



The University of New Mexico

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MEMORANDUM

To: Reed Dasenbrock, Dean, College of Arts & Sciences

From: Yvonne Cox, Interim Director, Internal Audit Department *Yvonne Cox*

Date: June 10, 2004

Subject: Foreign Languages & Literatures Other Allegations Report 2004-16

Enclosed is the above final report with your integrated response, which has been approved by the President of the University. Those who receive copies of this report package may not photocopy it, release it, nor reveal the contents, in whole or in part, without the advance written approval of the President of the University.

Audit reports will be posted on the Internal Audit Department's University website one week after the final report is issued. The full text of the reports will be made public except for information which could compromise individuals' rights, the security of University systems or impair a pending law enforcement investigation or proceeding.

Please contact the Internal Audit Department when corrective actions are completed so we can perform the follow-up review.

cc: Louis Caldera
Brian Foster
David Harris
Richard Holder
Bill Britton
Wynn Goering

FOREIGN LANGUAGES & LITERATURES OTHER ALLEGATIONS

INTRODUCTION

PURPOSE

The purpose of our review was to investigate the allegations and related issues regarding purchases made by the Foreign Languages & Literatures Department (FLL).

SCOPE

A former FLL employee (employee) made specific allegations regarding extravagant spending. We limited our review to determining if the specific allegations were legitimate; we did not review the processes in FLL. The employee alleged that FLL had made the following inappropriate purchases:

- \$1,100 for candles shipped from Germany for a professor to give as Christmas presents to family and friends,
- \$1,500 telescope for a German professor which was never used by UNM students,
- \$200 leather laptop bag for a \$1,800 laptop computer, and,
- \$2,300 Dell computer and \$500 of software for a professor to use at home.

Our procedures included meeting with employees and reviewing various types of University documents and internal controls in regards to the specific allegations. The field work was completed by November 26, 2003.

BACKGROUND

The FLL Department has a Chair, seventeen faculty members, and several staff. They have programs in Chinese, Classics, Comparative Literature & Cultural Studies, French, German, Italian, Japanese, Russian, and Languages. The Chair reports to the Dean of the College of Arts & Sciences. The Dean of the College of Arts & Sciences requested a review after the specific allegations were made regarding inappropriate purchases in FLL.

In 1976, the German Program founded the German Summer School (GSS). The GSS offers courses at both the undergraduate and graduate school levels and only German is spoken for the 31 days. Since the summer of 1976, the GSS has been at the Taos Ski Valley and the students have resided at the Thunderbird Lodge.

OPINION

We did not find support for the allegations regarding inappropriate purchases. The details are:

- The candlesticks were purchased by the German Summer School (GSS) to be distributed in the final presentation. They purchased sixty candles for \$319.74, a little over \$5 each. They later learned that they were responsible for the shipping, which was \$483.19. The purchase was made from fees collected for the GSS, was related to the curriculum, and was considered to be a legitimate purchase.
- The telescope, purchased for \$299, was also purchased for the GSS; however, due to the Taos fires, they were unable to use it. Prior to our review, the professor, who purchased the telescope for the GSS, had already reimbursed the University for the purchase.
- In review of expenditure documents, we found a \$99 laptop case that is being used by a professor to transport her laptop computer. The computer was an approved purchase to be used by a faculty member for instructional use.
- The Dell computer, which was for the Chairperson to use at home for instructional preparation and research, costs under \$1,500 and we found an additional \$242 in legitimate computer software and hardware purchases.

However, we found several internal control problems that we address in this report.

RESPONSE FROM THE DEAN OF THE COLLEGE OF ARTS & SCIENCES

Thank you for the Preliminary Report on other allegations concerning Foreign Languages and Literatures (hereafter FLL) dated December 9, 2003. I was pleased to see that the charges which triggered this audit were found to be without warrant, and that the purchases which were questioned were deemed to be appropriately handled. I also welcome the close look you gave to the business procedures of the department, and the recommendations you make concerning internal control issues seem to me well warranted. In every case, the department has begun making progress in the direction you suggest.

In short, the responsible administrators in the department consider that the suggestions made in this Audit Report are eminently reasonable, as do I. We are in the process of implementing all the changes suggested.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of our findings. Numbers in brackets[] refer to page numbers in the report.

EQUIPMENT [4]

The department's equipment inventory was not being maintained, the computer at the Chair's home did not have a University tag on it, and the Equipment Check Out Forms were not completed for several computers that were being used at other homes. The Dean of Arts & Sciences replied that FLL has gotten the computer tagged, is working with Property Accounting to correct the inventory, and working with the faculty members to either get the Equipment Check Out Forms completed or the equipment returned to the University.

GERMAN SUMMER SCHOOL OPERATIONS [5]

The German Summer School was collecting monies from the students in Taos instead of using the Bursar's Office. The Dean of Arts & Sciences stated that they are now working with the Bursar's Office to collect the tuition and lodging fees. Also, in the past, they have charged some students a reduced lodging fee because the students worked for the Lodge. In the upcoming summers, they will charge the same lodging fee for all students.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

EQUIPMENT

In 2003, Property Accounting took a physical equipment inventory in FLL. When we reviewed the annual inventory report for FLL, we noted four pieces of equipment were still on the inventory that Property Accounting was unable to locate: one piece had been stolen and the police report had been filed; one computer had been cannibalized; and there were two computers that Property Accounting personnel were unable to locate. It is important to keep the annual inventory up-to-date so that we have an accurate record of the University's assets.

In addition, four computers were taken home by faculty members and none of them had completed the Equipment Check Out Form. University Business Policies and Procedures Manual (UBPPM) 7730 states that an Equipment Check Out Form should be completed and maintained on file for all University equipment that is taken off campus.

Additionally, the computer that the Chair had at home did not have a Property Accounting equipment tag on it to identify it as University property. All University equipment that costs \$1,000 or greater must have a Property Accounting tag on it pursuant to UBPPM Policy 7710.

Recommendation 1

We recommend that FLL write department procedures to ensure that they comply with University policies with regard to equipment inventory. These procedures should include details for:

- Checking the inventory annually and making corrections as necessary to keep it accurate.
- Using the Equipment Check Out Forms in all cases where equipment is taken off campus.
- Ensuring that all equipment is tagged with a Property Accounting tag shortly after it is received.

Response from the Dean of the College of Arts & Sciences

The chair and I have discussed university policies and procedures concerning property, and there is certainly a greater awareness of what needs to be done. The employee who conducted the annual inventory check is no longer with the department or the university, and I am confident that this will be done properly in the future. The Dean's office staff has trained the department staff member on this issue and will train any new staff in the department. With two exceptions, I believe that all equipment has properly been tagged, and any equipment off campus has been approved using the Equipment Check Out Form.

One exception is a computer which was listed as cannibalized by the staff member just mentioned: the chair believes that this may not be the case and has filed a police report regarding this potentially missing computer. The second is that one faculty member on leave this year and physically not in Albuquerque has in her possession a computer. Faculty not on the university payroll need special permission to be using university property, but this procedure was not understood in the department and was not followed in this case. We expect this faculty member to return the computer when she is next in Albuquerque, but this has not yet happened at the time of this response.

The chair is currently preparing a document covering departmental procedures for the proper tagging and checking out of university equipment. Part of the procedure will be the annual equipment inventory check, which will be done in the future by properly trained staff.

I am confident that the department will be in compliance with university policies and procedures in the future in this regard.

GERMAN SUMMER SCHOOL (GSS)

Collection of Tuition and Fees

Currently, the GSS is collecting the monies for tuition in Taos the day before classes start. It would be beneficial if the tuition monies could be collected at the Bursar's Office. GSS may be losing potential students due to the fact that all of the students have to pay cash or check when the classes start. If the monies were collected through the Bursar's Office, the students have the option of charging the tuition on a credit card.

Recommendation 2

We recommend that FLL work with the faculty who are responsible for operating the GSS to develop written procedures that will ensure that GSS is in compliance with University policies and is following good business practices for their operations. In addition, we recommend that GSS ask the Bursar's Office to collect tuition, room, and board for GSS.

Response from the Dean of the College of Arts & Sciences

The Director of the German Summer School, Dr. Katrin Schroeter, will prepare written procedures for the proper operation of the GSS by the time it is held in the Summer of 2004. Arrangements have already been made for the Bursar's Office to collect tuition.

Work for Room and Board

GSS is paying for the room and board for the students to stay in Taos at the Thunderbird Lodge (Lodge). The GSS then charges the students for their room and board. The Lodge charges the University less for the students who work for them part-time and GSS passes this savings to the individual student. We understand that the University pays the lodging directly for tax reasons.

Recommendation 3

We recommend that the GSS require the Lodge hire their own students to work for them. Then the Lodge would be responsible for ensuring that the labor laws are followed and the employment taxes are paid.

Response from the Dean of the College of Arts & Sciences

Dr. Schroeter has already informed the Thunderbird Lodge of the changes that will need to be made in terms of employing students.