

**CENTER ON ALCOHOLISM, SUBSTANCE ABUSE, AND
ADDICTIONS
AUDIT OF FINANCIAL ALLEGATIONS**

THE UNIVERSITY OF NEW MEXICO

**Report 2005-10
November 3, 2005**



The University of New Mexico

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CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION.....	2
BACKGROUND	2
PURPOSE.....	2
SCOPE	2
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES	3
FINANCIAL ISSUES-SAN JUAN PROJECT	3
SUBAWARD ADMINISTRATION	3
BUDGET-SAN JUAN PROJECT	4
CHECK-OUT PROCEDURES FOR EQUIPMENT.....	5
CONCLUSION	6
APPROVALS	6

ABBREVIATIONS

CASAA.....	Center on Alcoholism, Substance Abuse, and Addictions
CPI.....	Co-Principal Investigator
DWI.....	Driving While Under the Influence
PI.....	Principal Investigator
RDS.....	Research Data Support
Rochester.....	University of Rochester
UBP.....	University Business Policies and Procedures Manual
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

An employee lodged a complaint regarding the work environment at the Center on Alcoholism, Substance Abuse, and Addictions (CASAA). Internal Audit examined financial allegations included in this complaint. Most of the financial allegations concerned the San Juan Project grant funded by National Institutes of Health/National Institute on Alcohol Abuse and Alcoholism. The grant included a subcontract to the University of Rochester (Rochester). Internal Audit reviewed only the financial allegations included in the complaint to the extent necessary to determine whether the allegations had documentation.

Based upon our review of the allegations, CASAA should periodically audit subcontracts, collect from Rochester an estimated \$9,000 in overpayments, adjust the San Juan Project budget to reflect needed changes, and follow the checkout procedures for all equipment inventory items. The following summary provides management with an overview of issues at CASAA.

FINANCIAL ISSUES-SAN JUAN PROJECT

The complainant alleged that a Co-Principal Investigator (CPI) paid interview costs out of his own pocket; however, the CPI said he did not. The complainant alleged that Research Data Support (RDS) exceeded the budget; however, RDS expenses were less than the budgeted amount.

SUBAWARD ADMINISTRATION

CASAA should monitor subcontracts to increase the likelihood of identifying billing errors by periodically requesting the documentation for the billings, especially when there is a change in the subcontract. CASAA's Interim Director agreed with the recommendation and will implement immediately.

BUDGET-SAN JUAN PROJECT

CASAA should change its procedures for monitoring subrecipient budgets by reviewing contract terms and comparing the budget versus actual expenses when the contract ends or when the contract has been modified. CASAA's Interim Director agreed with the recommendation and will implement immediately.

CHECK-OUT PROCEDURES FOR EQUIPMENT

CASAA should move the digital camera to a central location for access and use by all CASAA staff. CASAA agrees with the recommendation and has moved the camera to a central location.

INTRODUCTION

BACKGROUND

CASAA's mission is to generate, convey, and apply knowledge to reduce suffering related to addictions and improve the quality of life. One of CASAA's on-going projects is the San Juan Project. It is an effort to decrease the frequency of alcohol-impaired driving. The project blends a 28-day period of incarceration with several intervention components tailored to the program's predominantly Native American population. The project is distinctive in that it employs intervention components that are culturally sensitive, is set in a rural setting, serves a predominantly Native American population, and is focused solely on first-time DWI (Driving While under the Influence) offenders. As such, the program addresses several gaps in the DWI prevention literature. The budgeted amount of the San Juan project is \$2,187,950 including \$482,359 for the Rochester subcontract. The five-year project began in 1999 with a one-year no-cost extension option. The San Juan Project included two Co-Principal Investigators (CPI) from Rochester and the Principal Investigator (PI) from The University of New Mexico (UNM).

Internal Audit received a complaint citing the work environment at CASAA and possible financial irregularities involving the CASAA San Juan Project grant. The financial allegations concerning the San Juan Project included:

- ◆ One of the CPIs from Rochester paid for interviews out of his own pocket when there should have been sufficient budget,
- ◆ Research Data Services (RDS) exceeded the budget, and
- ◆ Personnel costs were excessive in relation to the work to be performed.

Additionally, the complainant was concerned that the PI purchased a digital camera for personal use with UNM funds.

PURPOSE

Internal Audit reviewed only the financial allegations included in the complaint to determine whether there was documentation regarding the allegations.

SCOPE

Internal Audit reviewed allegations where documentation was available. In addition, we reviewed the San Juan Project financial records including the subcontract with Rochester. We did not review all financial records for the San Juan Project or for CASAA.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

FINANCIAL ISSUES-SAN JUAN PROJECT

We are commenting on the following two allegations that do not require a management response:

- The complaint alleged a CPI paid for interviews out of his own pocket. We spoke to the CPI who stated, if he did have expenses that were not reimbursed, the amounts were trivial and did not include interview expenses.
- The complainant indicated expenses submitted by RDS exceeded the budget of \$192,000. RDS is a data input center within CASAA. We noted the original budget for RDS was \$199,096 but actual expenses totaled \$118,739 as of June 30, 2005; this is less than the original budgeted amount.

SUBAWARD ADMINISTRATION

Section 5. "Subaward Administration" Policy 2470, UBP concerning invoices lists the responsibilities of the PI,

"The principal investigator:

- verifies the invoice is accurate;
- certifies the work being billed for was performed;
- verifies the costs are allowable;
- signs the invoice to indicate approval; and
- forwards the invoice to the University Accounts Payable Department for payment processing."

For the San Juan Project, the PI and a CASAA senior program manager are responsible for the procedures listed above. Rochester was a subrecipient for the San Juan Project and a CPI was an employee of Rochester. During the contract period, the CPI became an employee of UNM. Rochester should have stopped billing UNM for the CPI's services. However, for the months of March and April 2003, both UNM and Rochester paid the CPI. Rochester over-billed UNM for the CPI's salary for those months. Neither the PI nor the senior program manager discovered the over-billing resulting in the approximately \$9,000 overpayment. Rochester is in the process of refunding the overpayment to UNM. This overpayment indicates a lack of monitoring by CASAA for this project. By not following the procedures outlined in the policy noted above, UNM could have experienced financial losses.

Recommendation 1

We recommend CASAA change its procedures for monitoring subcontracts to increase the likelihood of identifying billing errors by periodically requesting documentation for billings, especially when there is a change in the subcontract, such as a change in personnel.

Response from the Interim Director of CASAA

We completely agree with this recommendation, and have implemented it in our current subcontracts, which at the moment consist of one subcontract with Colorado State University. At this point, we will be reluctant at best to make any substantial change in subcontract personnel arrangements, and will do so only under compelling circumstances and will document any such change in writing, notifying the subcontract recipient and accounting personnel in Contracts and Grants. We are also now requesting clear and frequent documentation on billing charges in all budget categories for subcontract invoices. We intend to continue this practice indefinitely.

BUDGET-SAN JUAN PROJECT

Section 4.1. “Subaward Administration” Policy 2470, UBP states: “The principal investigator is responsible for monitoring the subrecipient for work performance and adherence to schedule and budget.”

As of June 30, 2005, the budget for the San Juan Project was under spent by \$84,592 for the subrecipient (subcontract with Rochester) line item and was over spent a total of \$117,960 for salary line items. Part of the salary line item deficit was caused by the way the CPI was paid. The CPI’s salary was budgeted in the Rochester subcontract but, during the contract period, UNM hired the CPI as an employee and paid him \$49,640 including benefits, which were recorded to the salary line item. The PI and senior program manager did not identify the budget issues promptly, therefore, they believed funds were unavailable. This may have affected the effective operation of the grant to achieve the Project’s objectives.

Recommendation 2

We recommend CASAA change its procedures for monitoring the subrecipient budget by reviewing contract terms and comparing the budget versus actual expenses when the contract ends or when the contract has been modified. Before closing out the San Juan Project grant, we recommend CASAA adjust the budget line items to reflect the CPI’s employment by UNM.

Response from the Interim Director of CASAA

We completely agree with this recommendation. With our current subcontract to Colorado State University, we are now carefully tracking invoices and expenses and reconciling them with budgeted amounts and doing so formally on a quarterly basis. We will use this process most formally at the end of any subcontract period and make any adjustments necessary at that time, and document such modifications in writing. In addition, we are making the adjustments in the budget line items in the San Juan Project grant before it is formally closed out, and have almost completed that process.

CHECK-OUT PROCEDURES FOR EQUIPMENT

Section 3. “Taking University Property Off Campus” Policy 7730, UBP states: “University property not assigned to a departmental location must be recorded on an Equipment Check-Out Form before taking it to an off campus location.” The Equipment Check-Out Form instruction's state: “This form also should be used for non-inventoriable property. Non-inventoriable property is equipment that was purchased for less than \$1000.00 [*\$5,001 as of July 1, 2005*] for these items note ‘<\$1000’ instead of listing the UNM I.D. # at the designated place on the form.”

The complainant alleged her supervisor used UNM funds to purchase a digital camera for personal use. In December 2002, the supervisor used a UNM P-Card to purchase a \$650 digital camera. When we asked to see the camera, the supervisor brought it from his home. The supervisor stated the camera is generally kept in his office in a locked cabinet. Since the camera is located in the supervisor's office where access is limited, CASAA staff does not have ready access to it. Additionally, it is not tracked as an asset.

CASAA tracks other equipment including equipment costing less than \$1,000 using the Equipment Check-Out Form. This equipment is centrally located and is available to CASAA staff.

Recommendation 3

We recommend CASAA move the camera to a central location for access and use by all CASAA staff. The camera should be checked out using the Equipment Check-Out Form any time it is taken off campus.

Response from the Interim Director of CASAA

We agree with this recommendation, and the camera is now stored in a central location where CASAA staff may access it and check it out, provided permission is given by the PI for intended use. It should be noted that equipment, including minor equipment, purchased by a PI for grant purposes (as the camera in question was) remains under primary control of the PI both during the grant period and after the end of the grant period, but also in compliance for use on and off campus via University mandated check-out procedures. This situation is distinct from equipment purchased by CASAA with overhead funds. That equipment should be accessible to all CASAA staff, via permission and check-out from CASAA administration, at all times. In any case, both of these situations are in compliance with University regulations for equipment use and check-out, and we shall endeavor to remain compliant with those regulations.

CONCLUSION

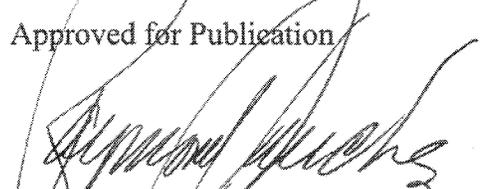
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APPROVALS



Debra Yoshimura, CPA, CIA, CGAP
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee