous documents were provided in the form of listings of certain expenses and photocopies of various documents, including vendor invoices, which per NMHU would support \$859,397 of cost sharing.

***Auditors' Comment***

A review of the documents provided revealed that there was no accounting linkage between the \$859,397 stated by NMHU as the actual cost sharing and the documents/summaries provided. In addition, there were no explanations of how each type of cost sharing was related to the NSF Program and how that cost sharing either benefited or supported the program. Finally, there was no linkage from the listings of expenses purported to be cost sharing to the detailed supporting documentation, making it almost impossible to understand what and how each document supported a particular item of cost sharing. For example, there was one invoice from a vendor for computer equipment for \$89,896, of which only \$50,000 was allocated to the NSF Program, with no explanation of how the \$50,000 was an

appropriate allocation to this NSF Program. Without sufficient evidence of how the cost share supported the NSF program, the cost sharing remains questioned as previously stated.

NEW MEXICO HIGHLANDS UNIVERSITY  
 National Science Foundation Award No. ESR-9554468  
 Detailed Schedule of Questioned Cost Sharing  
 From October 1, 1999 to September 30, 2000

New Mexico County Coalition/Bernalillo Public Schools:

The cost sharing reported by the New Mexico County Coalition/Bernalillo Public Schools to NMHU was \$644,200. In the process of auditing that amount of cost sharing, we were informed by the Bernalillo Public Schools that in preparation for the audit of cost sharing (and based on a review of their records) that the actual cost sharing was \$740,112. Therefore, we audited the revised amount of cost sharing of \$740,112 and noted that only \$267,769 was adequately documented, leaving \$472,343 as questioned. The following presents the questioned cost sharing along with the reason the particular amount was questioned.

<u>Type of Cost Sharing</u>	<u>Reason for Questioning Cost Sharing</u>	<u>Amount</u>
[REDACTED]	[REDACTED]	[REDACTED]
Total cost sharing questioned		<u>\$ 472,343</u>

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Detailed Schedule of Questioned Cost Sharing (Cont.)  
From October 1, 1999 to September 30, 2000

***Auditee's Response***

NMHU officials in their September 2006 response letter provided an explanation to each of the type of cost sharing categories and why they believed that each cost sharing was either allowable and/or documented. For example, the \$286,200 questioned was related to "RSI Program Training" and "Teachers' Salaries" (which was questioned for the reasons stated above in our finding). NMHU stated that they do not dispute our statement that there were no detailed records listing each individual/teacher trained along with attendance records. However, NMHU goes on to state that because there were no detailed records maintained they calculated an "average salary" of \$253.70 for teachers and \$299.84 for superintendents that attended training. In addition, explanations were also provided for the other cost sharing questioned.

***Auditors' Comment***

In all instances the written responses and accompanying documents provided by NMHU were the same responses/documents provided to us during the audit as their means to support the cost sharing. Our reasons for each of the items questioned remains as stated since no new documents were provided to us.

NEW MEXICO HIGHLANDS UNIVERSITY  
 National Science Foundation Award No. ESR-9554468  
 Detailed Schedule of Questioned Cost Sharing  
 From October 1, 1999 to September 30, 2000

Southern Colorado Coalition/Adams State College:

The cost sharing reported by the Southern Colorado Coalition/Adams State College to NMHU was \$64,000. In the process of auditing that amount of cost sharing, we were informed by the Adams State College that in preparation for the audit of cost sharing (and based on a review of their records) that the actual cost sharing was \$124,568. Therefore, we audited the revised amount of cost sharing of \$124,568 and noted that none of this amount was adequately documented, and therefore questioned the entire amount. The following presents the questioned cost sharing along with the reason the particular amount was questioned.

<u>Type of Cost Sharing</u>	<u>Reason for Questioning Cost Sharing</u>	<u>Amount</u>
[REDACTED]	[REDACTED]	[REDACTED]
Total cost sharing questioned		<u>\$ 124,568</u>

Schedule D-1d (Cont.)

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Detailed Schedule of Questioned Cost Sharing (Cont.)  
From October 1, 1999 to September 30, 2000

***Auditee's Response***

NMHU officials in their September 2006 response letter provided explanations as to why each of the items questioned were allowable as cost sharing. In addition, they referred to various documents provided by Adams State College as support to their assertions of allowability.

***Auditors' Comment***

The documents that NMHU stated were received from Adams State College (in order to substantiate NMHU's responses and associated reasoning for cost sharing allowability) are photocopies of exactly the same documents provided during the course of our audit between January 2005 and July 2005. The documents and accompanying explanations provided by Adams State College during our on-site audit time at NMHU were unacceptable then and remain unacceptable for the reasons stated in the above finding.

NEW MEXICO HIGHLANDS UNIVERSITY  
 National Science Foundation Award No. ESR-9554468  
 Detailed Schedule of Questioned Cost Sharing  
 From October 1, 1999 to September 30, 2000

New Mexico Highlands University:

The cost sharing reported by NMHU was \$81,300. In the process of auditing that amount of cost sharing, we were informed by NMHU that in preparation for the audit of cost sharing (and based on a review of their records) the cost sharing amount was \$33,179. Therefore, we audited the revised amount of cost sharing of \$33,179 and noted that only \$23,179 was adequately documented, leaving \$58,121 as questioned. The following presents the questioned cost sharing along with the reason the particular amount was questioned.

<u>Type of Cost Sharing</u>	<u>Reason for Questioning Cost Sharing</u>	<u>Amount</u>
[REDACTED]	[REDACTED]	[REDACTED]
Total cost sharing questioned		<u>\$ 58,121</u>

***Auditee's Response***

NMHU officials in their September 2006 response letter stated they concur that there is no documentation presently available for the above cost sharing questioned since those records/documents were either in computers no longer available or records that were lost or destroyed. In addition, NMHU explained the rationale of why they believed the various items of cost sharing questioned should be considered allowable.

***Auditors' Comment***

Since no source documents were provided to substantiate the cost sharing questioned the amounts remain as stated.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Awards  
Summary Schedule of Awards Audited and Audit Results  
From July 1, 1999 to July 31, 2004

Summary of Awards Audited

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
ESR-9554468	09/15/95-05/31/01	07/01/99-05/31/01
DUE-0094896	03/01/01-02/28/03	03/01/01-02/28/03
EAR-0216556	08/15/02-07/31/04	08/15/02-07/31/04

Summary of Questioned and Unresolved Costs

<u>NSF Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Cost Sharing</u>	<u>Unresolved Costs</u>	<u>Unsupported Costs</u>
ESR-9554468	\$ 9,500,000(A)	\$ 2,879,551(B)	\$ 160,783	\$ 1,959,263	\$ -0-	\$ -0-
DUE-0094896	\$ 101,248	\$ 53,870	\$ 4,689	\$ -0-	\$ -0-	\$ -0-
EAR-0216556	\$ 91,188	\$ 91,188	\$ -0-	\$ -0-	\$ -0-	\$ -0-

(A) For the period September 15, 1995 to May 31, 2001.

(B) For the period July 1, 1999 to May 31, 2001.

Summary of Questioned Costs by Explanation

<u>Condition</u>	<u>Questioned Cost Amount</u>	<u>Internal Control Finding</u>	<u>Noncompliance Finding</u>
• Salary for an individual professor who did not work on the RSI Program, plus the applicable fringe benefits and indirect costs.	\$ 6,276		X
• Lack of documentation to support costs claimed to NSF for travel, materials and supplies and consulting services.	12,720		X
• Material and supplies which were purchased towards the conclusion of the program with no evidence provided as to the benefit the RSI Program derived from this purchase.	60,000		X
• Subcontract costs questioned related to missing on inadequate documentation.	81,787	X	X
• Participant support costs related to scholarship costs paid for students who were not eligible to participate in the NSF Program.	4,689		X
Total questioned costs	\$ 165,472		

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Awards  
Summary Schedule of Award Audited and Audit Results (Cont.)  
From July 1, 1999 to July 31, 2004

Summary of Questioned Cost Sharing by Explanation

<u>Condition</u>	<u>Questioned Amount</u>	<u>Internal Control Finding</u>	<u>Noncompliance Finding</u>
Lack of supporting documentation or inadequate documentation	<u>\$ 1,959,263</u>	X	X

Summary of Noncompliance and Internal Control Findings

<u>Condition</u>	<u>Noncompliance or Internal Control?</u>	<u>Material, Reportable or Other?</u>	<u>Amount of Questioned Cost Effected</u>	<u>Amount of Claimed/ Incurred Costs Effected</u>
• Cost sharing accounting deficiencies	Noncompliance and Internal Control	Material	\$ 1,959,263	\$ 2,347,439
• Subawardee monitoring deficiencies	Noncompliance and Internal Control	Material	\$ 81,787	\$ 2,218,038
• Cost reporting deficiencies	Noncompliance and Internal Control	Material	\$ -0-	\$ -0-
• Lack of conflict of interest disclosures by PI and Co-PI's	Noncompliance and Internal Control	Material	\$ -0-	\$ -0-

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Awards  
Notes to Financial Schedules  
From July 1, 1999 to July 31, 2004

1. Summary of significant accounting policies:

Accounting basis

The accompanying financial schedules have been prepared in conformity with National Science Foundation (NSF) instructions. Schedules have been prepared from the reports submitted to NSF. The basis of accounting utilized in preparation of these reports differs from accounting principles generally accepted in the United States of America. The following information summarizes these differences:

a. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess cash received from NSF over final expenditures is due back to NSF.

b. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by New Mexico Highlands University while used in the program for which it was purchased or in other future authorized programs. However, NSF has the reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

c. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

d. Income taxes

New Mexico Highlands University is an instrumentality of the State of New Mexico and is exempt from income taxes under Section 115 of the Internal Revenue Code.

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Awards  
Notes to Financial Schedules  
From July 1, 1999 to July 31, 2004

2. NSF cost sharing and matching:

The following represents the cost sharing requirements and actual cost sharing for the period October 1, 1999 to September 30 2000 on NSF Award No. ESR-9554468. This time frame represents the only reporting period on this award that cost sharing was applicable to the audit period of this award which was July 1, 1999 to May 31, 2001.

Cost Sharing Required	(A) Actual Cost Sharing Claimed	(B) Additional Cost Sharing Not Claimed	(C) Questioned Cost Sharing	Net Cost Sharing (A)+(B)-(C)	Over/ (Under)
<u>\$ 1,110,493</u>	<u>\$ 2,125,431</u>	<u>\$ 222,008</u>	<u>\$ 1,959,263</u>	<u>\$ 388,176</u>	<u>\$ (722,317)</u>

**APPENDIX A – AUDITEE’S COMMENTS TO REPORT**

New Mexico

# HIGHLANDS

University

Vice President for Administrative Services  
Box 9000  
Las Vegas, New Mexico 87701

Telephone: 505 454-3272  
Fax: 505 454-3558

September 7, 2006

Mr. Joseph J. Scudese, CPA  
M.D. Oppenheim & Company, P.C.  
485 U.S. Highway One, Building C  
Iselin, NJ 08830

RE: National Science Foundation Award Numbers  
ESR-9554468  
DUE-0094896  
EAR-0216556

Dear Mr. Scudese:

We have reviewed the Financial Audit of Financial Schedules and Independent Auditor's Reports for the period July 1, 1999 to July 31, 2004. New Mexico Highlands University (NMHU) takes exception with several of the audit report recommendations detailed in the report. We would like to make a number of general comments about the audit report and its findings.

As noted, NMHU disagrees with some of the major audit recommendations. The audit recommendations appear to be inconsistent with the intent behind UCAN-RSI to assist and empower communities through education, communication, and access to resources. Since its inception, the UCAN-RSI communities have promoted capacity building opportunities through education by integrating spirituality, science, mathematics, and technology within the context of the many unique cultural traditions of our American Indian, Hispanic and other rural communities, thereby empowering students to become makers of their own destiny. National Science Foundation (NSF) award ESR-9554468 required NMHU provide a cost share of \$1,110,493.

The overall UCAN-RSI Goals were to:

- Improve science, mathematics and technology education in rural areas for all students
- To prepare a technologically competent workforce
- To enhance scientific literacy and scientific understanding and appreciation among students and the general community
- To develop community infrastructures, both human and physical, that provide resources to sustain educational improvements.

As mentioned earlier, the communities within the UCAN-RSI represent a continuum of readiness for systemic reform and economic development. The evaluation of the success must be based on a portfolio of accomplishments that represent a variety of needs and approaches to their solutions for our targeted communities.

Finally, as a general comment, NMHU has worked very closely and in partnership with the six coalition members based on the following considerations:

- Geographical
- Cultural
- Historical
- Common need

Each coalition developed their operations plan based on their intimate knowledge of the cultural and social diversity of their communities. Together with community self-assessments, established partnerships, and identification of needs and resources that focused on science, mathematics, and technology reform in their targeted schools, NMHU believes the UCAN-RSI initiative during this time period was a great success.

In the paragraphs that follow, we provide a response to each audit finding raised by the M.D. Oppenheim & Company, P.C. (MDOC) audit team.

### **Finding 1 – Lack of System to Identify, Account for, Monitor and Report Cost Sharing**

NMHU UCAN-RSI grant Primary Investigator (PI) during the project period would verify cost share/in-kind in the following manner:

Each year with annual reporting each sub award unit (coalition) in the UCAN-RSI was asked to submit the required 1030 reporting their projected cost sharing for the previous year along with their budget requests for the next year. These forms were reviewed and signed by the appropriate fiscal agent.

In addition, as part of the NSF data collection process, all cost sharing (federal and non-federal) was collected and reported. These were collected on three separate forms designed to meet the core data requirements of the NSF. The project director and the evaluator worked together with coalitions whenever there were discrepancies on the two sets of reporting (the report forms and the 1030). It was the third form from the core data set that included only non-federal sources of community and partner support of UCAN-RSI activity.

Throughout the project, staff attended meetings with NSF project officers and with representatives from the NSF Grants and Contracts office. Based on these meetings and their responses to specific questions, direction was given to the coalitions as to calculations for in-kind contributions. Guidance provided by NSF was the basis for such items as in-kind costs.

During the NMHU fiscal year 05 audit, finding # 05-02 referred to time certification and accounting for cost share. As corrections to this finding NMHU now has implemented the following procedures:

1. The compliance and accounting functions have all been combined in the business office, instead of being separated.
2. Time and effort certification is done on a quarterly basis.
3. The university is monitoring all grants that have cost share/ in-kind by:
  - Maintaining a master spreadsheet of all grants that contains budget, project period, project investigator and mandatory cost share/ in-kind dollars.
  - Verifying that cost share/in-kind supporting documentation is being tracked and properly documented by the grant personnel. This is accomplished through the grant accounting department functioning as an internal auditor function.
  - The grant accounting department now reports the cost share on the monthly invoices to the agency.
4. The grant accounting department is verifying; the cost share/ in-kind is not included as contributions for any other federally-assisted project or program, is necessary and reasonable for proper and efficient accomplishment of project and program objectives, is allowable under applicable cost principle, and is not paid by the Federal government under another award.

In FY06-07 NMHU will implement the BANNER accounting system grant module. The module will integrate the direct cost, indirect cost, and the cost share all with in one accounting system. The grant module will also stream line the flow of a grant from "pre" award to "post" award insuring that cost share information does not get lost in the transfer.

### **Finding # 2 – Lack of Adequate Fiscal Monitoring of Subawardee Costs**

NMHU UCAN-RSI PI's performed the fiscal monitoring of Sub-awardee costs by reviewing and verifying Data Reports, Expenditure Reports, and Annual Reports.

The project evaluator distributed annually a data collection packet to be completed by each coalition. From these packets a Data Report was submitted and reported annually to NSF.

The sub-awardee's submitted invoices to the UCAN-RSI office on a monthly basis, and the PI reviewed, approved, and submitted invoices to the NMHU business office for payment.

All sub-awardee's report were compiled and combined into an Annual Report submitted to NSF as a NMHU UCAN-RSI annual report.

Since FY04, procedures have been implemented to verify all sub-grantee awards. NMHU created a standard subcontract template that met the OMB A-133, Part 6-M. Further more, at the end of NMHU's fiscal year the grant accounting department sends out to all its subcontractor's a letter requesting them to certify they have met all OMB A-133 requirements and to submit a copy of their latest audit for NMHU's files.

### **Finding #3 – Inaccurate and Unallowable Expenditure Reporting**

During fiscal years 00-03 NMHU had poor accounting controls as evident from NMHU auditor opinions. In Fiscal Years 00 and 01, NMHU received a "disclaimer" opinion. In FY02 NMHU received a "qualified" opinion, the grant Accounts Receivable was still not clean. It was not until FY03 that a new grant accounting staff was trained to reconcile grants on a monthly, quarterly, and annual basis. The reconciliation consists of verifying that the general ledger amounts are supported by invoices, and amounts reported on forms 272 & 269 agree with the cash draw down amounts and general ledger. Since FY04 the grant accounting staff continues to attend compliance training, have become familiar with the BANNER accounting software, and managed to help produce unqualified opinions in the FY04 and FY05 audits.

The \$60,000 purchase of the Casio hand held calculators at the end of the grant was discussed with the NSF grant consultant and approved at the time. The calculators were given to all UCAN RSI participants for use in their future endeavors which continued to benefit students in the fields of science, mathematics and technology.

NMHU does agree with the auditors findings that \$6,276 of salaries and wages and related fringe and indirect costs charged to the award for [REDACTED] was an error.

NMHU does agree with the auditors findings that \$4,689 of scholarship costs paid for students who were not eligible to participate in the NSF program based on the financial need as defined for the US Department of Education Pell Grant was an error.

### **Finding # 4 – Lack of Conflict of Interest Disclosures by PI and Co-PIs**

NMHU has implemented a procedure that all proposals will include an Annual Certification of Compliance by Faculty and Staff on Conflict of Commitment and Interest Disclosure Form prior to submission of a research proposal. Furthermore, the PI's will reevaluate and recertify the form at the end of the university's fiscal year.

### **COST SHARE**

The draft MDOC audit report questioned **\$1,959,263** for cost share. As stated earlier NSF award ESR-9554468 required NMHU provide a cost share of \$1,110,493.

As stated above in response to findings 1-4, NMHU has and continues to improve its policies and procedures to address issues brought forth in the Audit. It should be noted that record keeping during the time period was included in the sub contracts. Although the Audit indicates that records for the cost share questioned approximately \$1.9 million, NMHU did provide auditors with information which was either accepted or not accepted.

NMHU does not agree with the questioned costs indicated in the Audit of New Mexico Highlands University UCAN-RSI sub contracts. The items in question are beyond the required retention period of the agreement and beyond the record retention period by OMB circular A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations.

This agreement addresses record retention in Article 11 – Records and Audit requires records to be maintained for three years past the final payment of the contract.

**“The Sub-contractor shall maintain adequate records which substantiate all costs invoiced to the University relating to this Agreement. These records shall be subject to inspection by the University, its representatives, and the State Auditor. Payment under the contract shall not foreclose the right of NMHU to recover excessive and/or illegal payments. The University, its representatives and the State Auditor shall have access to and the right to examine and/or audit any directly pertinent records, books, documents and papers or the Sub-contractor involving transactions related to the contract for a period of three years after final payment under the contract.”**

OMB Circular A-110 Subpart C – Post Award Requirements .53 Retention and access requirements for records.

- (a) This section sets forth requirements for record retention and access to records for awards to recipients. Federal awarding agencies shall not impose any other record retention or access requirements upon recipients.
- (b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the federal awarding agency. The only exceptions are the following.
  - (1) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
  - (2) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
  - (3) When records are transferred to or maintained by the Federal awarding agency, the 3-year retention requirement is not applicable to the recipient.
  - (4) Indirect cost rate proposals, cost allocation plans, etc. as specified in paragraph \_\_.53(g).

**The audit subgrantee contract provided the record retention for a three year period in which the subgrantees operated under this premise.**

**New Mexico Tribal Coalition/Santa Fe Indian School**

In which New Mexico Tribal Coalition/Santa Fe Indian School is questioned for cost sharing in the amount of \$562,700 (D-1a)

New Mexico Tribal Coalition/Santa Fe Indian School (SFIS) indicated the documentation provided was in; report form due to the fact that the years in question, financial audits and letter form to address question raised by the audit. New Mexico Tribal Coalition/Santa Fe Indian School takes the position that the information provided meets all intended purposes of the UCAN-RSI grant.

On June 20, 2005, NMHU provided the following information to the auditors:

Upon discussion with the National Science Foundation (NSF) Auditors M.D. Oppenheim & Company, P.C. regarding cost share for SFIS, staff indicated SFIS had communicated to NMHU the detail information for the Audit of the UCAN-RSI grant had been destroyed due to flooding. SFIS was able to locate internal logs documenting expenditures made through the Annenburg Foundation.

NMHU staff provided the Auditors with; the Annenburg information on a spreadsheet, a letter discussing the flood and the Single Audit Reporting Package for June 30, 1999 and June 30, 2000. Audit staff did not accept the detail spreadsheet when presented. NMHU staff communicated this to SFIS.

In an effort to provide the auditors with information related to cost share SFIS has provided Trial Balances for funds ending June 30, 2000 of non-federal funds (including Fund 7300 previously provided);

Fund 3481	Plant Mgmt	\$ 55,467.05
Fund 3381	Plant Mgmt	\$ 12,061.63
Fund 5100	State Tribal	\$344,377.28
Fund 9100	Circle of Wisdom (Annenburg)	\$340,038.21
Fund 6600	Intel	\$ 80,085.00
Fund 7300	Annenburg	\$ 240,484.63

SFIS staff has indicated these programs can be substantiated as non-federal because they are not identified on pages 10 and 11 of the Single Audit Reporting Package, June 30, 2000.

Also, NMHU provided a copy of the Annenberg Rural Challenge Grant Agreement and SFIS along with a copy of a check in the amount of \$341,000 to the auditors and was rejected. Copies of 1999 and 2000 Financial Audits SFIS were also provided to the auditors.

SFIS has indicated any of these funds may be used as cost share for UCAN RSI. The documentation was rejected by the auditors (see attachment A).

**UTE Four Corners Coalition/Southern Ute Indian Tribe**

NMHU and the Ute Four Corners Coalition/Southern Ute Indian Tribe (Ute Coalition) did not meet the specified time frame given by the auditors to provide documentation regarding cost share. However, the documentation was later provided to NMHU and is included in this packet to address the cost share in question. The Ute Coalition reported higher amounts for the cost share and the documentation provided exceeds the amount identified on page 31 of the audit. The total cost share information provided is \$859,397.14 of which \$744,077.14 is from the Ignacio School District and \$ 85,320.00 from the Ute Tribe. (see attachment B).

**New Mexico County Coalition/Bernalillo Public Schools**

In which New Mexico County Coalition/Bernalillo Public Schools is questioned for cost sharing in the amount of \$472,343 (D-1c)

New Mexico County Coalition/Bernalillo Public Schools indicated the documentation provided was in report form due to the fact that the years in question New Mexico County Coalition/Bernalillo Public Schools takes the position that the information provided meets all intended purposes of the UCAN-RSI grant.

Audit Schedule D-1c indicates that the [REDACTED] and [REDACTED] identified for **salaries associated with RSI program training** was not documented by actual names or attendance records. The audit does not dispute the number of participants attending the RSI related training and since the New Mexico Coalition/Bernalillo Public schools was unable to find the record, the next reasonable method for estimating the cost was by determining the average daily salaries of the participants and multiplying the rate time the number of training days. During this period the average salary was \$253.70 for teachers and 299.84 for Superintendents supported by salary table from the New Mexico Public Education Department. Since records were not available to determine the number of superintendents and the number teachers trained, the Coalition utilized the most conservative rate of \$253.70 for all staff trained.

**Regarding the Travel Cost** of \$38,670, the audit questioned the actual travel cost for individuals who attended the training seminars. Since New Mexico is a relatively large state, the New Mexico Coalition has historically tried to hold its training in Santa Fe because it is centrally located in Northern New Mexico which minimizes the distance participants have to travel to attend training events. In spite of trying to centralize its training, travel and time required for those attending the NM Coalition training is significant. For purposes of estimating the travel cost the New Mexico Coalition used an average of 100 round trip miles per participant. The coalition believes that the 100 miles utilized is extremely conservative because staff traveling from Clayton, Dulce, Grants and Raton still have to travel more than 350 miles round trip to attend training held in Santa Fe. The average round trip mileage is closer to 200 instead of 100 the NM Coalition utilized. If 200 miles were utilized, it would double the amount from \$38,670 to

an estimated \$77,340. In addition the New Mexico Coalition used \$.28 per mile to determine the travel cost of staff attending the RSI related training. This rate was well below the federal mileage rate of \$.34 during this period.

**Materials and Supplies:** The audit indicated that no documentation was provided from the consultants to support the \$10,000 for supplies. The New Mexico Coalition attached an e-mail from [REDACTED] which indicated that they contributed \$10,000 for supplies and materials during this period.

**Office Space & Technology:** The audit stated that no documentation was available to support the \$18,000 for office space and \$2,780 for technology. The Coalition attached a letter from Bernalillo Public Schools that indicated these amounts could be utilized for cost sharing.

Considering the fact that the audit was conducted 5 years after the New Mexico Coalition/Bernalillo Public Schools submitted their final report, the documentation supporting the cost sharing required by the RSI program was reasonably computed and sufficiently documented (see attachment C).

### **Southern Colorado Coalition Adams State College**

In which Southern Colorado Coalition Adams State College is questioned for no supporting documentation in the amount of \$124,568 (D-1d).

Adams State College indicated the documentation provided was in report form due to the fact that the years in question Adams State College takes the position that the information provided meets all intended purposes of the UCAN-RSI grant.

The information provided by Adams State College included a summary report for the period December 1, 1999 to August 30, 2000. In this summary, Adams State College provided figures for the cost share information as outlined in the budget proposal for the grant year. Letters to New Mexico Highlands University (dated July 14, 2005; July 20, 2005; and July 25, 2005) also included additional documentation that provided further explanations and information related to the cost share as requested by the MDOC.

For each type of cost share, the documentation provided by Adams State College included (attachment D is provided for your reference and cross-reference):

### **Salaries and Fringe Benefits for various personnel at Adams State College:**

- A letter from [REDACTED] indicating Adams State College's normal work day as 8 hours per day, 5 days per week. Also, indicated was that professional personnel are not required to submit monthly timesheets indicating hours worked. (This correlates with the UCAN-RSI Goals.) Each amount for employee listed was based on the budget summary and conversations with the Project Director at the time of the preparation of the summary report. The documentation for the amounts were attached to the July 14, 2005 letter. Print screens of the college's financial database (payroll records

for each individual) were provided. This provided documentation of the source of funds each individual listed in the report was paid from - either state appropriated funds or auxiliary funds. The July 20, 2005 letter (page 1) includes detailed explanation of these calculations. The fringe benefits were calculated based on the percentage of the salary as indicated on the financial database print screens.

### Equipment Costs

- During the last two years of the grant, the Coalition Leader and Assistant were in Adams State College's new School of Science and Math building. When this building was constructed, State of Colorado Capital Construction Funds were used to purchase the equipment for the Coalition Leader and the Assistant. Equipment purchases by the college are tracked in a separate database by division code (DIV on the attached report). The School of Science and Math is division code 16 on the equipment report. In the July 25, 2005 letter, a print out of the equipment purchased by the State Capital Construction Funds (ACCT NUM = COFRS - state accounting system) was provided for estimates on the new equipment purchased. Adams State College could not use exact pieces of equipment because the 1999-2000, equipment had been relocated or replaced. However, according to the summary report, standard office equipment was listed for the Coalition Leader and the Assistant. A review of the equipment list clearly indicates the costs of the equipment claimed for cost share are in line with the cost of the equipment purchased within the time frame of the grant.

### Office Space

- Included in the July 14, 2005 documentation letter was a letter from a local area realtor used for the computation of the office space by the Coalition Leader and Assistant. **Please note: These rental costs were for college office space utilized by the full-time Coalition Leader and half-time Assistant, which were direct charges to the grant. Please see monthly invoices submitted to NMHU. These charges are not related to the questioned salary and fringe benefits listed above.** The document provided initially on the rental space, the rental rates established by the college are for academic classrooms, conference/meeting rooms, gyms, and/or theatres; however, no professional offices are listed because it is not "normal" practice to rent out professional offices unless it is related to campus business. Therefore, due to the fact that Adams State College does not "rent" out professional offices, the realtor letter was intended to document the rate of professional office rentals. The realtor letter was obtained in July 2002, as documentation for another grant on campus in order to quantify the rate per square foot. [REDACTED]

[REDACTED]. A drawing of the two spaces, utilized by the Coalition Leader and the Assistant, were provided with the July 14, 2005 letter to New Mexico Highlands University. Further explanation as to the utilization of the space was provided in the letter to New Mexico Highlands University dated July 20, 2005.

### **Other Direct Costs**

- The explanation listed on the draft MDOC report for this category indicates that since there was no documentation provided for the above items of cost, the remaining costs are in question. Adams State College disagrees with this as indicated by the responses above. This category should be accepted because documentation for the above costs were provided with the letters provided to New Mexico Highlands University in July, 2005, as outlined above.

### **Indirect Costs**

- The explanation listed on the draft MDOC report for this category indicates that since all of the direct costs were questioned, the associated indirect costs are also questioned. Again, Adams State College disagrees with this as indicated by the responses above. This category should be accepted because documentation for the above costs were provided to New Mexico Highlands University in July, 2005, as outlined above.

### **New Mexico Highlands University**

In which New Mexico Highlands University is questioned for cost sharing in the amount of \$58,121 (D-1e)

NMHU provided the following information regarding cost share:

During the first year of the project information for office rental space each of the areas where a home office would be located was collected. This had been documented in email messages. It was then determined to use a figure [REDACTED]. The documentation was located on computers that are no longer operative nor available.

Speakers who donated their time to UCAN were documented in the program of the event and the lowest consultant fee of [REDACTED] was used for their time. Most set up of the conference program was set up by phone and email. The conference coordinator would periodically publish a list of speakers and consultants who were partners. Again, these emails would be located in computer files that are no longer available. Other documentation which would have been in the program files were destroyed when the building they were in was condemned.

This response coincides with the response to finding #1 that states NMHU had poor accounting controls for cost sharing and reporting. NMHU concurs with the auditors that even though the PI for the UCAN RSI gave a detailed estimate of where the amounts came from [REDACTED] the costs were estimates and no documentation was kept to substantiate the amount by individual.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**DETAILED (PERSONAL IDENTIFYING INFORMATION) ON**  
**SCHEDULES B-1 AND B-2**

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Personal Identifying Information to Schedule of Questioned Costs  
From July 1, 1999 to May 31, 2001

**Salaries and Wages:**

The name of the employee is [REDACTED].

**Travel:**

<u>Name of Payee</u>	<u>Date</u>	<u>NMHU Acct. No.</u>	<u>Amount</u>
[REDACTED]	12/02/99	7611	\$ 326
[REDACTED]	08/23/00	7612	619
[REDACTED]	05/10/01	7611	422
[REDACTED]	05/30/01	7612	<u>625</u>

Total travel questioned costs \$ 1,992

**Materials and Supplies:**

<u>Name of Payee</u>	<u>Date</u>	<u>NMHU Acct. No.</u>	<u>Amount</u>
Education for the Future Initiative	05/15/00	7151	\$ 3,500
Casio	03/13/01	7151	<u>60,000</u>

Total material and supplies questioned costs \$ 63,500

**Consultant Services:**

<u>Name of Payee</u>	<u>Date</u>	<u>NMHU Acct. No.</u>	<u>Amount</u>
[REDACTED]	06/30/00	7111	\$ 1,905
[REDACTED]	08/07/00	7112	521
[REDACTED]	08/07/00	7112	484
[REDACTED]	08/07/00	7112	521
[REDACTED]	08/07/00	7112	503
[REDACTED]	08/07/00	7112	521
[REDACTED]	04/26/01	7112	1,173
[REDACTED]	05/10/01	7112	600
[REDACTED]	06/05/01	7112	<u>1,000</u>

Total consultant services questioned costs \$ 7,228

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. ESR-9554468  
Personal Identifying Information to Schedule of Questioned Costs (Cont.)  
From July 1, 1999 to May 31, 2001

**Subcontracts:**

Arizona State University:

<u>Name of Payee</u>	<u>Date</u>	<u>Transaction ID</u>	<u>Amount</u>
National Museum of the American Indian	11/18/99	PV AV 002017760	\$ 1,500
Unknown/unidentified (A)	06/02/00	JV SPN92002208	<u>3,293</u>
Total Arizona State University			<u>\$ 4,793</u>

(A) Designation per books of account (item was a journal entry)

Bernalillo Public Schools:

<u>Name of Payee</u>	<u>Date</u>	<u>GL Account No.</u>	<u>Amount</u>
New Mexico Highlands University	06/12/98	25424.02.3315.025	\$ 1,500
Springer Municipal	11/18/99	25424.02.3315.025	665
Espanola Public Schools	12/15/99	25424.02.3315.025	<u>450</u>
Subtotal			<u>2,615</u>
	10/21/99	25424.02.3315.025	900
	11/17/99	25424.02.3315.025	450
	01/06/00	25424.02.3315.025	2,566
	12/22/99	25424.02.3315.025	3,134
	12/22/99	25424.02.3315.025	2,599
	11/16/99	25424.02.3315.025	900
	12/22/99	25424.02.3315.025	900
	05/17/00	25424.02.3315.025	300
	05/17/00	25424.02.3315.025	357
	06/21/00	25424.02.3315.025	775
	11/04/99	25424.02.3315.025	900
	12/15/99	25424.02.3315.025	900
	05/09/00	25424.02.3315.025	300
	05/09/00	25424.02.3315.025	357
	06/07/00	25424.02.3315.025	<u>775</u>
Subtotal			<u>16,113</u>
Total Bernalillo Public Schools			<u>\$ 18,728</u>

NEW MEXICO HIGHLANDS UNIVERSITY  
National Science Foundation Award No. DUE-0094896  
Personal Identifying Information to Schedule of Questioned Costs (Cont.)  
From March 1, 2001 to February 28, 2003

**Participant Support Costs:**

<u>Name of Student</u>	<u>Amount</u>
████████████████████	\$ 1,563
████████████████████	<u>3,126</u>
Total	<u>\$ 4,689</u>