

**DEPARTMENT OF EARTH AND PLANETARY SCIENCES
AUDIT OF ALLEGATIONS REGARDING THE CREATE
AWARD**

THE UNIVERSITY OF NEW MEXICO

**Report 2006-65
December 3, 2007**



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ABBREVIATIONS

CREATE	Center for Rapid Environmental Assessment and Terrain Evaluation
Director	Director for CREATE
PI	Principal Investigator
University.....	The University of New Mexico
Chair.....	former Chairperson of the Geography Department
FTE	full-time equivalent

EXECUTIVE SUMMARY

The Senior Associate Vice President for Research and Economic Development requested a review of the Center for Rapid Environmental Assessment and Terrain Evaluation award (CREATE). The request was based on allegations received from the former Associate Director of CREATE claiming inappropriate use of federal funds. In our audit, we also addressed concerns brought forth by the Director of CREATE.

We investigated the specific allegations and related issues. The purpose of our audit was to determine if the allegations made by either the Associate Director or Director were correct; if there was a loss to the University; and, if the University has adequate controls, processes, and policies.

INAPPROPRIATE AUTHORIZATION

University management should not change the employment status of someone who is funded by research without consulting the PI. The employment status change included duties outside the scope of work on the award. The Senior Associate Vice President for Research and Economic Development and the Dean of the College of Arts and Sciences agreed to determine what percentage of the salary should be paid by the Department of Geography and notify the funding agency if necessary.

SCOPE OF WORK CONCERNS

Individuals being paid by research monies should perform duties within the scope of work allowed by the award. The Dean of the College of Arts and Sciences agreed to pay the PI retroactively for the courses he taught while working on the award.

SIGNATURE AUTHORIZATION

Without University policy, expenses should not be authorized to be charged to an award by an individual that is not on the Signature Authorization Form. The Senior Associate Vice President for Research and Economic Development and the Vice President for Translational Research at the Health Sciences Center/Senior Associate Dean for Research at the School of Medicine agreed to meet and make a decision regarding changing the current forms and/or policy. In addition, the Director of Financial Systems and Restricted Accounting agreed to provide additional training to post award staff to ensure that they do not allow expenses to be charged to an award that have not been approved by someone with signature authority.

CONCLUSION

We were unable to support the allegations made by the Associate Director because we did not find personal use of software. We did not review travel for potential favoritism because the award did not limit travel to any specific individuals or purposes. Our review of adequate controls, processes, and policies are addressed in the above findings. We were able to support the concerns of the Director of having an employment status change made for an individual working one FTE on his award and having a charge made to his award without his authorization.

EXECUTIVE SUMMARY

In addition, under the direction of the Dean of Arts and Sciences and Faculty Contracts, the PI worked outside of the scope of the award when he taught one course per semester from the Fall of 2003 through the Fall of 2005. The Office of Vice President for Research and Economic Development Office, Controller's Office, and Dean's Office are taking responsibility to ensure compliance with University policies in the future.

INTRODUCTION

BACKGROUND

The Center for Rapid Environmental Assessment and Terrain Evaluation (CREATE), is located on the campus of The University of New Mexico (University). CREATE acquires and stores remotely sensed data from environmental satellites. CREATE provides rapid assessment of changing environmental conditions in the United States and Canada. CREATE is developing methods of acquiring, processing, analyzing and delivering environmental data to its users in a more timely manner than currently available. CREATE also provides a training site for the next generation of image processing scientists for work in a range of environmental fields.

CREATE is a federally-funded award under the Department of Earth and Planetary Sciences. CREATE received an award of \$1,787,925 for operations from September 2003 through September 2005 and an additional \$1,496,000 for operations from November 2004 through November 2007.

The Director for CREATE (Director) set up an appointment with Internal Audit to discuss concerns he had regarding the award in December of 2005, he later cancelled the appointment so that management could resolve the issues internally. In June 2006, Internal Audit received a request to audit the CREATE award from the Senior Associate Vice President for Research and Economic Development. The request was based on allegations received from the Associate Director of CREATE claiming inappropriate use of Federal funds. Internal Audit also received an email from the former Associate Director of CREATE identifying his allegations regarding the CREATE award.

Allegations from the Former Associate Director of CREATE

In the email received from the former Associate Director of CREATE, he stated that the Director used CREATE funding “to purchase personal copies of software and hardware for students. I am aware of portable harddrives that have been purchased using CREATE dollars and in the most recent case he purchased software licensed in an individual student’s name and told her it is her’s to take with her when she leaves CREATE and the University.”

In addition, the former Associate Director alleged that the Director used travel funds for travel expenses for others in order to secure loyalty and support. In the award, travel was included on the budget and there were no limitations on the use of travel. The allegations were not that travel was not taken or that any travel expenses were not legitimate, it was that the legitimate travel was given to individuals based on favoritism. Because the award did not limit travel to any specific individuals or purposes, there would not be violations of the award, so we did not review travel.

Allegations from the Director of CREATE

In a meeting with the Director, he shared the following concerns:

- He hired the former Associate Director as a Senior Research Scientist III; however, University administration, including the former Chair of Geography, changed the former Associate Director's employment status from a Senior Research Scientist III (a staff employee) to a Research Associate Professor (an untenured faculty position governed by a year-to-year contract) without his knowledge.
- The former Associate Director's job duties changed to include faculty obligations; however 100 percent of his salary was being charged to CREATE and the department did not pick up the corresponding salary costs for these duties.
- The Director of CREATE is also the Principal Investigator (PI) on the award. The former Interim Dean of Arts and Sciences made decisions and charged expenses to the award without informing the Director.

PURPOSE

The purpose of our audit is to determine if the allegations made by either the Associate Director or Director are correct, determine if there is a loss to the University; and, determine if the University has adequate controls, processes, and policies.

SCOPE

Our audit procedures were limited to reviewing the specific allegations brought forward since the inception of the award which was the Fall of 2003. We reviewed Contract and Grant Accounting, Faculty Contracts, and Payroll Department records. We interviewed University faculty, staff, and student employees. The fieldwork was completed on October 17, 2007.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

FORMER ASSOCIATE DIRECTOR'S ALLEGATIONS

The former Associate Director of CREATE stated that the Director used CREATE funding to purchase personal copies of software and hardware for students. The Director of CREATE bought student copies of software and loaded them on the CREATE lab computers. When the software was being loaded, it was discovered that the software licenses did not permit it to be used for University labs. Therefore, the software was assigned to students working on CREATE projects to be put on their personal laptop computers for CREATE work. In addition, hard drives were also purchased for the students to use for their CREATE work. We interviewed the Director and the four students who all stated that the software and hardware were purchased for CREATE use, not personal use, and it was University property and would be returned to the University.

In addition, the former Associate Director of CREATE alleged that the Director used travel funds for travel expenses for others in order to secure loyalty and support. The award allowed travel without restrictions or limitations; therefore, we did not review the travel expenditures.

INAPPROPRIATE AUTHORIZATION

The former Chairperson of the Geography Department changed the employment status of the former Associate Director for CREATE without informing the CREATE's PI. The former Associate Director's salary was being paid one full-time equivalent (FTE) by the award/federal funding. The PI is responsible to supervise the employees being charged to the award. The PI was aware and had approved the former Associate Director to teach one course per semester on overload. However, the former Chairperson of the Geography Department changed the employee's status from Research Scientist III to Research Associate Professor without the PI being informed. The former Associate Director had duties that went with the Research Associate Professor assignment such as mentoring students, serving on committees, and participating in departmental governance in addition to the responsibilities related to teaching the overload course. These duties were not within the scope of work for the award, but the PI was unaware of the status change even though one FTE of his salary continued to be charged to the CREATE award. Only work duties that are within the scope of work should have been charged to the CREATE award.

Recommendation 1

The Senior Associate Vice President for Research and Economic Development and the Dean of Arts and Sciences should evaluate what percentage of Associate Director's salary was related to the duties performed for the Department of Geography and notify the funding agency if any repayment is necessary.

Response from the Senior Associate Vice President for Research and Economic Development and the Dean of the College of Arts and Sciences

The Senior Associate Vice President for Research and Economic Development and the Dean of Arts and Sciences will meet and determine what percentage of the salary of the Associate Director of CREATE should be paid by the Department of Geography. The Office of the Vice President for Research and Economic Development will notify the agency of this potential violation if necessary. If it is deemed necessary to notify the agency then we will discuss with them what if any moneys should be repaid to the government. These actions will be completed by 16 May 2008.

SCOPE OF WORK CONCERNS

From the Fall of 2003 through the Fall of 2005, the PI taught one course per semester which was outside the scope of work while his salary was paid 100 percent from CREATE. The PI stated that he worked a minimum of 40 hours per week on CREATE and worked additional hours to prepare and teach the courses. Only work duties that are within the scope of work should be charged an award. At the direction of the former Dean of Arts and Sciences, the PI was not released from teaching all of his courses. The PI and the former Chairperson for Earth and Planetary Sciences did not understand that the PI could not just work additional hours and teach the course on his own time even though they should have been aware from attending PI training. At the time, the PI should not have taught the course, or, should have been paid to teach the course at the temporary part-time faculty rate as overload.

Recommendation 2

The College of Arts and Sciences should retroactively pay the PI, at the temporary part-time faculty rate, for teaching the courses as overload or reimburse the funding agency for this amount.

Response from the Dean of the College of Arts and Sciences

The Dean of the College of Arts and Sciences agrees with this recommendation. The PI will be paid retroactively at the part-time faculty rate for the courses he taught while working 100% for the grant. This payment will be made by February 29, 2008.

SIGNATURE AUTHORIZATION

The Dean's Office authorized salary charges for the new Associate Director for CREATE without informing the PI. A PI uses the Signature Authorization Form to designate what individuals have authority to charge expenses to an award. All expenditures on grants should be verified against the Signature Authorization Form and only those signed by persons with signature authority may be approved. Without University policy, expenses should not be charged to an award unless approved by the authorized signatory.

It is the operating practice of the Contract and Grant Accounting Department, that anyone above the PI, in the direct chain-of-command, can approve expenses on the award. This is often necessary if the PI is unavailable. However, in this case the PI was available. The Senior Associate Vice President for Research and Economic Development, Controller, and Associate Controller all believe that the Chair, Dean, and/or appropriate vice president have ultimate authority over the PI and should have signature authority; however, there is nothing in University policy that gives these individuals the necessary authority.

Recommendation 3

University management should evaluate if they want to develop fiscal/research policy to ensure that the Chair/Dean sign the Signature Authorization Form. Alternatively, University management should develop a policy that gives these positions automatic signature authority over the award and change the Signature Authorization Form to state that in addition to the above signatures the Chair, Dean, and appropriate Vice President/Provost also have signature authority.

Response from the Senior Associate Vice President for Research and Economic Development and the Vice President for Translational Research at the Health Sciences Center/Senior Associate Dean for Research at the School of Medicine

The Senior Associate Vice President for Research and Economic Development and the Vice President for Translational Research will meet to evaluate and make a decision on this recommendation by 1 May 2008.

Recommendation 4

Until a policy is developed, the Contract and Grant Accounting Office should train the staff to ensure that they do not allow expenses to be charged to an award that have not been approved by someone with signature authority.

Response from the Director of Financial Systems and Restricted Accounting

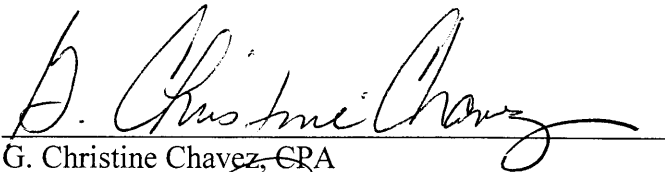
Management concurs with the finding and the recommendation of training post award staff to ensure that they do not allow expenses to be charged to an award that have not been approved by someone with signature authority.

An e-mail will be sent to Post Award staff that will stress the importance of only allowing individuals who have been delegated authority via a signed authorization form to approve expenditure documents. This will coincide with the President's new initiative on financial accountability that outlines the department's responsibility when delegating signature authority that will state the person delegating tasks is responsible for ensuring that those tasks are being properly performed and that they are reviewing these delegations for accuracy, completeness and effectiveness. The e-mail will be sent by 1/1/08 and the initiative is in draft form being presented to the President in December.

CONCLUSION

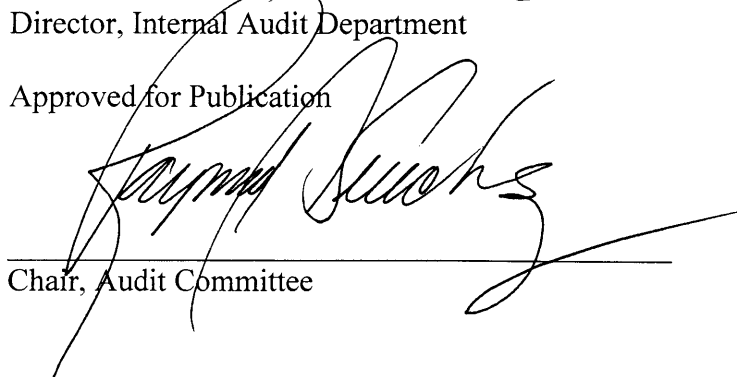
We were unable to support the allegations made by the Associate Director because we did not find personal use of software and did not review travel. Therefore, there was no loss to the University. Our review of adequate controls, processes, and policies are addressed in the above findings. We were able to support the concerns of the Director of having an employment status change made for an individual working one FTE on his award and having a charge made to his award without his authorization. In addition, under the direction of the Dean of Arts and Sciences and Faculty Contracts, the PI worked outside of the scope of the award when he taught one course per semester from the Fall of 2003 through the Fall of 2005. The Office of Vice President for Research and Economic Development Office, Controller's Office, and Dean's Office are taking responsibility to ensure compliance with University policies in the future.

APPROVALS



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Approved for Publication



Chair, Audit Committee