

Western New Mexico University  
**EARLY CHILDHOOD  
DEVELOPMENT CENTER  
AGREED UPON PROCEDURES**

For The Period Ended May 12, 2017

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Tim Keller, State Auditor  
And  
Board of Regents and President Dr. Joseph Shepard  
Western New Mexico University  
Silver City, New Mexico

We have performed the procedures enumerated below, which were agreed to by Western New Mexico University, related to the Early Childhood Development Center (ECDC) of Western New Mexico University's internal control procedures and compliance with federal regulations for the period July 1, 2015, through May 12, 2017. Western New Mexico University's management is responsible for the Early Childhood Development Center's compliance with internal control procedures and the specified federal compliance requirements. The sufficiency of these procedures is solely the responsibility of Western New Mexico University. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report had been requested or for any other purpose.

The procedures and the associated findings and recommendations are as follows:

Procedures Related to the Assessment of Internal Control

We performed the following procedures:

1. Interviewed Business Office staff related to the interaction with the Early Childhood Development Center.
2. Interviewed ECDC staff to determine procedures established over cash receipting and depositing of cash receipts to the Business Office.
3. Tested the receipting of payments into ECDC for the period July 1, 2015, through May 12, 2017.
4. Tested the charges and collections from the New Mexico Children, Youth and Families Department (CYFD), for the 2016-17 academic year.

We have the following findings and recommendations:

## AUP 2017-01 Receipting and Reconciliation of ECDC Funds

Condition - The Business Office and the ECDC do not have adequate communication related to billings and cash receipts. The ECDC has a significant number of options relating to billings for services, such as payments from the New Mexico Children Youth and Families Department, discounts for students, and fee waivers. These options are applied at the ECDC level, and reconciliations are not performed for all services between the Business Office and ECDC. Specifically, we found the following internal control deficiencies related to communication between the Business office and the ECDC:

1. Deficiency - ECDC waives registration fees for certain families based on criteria only known to ECDC. Therefore, the Business Office has no way of reconciling fees charged to amounts received. The waivers are granted by the budget analyst, but are not approved by the appropriate supervisory personnel.
2. Deficiency – CYFD published, annually, the fees they will reimburse for various categories of children. Based on this fee schedule and the child category, the Budget Analyst charges the client accounts. However, CYFD pays based on the number of days or weeks the student is enrolled, and the Budget Analyst does not bill on the same basis. This requires adjustment to the client accounts receivable in almost every instance.

Criteria – Sound internal control policies require that the Business Office, which is tasked with accounting for all University functions, be informed of policies related to discounts and fee waivers granted by the ECDC. Further, any such discounts and waivers should be approved by the appropriate supervisory personnel. Finally, fee reimbursements from CYFD should be recorded as receivables on the same basis as calculated by CYFD.

Effect – These deficiencies require significant time of the Budget Analyst and the Business Office to reconcile fees charged to fees collected, and budgeted program revenues are, in most instances, overstated.

Cause – The ECDC has worked as an autonomous unit, without oversight from the Business Office, collecting cash and making fee adjustments.

Recommendation, Deficiency 1 – Each semester, ECDC should provide a listing to the Business Office of attendees, and whether the registration fee applies. In cases where the registration fee does not apply, a specific reference to the policy authorizing the fee waiver should be made.

Recommendation, Deficiency 2 – Anticipated receivables should be recorded based on the CYFD fee schedule and calculation, which would alleviate the need to adjust all CYFD accounts. A reconciliation spread sheet should be developed between the Business Office and the ECDC Budget Analyst to perform these calculations. Any adjustments to CYFD receivables should be approved by the appropriate supervisory personnel, independent of the person making the adjustments.

Agency Response – The recommendations will be evaluated, and Business Office and ECDC personnel will work together to ensure the establishment of proper internal control procedures, including reconciliations.

#### AUP 2017-02 Receipting of Funds at the ECDC Level

Condition - The ECDC does not have a cash receipting policy that provides adequate internal control over receipts. Specifically, we found the following deficiencies in the collection and deposit of cash:

1. Deficiency – Cash is collected at two locations by the ECDC, the front desk at ECDC and at the Growing Tree off-campus program at Silver Schools. Both locations issue receipts, however, there is no control over the numerical sequence of receipts, and the receipt books are not issued by the Business Office. Once the cash is receipted, both locations prepare reports and provide them, along with the funds, to the Budget Analyst, who prepares her own report for deposit to the Business office. Any other reports prepared by the original receptors' are discarded. The reports provided to the Business office do not provide a receipt number or date of collection. In our testing of receipts from July 1, 2015, through May 12, 2017, we found the following:
  - a. Eleven (11) instances where receipts issued by Growing Tree, totaling \$421, were not included in reports or deposits to the Business Office. We were unable to determine if these instances indicated receipting errors or loss of deposits.
  - b. Eight (8) instances where receipts written at the ECDC front desk, totaling \$445 were not included in reports or deposits to the Business Office. We were unable to determine if these discrepancies were the result of receipting errors or loss of deposits.
  - c. In one instance, in trying to determine if a summer program was feasible, ECDC collected registration fees totaling \$2,100 from prospective participants, but held the funds on-site until a determination was made that the summer program would not be initiated. The funds, either cash or check, were refunded to the prospective participants. The Business Office was unaware of and did not participate in these transactions.
  - d. In most instances, the funds collected were not deposited to the Business Office within one business day, as required by University policy, and in some cases, the lag was as long as a month.
  - e. The ECDC has retained its own cash box, presumably for incidental expenditures. It is assumed that certain fees, such as parent meals and tee shirt sales, etc., are retained in furtherance of the ECDC programs. However, this is contrary to University policy that requires that any cash boxes be issued

by the Business office, and reconciled periodically. The cash box had less than \$100 when examined during testing.

Criteria – Sound internal control over cash receipting require control of cash receipting by the Business Office, including the issuance and reconciliation of pre-numbered receipt books to deposits made. Further, all funds should be deposited daily in accordance with University policy.

Effect - Without a numerical sequence of receipts which is supplied by the Business office, and reconciled on the periodic reports, there is an increased likelihood of conversion of funds without the necessity of collusion.

Cause – The ECDC is operating as an autonomous unit, and does not adhere to cash collections procedures applicable to other University departments as specified in University policy.

Recommendation – With any entity, centralized collections are preferable, and Western New Mexico University is no exception. The Business Office is equipped and staffed to handle cash receipts as a part of its normal duties, whereas the ECDC is tasked with early childhood development, and client collections are an ancillary duty for staff. The priority recommendation would be to eliminate cash collections by the ECDC, and have all payments made directly to the Business Office.

However, if University personnel determine that elimination of cash collections at either ECDC or Growing Tree is not feasible, then implementation of the following recommendations are critical in maintaining effective internal control over cash collections:

- a. Receipts must be controlled by the Business Office. The Business Office should purchase blank receipts that are numerically sequenced, and should record the sequential numbers during issuance to the non-centralized locations. A record of the numerical sequence should be maintained, and reconciled to the receipts issued by the non-central location. Receipts should be written in triplicate, with one copy given to the client, one copy accompanying the report to the Business Office, and one copy retained in-house for recordkeeping purposes. The report that accompanies the deposit and receipt copies to the Business Office should include columns for the date the receipt was written, and the number of the receipt, so that all receipts can be accounted for.
- b. Currently, receipts for both the ECDC and Growing Tree are written and funds collected by ancillary staff and then forwarded to the Budget Analyst for deposit with the Business Office. This appears to be an unnecessary step in the process. We recommend that the ancillary staff prepare the reports and deposit the funds directly to the Business Office. This would eliminate the necessity for the Budget Analyst to be involved in the cash collection process, and allow ECDC to comply with the University one business day deposit policy.

- c. Receipts must be written and funds deposited to the Business Office for all transactions. If, as was the case above, the funds need to be returned later, the Business office is equipped to handle those transactions.
- d. If a cash box is to be maintained, it should fall under the Business Office policy which requires issuance and periodic reconciliation by the Business Office. In addition, any funds collected, whether it be parent meals or fund raising activities, must be receipted and deposited with the Business Office. Responsible personnel must be appointed to be in charge of and responsible for the cash box. Since ancillary personnel at the front desk have the most need for change, it would be most effective if those personnel were charged with control of the cash box.

Agency Response – The recommendation will be evaluated by Business Office and ECDC personnel to determine the best response to establishing internal controls and providing services to clients.

#### Procedures Related to the Assessment of Grant Compliance

We performed the following procedures:

1. Interviewed ECDC staff as to the types and persons responsible for compliance with federal regulations for the various programs.
2. Performed compliance tests related specifically related to the meal reimbursements as outlined in the approved compliance supplement for federal fund expenditure.
3. Reviewed the procedures for billing for counseling services.
4. Reviewed general compliance with other federal and state grants.

We have the following findings and recommendations:

#### AUP 2017-03 Meal Reimbursement Requests

Condition – The ECDC participates in the federal Child and Adult Care Food Program, CFDA NO. 10.558. The meal requests for reimbursement under this program were reduced by the grantor by 11 meals in the October 16, 2016 claim and 8 meals in the December, 2016 claim, because the grantor concluded that the meals exceeded the average daily attendance. The business office does not receive a copy of the meal reimbursement requests to compare to the actual collections as an internal control device.

Criteria – Meal count reimbursement requests should not exceed the average daily attendance, and the Business Office should receive a copy of the meal reimbursement request, to compare to the actual amount received.

Effect – Although immaterial in relation to the total meals served, federal regulations have been violated.

Cause – Meal counts were miscounted for the periods in question.

Recommendation – Meal counts should be compared to average daily attendance prior to submission, to ensure over-billing does not occur, and supervisory personnel should be involved in this process.

Agency response – The recommendation will be adopted.

#### AUP 2017-04 Billing for Counseling Services

Condition - As related by ECDC staff, billing for counseling services is done by the counselor, and only for those with insurance coverage. While this may be appropriate, we could not determine the methodology related to these billing practices was formally approved by the University.

Criteria – Billing policies establish billing procedures, and supervisory reviews ensure these procedures are followed.

Effect – The internal control established by formal policy and supervisory review has not been established, which is necessary for any billing procedure.

Cause – The ECDC has operated as an autonomous unit, and has not been integrated into the University internal control system.

Recommendation – The University should adopt a formal policy related to billings for counseling services, and provide that information to the billing person. In addition, supervisory personnel in the Business Office should be involved in the billing process.

Agency Response – The recommendation will be adopted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on internal control established by the ECDC or compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Western New Mexico University, and is not intended to be, and should not be, used by anyone other than the specified parties.

*Stone, McGee & Co., CPAs*

June 5, 2017  
Silver City, New Mexico

**Stone, McGee & Co.**  
Certified Public Accountants