

**NORTHERN NEW MEXICO COLLEGE  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NORTHERN NEW MEXICO COLLEGE**  
**Table of Contents**  
**June 30, 2010**

---

Official Roster	1
Report of Independent Auditors	2
Management's Discussion and Analysis	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14
<b>SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison - Unrestricted and Restricted – All Operations	28
Budgetary Comparison – Restricted – Instruction and General	29
Budgetary Comparison – Unrestricted – Instruction and General	30
Reconciliation of Budgetary Basis to Financial Statement Basis Unrestricted and Restricted - All Operations	31
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Deposit Accounts	32
Schedule of Pledged Collateral	33
Schedule of Collaborative Partnerships	34
Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	40
<b>GOVERNMENTAL AUDITING STANDARDS REPORTS</b>	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	44
<b>SINGLE AUDIT FINDINGS</b>	
Summary Schedule of Prior Audit Findings	47
Schedule of Findings and Questioned Costs	49
Exit Conference	100

**NORTHERN NEW MEXICO COLLEGE**  
**Official Roster**  
**June 30, 2010**

---

Ex Officio Members:

The Honorable Bill Richardson  
Dr. Veronica Garcia  
Dr. Viola Florez

Governor of the State of New Mexico  
Cabinet Secretary for Public Education  
Cabinet Secretary, Higher Education Department

**Board of Regents**

Appointed Members:

Michael Branch  
Theresa Martinez  
Cecille Martinez-Wechsler  
Feliberto Martinez  
Alfred Herrera

Chair  
Vice Chair  
Secretary/Treasurer  
Member  
Member

**Principal Administrative Officials**

David Trujillo  
Loretto Garcia

Interim President  
Executive VP for Finance and Administration

## Report of Independent Auditors

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Northern New Mexico College (College) as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the accompanying table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2010, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the financial statements of Northern New Mexico College are intended to present the financial position, and the changes in net assets and cash flows for only that portion of the business-type activities of the State of New Mexico which are attributable to the transactions of Northern New Mexico College. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2010, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector Balderas  
New Mexico State Auditor

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College at June 30, 2010, and the respective changes in financial position and where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2010 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2012 on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11 is not a required part of the financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector Balderas  
New Mexico State Auditor

Our audit was performed for the purpose of forming opinions on the basic financial statements and budgetary comparison presented as supplemental information. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Schedule of Individual Deposit Accounts, Schedule of Pledged Collateral, and Schedule of Collaborative Partnerships as required by the New Mexico State Audit Rule are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mess Adams LLP*

Albuquerque, New Mexico  
April 26, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

---

**Overview of the Financial Statements**

For financial reporting purposes, Northern New Mexico College (College) is considered a special-purpose, government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the College and its component unit, the Northern New Mexico College Foundation. This Management's Discussion Analysis (MD&A) focuses on the College and not the Foundation.

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College.

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2010.

**Financial Highlights**

The College's assets exceeded its liabilities at the close of the June 30, 2010 fiscal year by \$29,965,214 (net assets). Of this amount, \$2,458,282 is unrestricted and may be used for the College's ongoing operations.

Due to an increase in state and federal funding, the College's Net Assets increased during the year by \$4,474,304 from the previous year.

The Foundation's cash and investments reflect \$3,412,783 at June 30, 2010, some of which are with local banking institutions.

The College's cash and cash equivalents reflect \$2,678,618 at June 30, 2010 all of which are with local banking institutions.



**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

---

**The Statement of Net Assets and Statement of Revenue, Expenses, and Changes in Net Assets**

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets report the College's net assets and how they have changed. Net Assets, the difference between assets and liabilities, is one way to measure the College's financial health or position. Over time, increases or decreases in the College's net assets are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following table summarizes the College's assets, liabilities, and net assets as of June 30:

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets	\$ 5,701,050	\$ 3,340,099
Capital assets	25,268,975	23,044,692
Other non-current assets	<u>2,006,953</u>	<u>1,829,389</u>
<b>Total Assets</b>	<u><b>\$ 32,976,978</b></u>	<u><b>\$ 28,214,180</b></u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 3,011,764</u>	<u>\$ 2,723,270</u>
<b>Total Liabilities</b>	<u><b>3,011,764</b></u>	<u><b>2,723,270</b></u>
<b>Net Assets</b>		
Invested in capital assets	25,268,975	23,044,692
Restricted	2,237,957	2,453,896
Unrestricted (deficit)	<u>2,458,282</u>	<u>(7,678)</u>
<b>Total Net Assets</b>	<u><b>29,965,214</b></u>	<u><b>25,490,910</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 32,976,978</b></u>	<u><b>\$ 28,214,180</b></u>

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

---

**Analysis Net Assets**

As noted earlier, net assets may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$29,965,214 at the close of the fiscal year. The Net Assets consists of 84% Capital Assets (e.g. land, buildings, and equipment) or \$25,268,975. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Net Assets also consist of unrestricted Net Assets of \$2,458,282 which is available to be used for the College's ongoing operation.

The following table summarizes the College's revenues, expenses, and changes in net assets for the year ended June 30:

**Revenues, Expenses and Changes in Net Assets**

	<u>2010</u>	<u>2009</u>
Operating Revenues	<b>\$ 19,568,342</b>	\$ 11,685,897
Operating Expenses	<b>27,566,810</b>	<u>27,410,130</u>
Operating Loss	<b>(7,998,468)</b>	(15,724,233)
Non-Operating Revenues	<b>12,472,772</b>	<u>13,078,207</u>
Increase (Decrease) in Net Assets	<b>\$ 4,474,304</b>	<u>\$ (2,646,026)</u>

**Analysis of Changes in Net Assets**

The College's net assets increased by \$4,474,304 from fiscal year 2009 to fiscal year 2010 due to a general increase in state and federal funding across the industry as a whole.

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

**Operating Revenues**

The following table summarizes the College's operating revenues of \$19,568,342 for the fiscal years ended June 30. There was an increase in enrollment; therefore revenue associated with that has increased in the fiscal year.

	<u>2010</u>	<u>2009</u>
Student tuition and fees	\$ 4,603,007	\$ 2,415,272
Tuition and fees discounts & allowance	(1,621,002)	(1,070,251)
Federal grants and contracts	8,794,290	7,210,123
State grants and contracts	2,915,052	1,341,021
Other grants and contracts	2,325,395	219,672
Scholarships	21,816	-
State land and permanent fund income	152,394	202,878
Sales and service of auxiliary enterprises	1,364,019	1,367,182
Other operating revenues	1,013,371	-
<b>Total Operating Revenues</b>	<b><u>\$ 19,568,342</u></b>	<b><u>\$ 11,685,897</u></b>

**Operating Expenses**

The following table summarizes the College's operating expenses for the fiscal years ended June 30. There were no unexpected changes in operating expenses. As noted earlier, enrollment increased therefore expenses related to enrollment also have increased.

	<u>2010</u>	<u>2009</u>
Instruction	\$ 9,546,738	\$ 9,938,431
Academic support	368,545	1,015,627
Student services	2,465,117	2,616,494
Institutional support	2,847,824	2,360,091
Scholarships	342,580	267,631
Public service	740,447	784,920
Student aid	5,072,809	2,526,452
Plant	217,577	1,330,406
Operations and maintenance	2,182,519	2,148,690
Internal service	669,837	692,774
Student activities	48,893	48,500
Auxiliary enterprises	1,414,747	1,266,400
Athletics	466,424	299,995
Depreciation	1,182,753	1,262,426
Other	-	851,293
<b>Total Operating Expenses</b>	<b><u>\$ 27,566,810</u></b>	<b><u>\$ 27,410,130</u></b>

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

---

**Non-Operating Revenues and Expenses**

The following table summarizes the College's non-operating revenues and expenses for the fiscal years ended June 30, 2010 and 2009.

<b>Non-Operating Revenues and Expenses</b>	<u>2010</u>	<u>2009</u>
State appropriations	\$ 12,298,614	\$ 12,960,954
Investment income	174,158	117,253
<b>Total Non-Operating Revenues</b>	<u>\$ 12,472,772</u>	<u>\$ 13,078,207</u>

**Capital Assets**

At June 30, 2010 and 2009, the College had the following amounts invested in capital assets net of accumulated depreciation:

	<u>2010</u>	<u>2009</u>
Land improvements	\$ 7,133,230	\$ 6,324,982
Paintings	13,500	13,500
Construction in progress	2,405,081	1,867,553
Automobiles	97,364	97,364
Buildings	36,906,444	35,052,679
Library books	3,033,932	2,964,762
Furniture, fixtures and equipment	7,089,023	6,950,698
	<u>56,678,574</u>	<u>53,271,538</u>
Less accumulated depreciation	<u>(31,409,599)</u>	<u>(30,226,846)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 25,268,975</u>	<u>\$ 23,044,692</u>

Major capital expenditures during the year ended June 30, 2010 include the purchase of land and the construction in progress of the Automotive Technology Building.

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

---

**Budgetary Highlights**

Differences between the original revenue budget and the final revenue budget decreased due to the impact of the State of New Mexico's overall revenue shortfall. There were not significant variances between the original expense budget and final expense budget.

**Economic Outlook**

The College is largely dependent on state appropriations and federal and state grants for its operating funds. The state economic outlook is expected to remain flat with state appropriations seeing little change.

**Contacting Northern New Mexico College's Financial Management**

The financial report is designed to provide a general overview of Northern New Mexico College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Dr. Andres Salazar  
Interim Executive Vice-President for Finance and Administration  
Northern New Mexico College  
921 Paseo De Oñate  
Española, NM 87532

## **BASIC FINANCIAL STATEMENTS**

**NORTHERN NEW MEXICO COLLEGE**  
**Statement of Net Assets**  
**As of June 30, 2010**

	Primary Institution	Component Unit
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,678,618	\$ 1,197,802
Grants and contracts receivable	2,160,915	-
Student accounts receivable, net of allowance for doubtful receivables of \$516,016	43,802	-
Pledges receivable	-	7,419
Loan receivables, net of allowance for doubtful receivables of \$82,310	198,088	-
Other receivables	4,380	3,304
Due from component unit	294,061	-
Inventories	321,186	-
<b>Total Current Assets</b>	<u>5,701,050</u>	<u>1,208,525</u>
<b>Non-Current Assets</b>		
Interest in State Land Grant Permanent Fund	2,006,953	-
Endowment investments	-	2,214,981
Capital assets, net	25,268,975	-
<b>Total Non-Current Assets</b>	<u>27,275,928</u>	<u>2,214,981</u>
<b>Total Assets</b>	<u>\$ 32,976,978</u>	<u>\$ 3,423,506</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,250,128	\$ -
Accrued salaries and other benefits	803,646	-
Accrued compensated absences	351,406	-
Due to primary institution	-	294,061
Deferred revenue	600,965	-
Deposits held in trust for others	5,619	-
<b>Total Current Liabilities</b>	<u>3,011,764</u>	<u>294,061</u>
<b>NET ASSETS</b>		
Invested in capital assets	25,268,975	-
Restricted		
Nonexpendable		
Endowments	198,088	2,271,899
Interest in State Land Grant Permanent Fund	2,006,953	-
Expendable		
Scholarships, research, instruction and other	32,916	857,546
Unrestricted	2,458,282	-
<b>Total Net Assets</b>	<u>29,965,214</u>	<u>3,129,445</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 32,976,978</u>	<u>\$ 3,423,506</u>

See Notes to Financial Statements

**NORTHERN MEW MEXICO COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2010**

	Primary Institution	Component Unit
<b>Operating Revenues</b>		
Tuition and fees, less tuition discounts and allowances of \$1,621,002	\$ 2,982,005	\$ -
Federal grants and contracts	8,794,290	-
State and local grants and contracts	2,915,052	-
Other grants and contracts	2,325,395	151,273
Scholarship and scholarship contributions	21,816	205,066
State land and permanent fund income	152,394	-
Sales and services of auxiliary enterprises	1,364,019	-
Other	1,013,371	91,164
<b>Total Operating Revenues</b>	<b>19,568,342</b>	<b>447,503</b>
<b>Operating Expenses</b>		
Instruction	9,546,738	-
Academic support	368,545	-
Student services	2,465,117	-
Institutional support	2,847,824	115,827
Scholarships	342,580	90,354
Public service	740,447	-
Student aid grants and stipends	5,072,809	-
Plant	217,577	-
Operations and maintenance support	2,182,519	-
Internal service	669,837	-
Student activities	48,893	-
Auxiliary enterprises	1,414,747	-
Athletics	466,424	-
Depreciation	1,182,753	-
<b>Total Operating Expenses</b>	<b>27,566,810</b>	<b>206,181</b>
<b>Operating (Loss) Income</b>	<b>(7,998,468)</b>	<b>241,322</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	12,298,614	-
Investment income	174,158	99,636
<b>Net Non-Operating Revenues</b>	<b>12,472,772</b>	<b>99,636</b>
Increase in Net Assets	4,474,304	340,958
Net Assets, Beginning of Year	25,490,910	2,788,487
<b>Net Assets, End of Year</b>	<b>\$ 29,965,214</b>	<b>\$ 3,129,445</b>

See Notes to Financial Statements



**NORTHERN NEW MEXICO COLLEGE**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 2,873,414
Grants and contracts	12,302,278
Sales and services of educational activities	1,364,019
Other operating receipts	1,087,369
Payments to employees for salaries and benefits	(13,885,682)
Payments to suppliers	(6,860,126)
Scholarships	(320,764)
Loans and grants issued to students and employees	(5,072,809)
<b>Net Cash Used by Operating Activities</b>	<u>(8,512,301)</u>
Cash Flows From Non-Capital Financing Activities	
State appropriations	12,298,614
Investment income	148,988
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>12,447,602</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(3,407,036)
<b>Net Cash Used by Capital and Related Financial Activities</b>	<u>(3,407,036)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	528,265
Cash Equivalents, Beginning of Year	<u>2,150,353</u>
<b>Cash Equivalents, End of Year</b>	<u>\$ 2,678,618</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (7,998,468)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation	1,182,753
Changes in assets and liabilities	
Grants and contracts receivable	(1,732,459)
Student accounts receivable, net of allowance for	43,212
Loan receivables, net of allowance for doubtful	(147,611)
Other receivables	(4,192)
Due from component unit	8,364
Other	(152,394)
Accounts payable	469,289
Accrued salaries and other benefits	34,912
Accrued compensated absences	(281,341)
Deferred revenue	65,484
Deposits held in trust for others	150
<b>Net Cash Used by Operating Activities</b>	<u>\$ (8,512,301)</u>

See Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Northern New Mexico College (College) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11 of the New Mexico State Constitution. Under Article XII, Section 13 of the New Mexico Constitution, the College is governed by a five-member Board of Regents appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

The College was originally founded in 1909 by the New Mexico Territorial Legislature. The original mission of the College was to teach English to Spanish speaking teachers in the area. Technical-vocational programs were instituted during the 1960's. In 1969, the College became a full-time post secondary technical-vocational school. In 1977 the New Mexico Legislature passed enabling legislation to merge the College and the Northern Branch of the University of New Mexico. In 2005, the College changed its name because it began offering four-year degree programs.

The College is a two-year and four-year degree granting institution of higher learning. The College offers degrees in biology, business administration, elementary education, engineering, environmental science, information technology, and integrative health studies. The College's main campus is located in Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

*Basis of Presentation.* The College and component unit present their financial statements in accordance with Government Accounting Standards Board (GASB) 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB 37 – *Basic Financial Statement's and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB 38 – *Certain Financial Statement Note Disclosures*. This financial report provides an entity-wide perspective of the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets and cash flows.

The College has adopted Government Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB 14. GASB 39 provides additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the College. As required by GASBs 14 and 39, these basic financial statements present the College and its discretely presented component unit, the Northern New Mexico College Foundation (Foundation), an entity for which the College is considered to be financially accountable. The Foundation was selected for inclusion based on the criteria as set forth in GASBs 14 and 39. The Foundation is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The Foundation does not issue separate financial statements.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net assets, changes in net assets and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to and do not, present fairly the net assets of the State of New Mexico as of June 30, 2010, and the changes in net assets and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Basis of Accounting.* For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

*Budget.* The College follows the requirements established by the State of New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through HED's policy that, when the appropriation has been made to the College, its Board of Regents can, in general, adopt an operating budget within the limits of available income. Additions to capital assets are reported as expenditures on the budget basis, but not on a basis required by generally accepted accounting principles (GAAP). Depreciation expense and scholarship allowance are GAAP requirements not included on the budget basis submitted to HED.

Procedures for Approval of Operating Budgets

- 1) The College will submit an original typed copy that has been approved by the College's regents to the HED's office by May 1st.
- 2) The HED meets in June and acts on approval of the budgets.
- 3) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1st.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the College in subsequent years, per the General Appropriation Act of 2003, Chapter 76, Laws of 2003.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

*Estimates.* The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

*Cash and Cash Equivalents.* Cash and cash equivalents consist of cash on hand and all highly-liquid investments with original maturities of six months or less. For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and money market accounts with an original maturity of three months or less.

*Investments.* The College accounts for its investments at fair value. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The College's investment policy requires that endowment and similar funds only be invested with either the State of New Mexico's Investment Council, the State Treasurer's Local Government Investment Pool, or with government-insured financial institutions with offices in New Mexico. The Foundation does have a specific investment policy, but its investments are not regulated by the State of New Mexico.

The Foundation originally records marketable securities purchased at cost. Marketable securities received by gift are recorded at estimated fair value at the date of donation. Marketable securities are carried by the Foundation at fair value. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in investment income.

The income derived from the College's lands under the control of the State of New Mexico Commissioner of Public Lands is distributed monthly to the College.

Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12 NMSA), except where a donor has specified otherwise.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Contracts and Grants Receivable.* Contracts and grants receivable are amounts due from the federal government, state and local governments or private resources in connection with reimbursement of allowable expenditures made pursuant to the College's grant awards. Contract and grant receivables are recorded net of estimated uncollectible amounts.

*Student Accounts Receivable.* The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

*Loan Receivables.* Loan receivables are amounts due from Perkins loans made by the College to students. Loan receivables are recorded net of estimated uncollectible amounts.

*Inventories.* Inventories are generally stated at the lower of cost (average cost) or market. Cost is determined by using the retail method for bookstore items and the average cost method for other items. Inventories consist of items which are available for resale to individuals and other College departments. Departmental inventories comprised of such items as classroom and laboratory supplies, teaching materials and office supply items, which are consumed in the teaching and administrative process, are expensed when purchased.

*Capital Assets.* Capital Assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Pursuant to the College's capitalization policy, capital assets with a unit cost of \$5,000 or greater are capitalized. The College includes software purchased with a piece of equipment in the cost of capitalization. Software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, or land improvements that significantly increase the value, increase the productivity, or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not capitalize historical treasures or works of art.

Depreciation for the College is computed using the straight-line method over the estimated useful lives of the assets. Generally buildings are depreciated over 40 to 50 years; infrastructure and land improvements are depreciated over 20 to 25 years; library books are depreciated over 10 years; and equipment is depreciated over 5 to 7 years. Land is not depreciated.

*Compensated Absences.* Accumulated annual leave is reported as a liability in the current unrestricted and restricted funds. Annual leave earned is immediately vested unless the employee is in a six month probationary period, but only 192 hours of annual leave is available for carryover at year end.

*Deferred Revenue.* Revenue for each academic session is reported within the fiscal year during which the session is completed. Receipts for the summer session beginning in May, and amounts charged to the accounts of students pre-registering for fall semester, are reported as deferred revenue in the accompanying financial statements.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Net Assets.* The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The College does not have any related debt associated with its investment in capital assets.

Restricted Net Assets – Nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Assets – Expendable. Restricted expendable net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted, and then toward restricted resources.

*Classification of Revenues.* The College has classified its revenues as either operational or non-operating revenues, according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances, 2) most federal, state and local grants and contracts and federal appropriations, and 3) interest on institutional student loans.

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by *GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That use Proprietary Fund Accounting*, and GASB No. 34.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*State Appropriations.* Unexpended appropriations generally do not revert to the State of New Mexico at the end of the year and are available to the College in subsequent years.

*Tuition and Fees.* Student tuition and fees are recorded as revenue during the fiscal year in which the session is completed. The Board of Regents determines the rates to be charged to students.

*Grant and Contract Revenue.* Grant and contract revenues are recognized at the time the expenditure is incurred, if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

*Tax Status.* As a post-secondary College, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no material unrelated business income during the year ended June 30, 2010; therefore, no provision for income taxes has been included in the financial statements.



**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2010 is as follows:

**The College**

Cash on hand	\$ 4,423
Deposits with financial institutions	2,674,195
<b>Total Cash and Cash Equivalents (includes CDs)</b>	<u><u>\$ 2,678,618</u></u>

**The Foundation**

Deposits with financial institutions (includes CDs)	<u>\$ 1,197,802</u>
Mutual funds	1,978,648
Real Estate Investment Trust	236,333
<b>Total Investments</b>	<u><u>2,214,981</u></u>
<b>Total Cash and Cash Equivalents and Investments</b>	<u><u>\$ 3,412,783</u></u>

*Investment Policy.* The College utilizes certificates of deposit to invest its excess funds. The College could also invest in the short-term investment pool held by the New Mexico State Treasurer, but it has not utilized this option. The College automatically has an undivided interest in the State of New Mexico Land Grant Permanent Fund (Note 7). The Foundation's investment policy authorizes monies to be invested in equity and debt securities of United States institutions, corporate and government securities.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the College or the Foundation. The College did not have any investments at June 30, 2010, other than its undivided interest in the State of New Mexico Land Grant Permanent Fund. The credit risk for this interest was not available. Credit ratings were not available from the investments held by the Foundation

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The College and the Foundation do not have formal investment policies that limit investment maturities as a means of managing its exposure to changing interest rates. The College did not have any investments at June 30, 2010 other than its interest in the State of New Mexico Land Grant Permanent Fund. The interest rate risk for its interest in the State of New Mexico Land Grant Permanent Fund was not available.

The Foundation's investments were not interest-bearing obligations, so it was not subject to interest rate risk at June 30, 2010.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 2. CASH AND INVESTMENTS (continued)**

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2010, so it was not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2010:

BTS Asset Management 294453	\$ 791,851	35.75%
SERPA	490,216	22.13%
National Financial	336,164	15.18%
BTS Asset Management 294450	265,695	12.00%
Wells REIT 521000970676	100,000	4.51%
Wells REIT 521001219079	80,000	3.61%
KBS Real Estate	56,333	2.54%
John R. Young Memorial Endowment	25,000	1.13%
National Financial KE7055441	24,900	1.12%
John Salazar Endowment	15,000	0.68%
Benito Garcia Memorial Endowment	15,000	0.68%
AIG Sun America 9329277	14,822	0.67%
<b>Total Foundation Investments</b>	<b>\$ 2,214,981</b>	<b>100.00%</b>

*Custodial Credit Risk.* The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party.

All deposits and investments and investments in commercial banks and savings and loan associations are collateralized as required by Section 6-10-16 to Section 6-10-17 NMSA 1978. All deposits of the College are either insured or collateralized. All deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the College's agent in the College's name. The College has no policy regarding custodial credit risk for deposits.

At June 30, 2010, the College's deposits had carrying amounts of \$2,678,618 and bank balances of \$3,291,006. Of the bank balances, \$502,270 was covered by federal depository insurance at June 30, 2010, and the rest of the deposits were collateralized with securities held by the financial institution in the College's name.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 2. CASH AND INVESTMENTS (continued)**

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial credit risk exposure at June 30, 2010, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

At June 30, 2010, the Foundation's deposits had carrying amounts of \$1,197,802 and bank balances of \$1,198,780. The entire amount was either covered by federal depository insurance or collateralized by securities pledged by the financial institution and also held by the financial institution.

**NOTE 3. RECEIVABLES**

Grants and Contracts Receivable. Amounts due from state and local agencies, as well as amounts due from the federal government represent expenditures to be reimbursed under various cost-sharing agreements. The balance at June 30, 2010 is \$2,160,915. It is the opinion of management that no allowance for doubtful accounts was needed at June 30, 2010.

Student Accounts Receivable. Amounts due from students are for tuition and fees not covered by financial aid. The total due was \$559,819 and the College has provided an allowance for doubtful receivables of \$516,016, for a net reported balance of \$43,802 at June 30, 2010. It is the opinion of management that this allowance is adequate.

Accounts Receivable. Amounts shown as accounts receivable represent private gifts and other receivables received subsequent to the statement of net assets date, but which were due on or before June 30. The Foundation had pledges of \$7,419 as of June 30, 2010. It is the opinion of management that no allowance for doubtful pledges receivable was needed at June 30, 2010.

Loans Receivable. Loans receivable consist of \$280,398 in loans and the College has provided an allowance for doubtful receivables of \$82,310, for a net reported balance of \$198,088 at June 30, 2010. It is the opinion of management that this allowance is adequate.

**NOTE 4. INVENTORIES**

Inventory at June 30, 2010 was as follows:

Bookstore inventory	\$	305,595
Central supply inventory		14,120
Cafeteria inventory		1,471
	\$	<u>321,186</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2010 follows:

	Balance June 30, 2009	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2010
<b>Capital Assets Not Being Depreciated:</b>					
Paintings	\$ 13,500	\$ -	\$ -	\$ -	\$ 13,500
Construction in progress	1,867,553	2,343,812	-	(1,806,284)	2,405,081
Land and improvements	6,324,982	808,248	-	-	7,133,230
<b>Total Capital Assets not Being Depreciated</b>	<b>8,206,035</b>	<b>3,152,060</b>	<b>-</b>	<b>(1,806,284)</b>	<b>9,551,811</b>
<b>Capital Assets Being Depreciated:</b>					
Automobiles	97,364	-	-	-	97,364
Building and improvements	35,052,679	47,481	-	1,806,284	36,906,444
Furniture, fixtures and equipment	6,950,698	138,325	-	-	7,089,023
Library materials	2,964,762	69,170	-	-	3,033,932
<b>Total Capital Assets Being Depreciated</b>	<b>45,065,503</b>	<b>254,976</b>	<b>-</b>	<b>1,806,284</b>	<b>47,126,763</b>
<b>Total Capital Assets</b>	<b>53,271,538</b>	<b>3,407,036</b>	<b>-</b>	<b>-</b>	<b>56,678,574</b>
Less accumulated depreciation for:					
Automobiles	-	24,345	-	-	24,345
Building and improvements	22,599,247	759,517	-	-	23,358,764
Furniture, fixtures and equipment	5,993,765	249,915	-	-	6,243,680
Library materials	1,633,834	148,976	-	-	1,782,810
<b>Total Accumulated Depreciated</b>	<b>30,226,846</b>	<b>1,182,753</b>	<b>-</b>	<b>-</b>	<b>31,409,599</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>14,838,657</b>	<b>(927,777)</b>	<b>-</b>	<b>1,806,284</b>	<b>15,717,164</b>
<b>Total Capital Assets, Net</b>	<b>\$ 23,044,692</b>	<b>\$ 2,224,283</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,268,975</b>

The College does not capitalize interest expense because its additions are not financed by any debt of the College.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2010**

---

**NOTE 6. COMPENSATED ABSENCES**

A summary of changes in compensated absences for the year ended June 30, 2010 follows:

	Balance June 30, 2009	Increase	Decrease	Balance June 30, 2010	Amount Due Within One Year
Compensated absences	\$ 632,747	\$ 349,542	\$ (630,883)	\$ 351,406	\$ 351,406

**NOTE 7. INTEREST IN STATE LAND GRANT PERMANENT FUND**

State Investment Council. The College has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund (Permanent Fund) managed by the State Investment Council. At June 30, 2010, the cost and fair market value of such interest is \$1,653,769 and \$2,006,953, respectively. These investments are not categorized by custodial risk.

The College's undivided interest in Permanent Fund was .022687% at June 30, 2010. The College's undivided interest in the Permanent Fund increased by \$177,564.

**NOTE 8. OPERATING LEASES**

The College leases certain office space and office equipment under lease agreements with terms ranging from one year to five years. Expenditures for operating leases for the year ended June 30, 2010 were \$132,478. Future minimum lease payments under these operating leases are as follows:

2011	\$ 142,731
2012	81,379
2013	17,577
2014	7,543
2015	1,348
<b>Total</b>	<b>\$ 250,578</b>

**NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description.* Certain College full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.42% (ranges from 4.0% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The College is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to PERA for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,244, \$46,214 and \$46,659, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

*Plan Description.* Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

*Funding Policy.* Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The College was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011; the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2010, 2009 and 2008 were \$1,010,440, \$1,070,790 and \$930,752, respectively, which equal the amount of the required contribution for each fiscal year.

**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrha.state.nm.us](http://www.nmrha.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ended June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.67%	0.83%
FY12	1.83%	0.92%
FY13	2.00%	1.00%

**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)**

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The College's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$117,555, \$120,676 and \$111,669, respectively, which equal the required contributions for each year.

**NOTE 12. INSURANCE COVERAGE**

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible "for the acquisition and administration of all insurance purchased by the State." Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to \$5,000,000, with a \$1,000 deductible per occurrence, by the State of New Mexico for the period July 1, 2009 through June 30, 2010.

**NOTE 13. DISCRETELY PRESENTED COMPONENT UNIT**

The Northern New Mexico College Foundation (Foundation) is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The Foundation owed the College \$294,061 at June 30, 2010 for reimbursement of scholarship funds.

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

The various federal and state grants and programs are subject to audit by governmental agencies. These audits may result in disallowance of claimed reimbursable expenditures under rules and regulations of the various grants and programs. Management believes that the amounts of potential disallowances, if any, will not be material to the financial statements.



**SUPPLEMENTAL INFORMATION**

**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Unrestricted and Restricted - All Operations (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ 5,106,133	\$ 5,106,133	\$ 5,106,133	\$ -
<b>Revenues</b>				
State government appropriations	11,812,000	11,812,000	12,298,614	486,614
Federal government contracts and grants	7,075,317	7,075,317	8,794,290	1,718,973
State government contracts and grants	12,916,517	12,916,517	2,915,052	(10,001,465)
Local government contracts and grants	46,914	46,914	2,325,395	2,278,481
Private gifts, grants, and contracts	126,879	126,879	21,816	(105,063)
Tuition and miscellaneous fees	2,726,889	2,726,889	4,603,007	1,876,118
Land and permanent fund	230,506	230,506	152,394	(78,112)
Sales and services	1,212,550	1,212,550	1,364,019	151,469
Other	560,675	560,675	1,187,529	626,854
<b>Total Revenues</b>	<b>36,708,247</b>	<b>36,708,247</b>	<b>33,662,116</b>	<b>(3,046,131)</b>
<b>Expenditures</b>				
Instruction	10,046,855	10,046,855	9,546,738	(500,117)
Student social and cultural activities	60,000	60,000	48,893	(11,107)
Academic support	1,115,614	1,115,614	368,545	(747,069)
Student services	2,511,632	2,511,632	2,466,364	(45,268)
Institutional support	2,444,202	2,444,202	2,846,999	402,797
Operation and maintenance of plant	2,219,571	2,219,571	2,182,519	(37,052)
Public service	464,598	464,598	740,447	275,849
Internal service	650,840	650,840	669,415	18,575
Auxiliary enterprises	1,146,772	1,146,772	1,414,747	267,975
Capital outlay	10,822,761	10,822,761	3,572,062	(7,250,699)
Renewal and replacement	550,000	550,000	52,551	(497,449)
Student aid, grants stipends and independent operations	3,628,002	3,628,002	7,036,391	3,408,389
Intercollegiate athletics	240,000	240,000	466,428	226,428
<b>Total Expenditures</b>	<b>35,900,847</b>	<b>35,900,847</b>	<b>31,412,099</b>	<b>(4,488,748)</b>
Net Transfers	-	-	-	-
<b>Change in Fund Balance</b>	<b>807,400</b>	<b>807,400</b>	<b>2,250,017</b>	<b>1,442,617</b>
<b>Ending, Fund Balance</b>	<b>\$ 5,913,533</b>	<b>\$ 5,913,533</b>	<b>\$ 7,356,150</b>	<b>\$ 1,442,617</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Restricted - Instruction and General (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ -	\$ -	\$ -	\$ -
<b>Revenues</b>				
State government appropriations	-	-	-	-
Federal government contracts and grants	3,921,062	3,921,062	3,365,140	(555,922)
State government contracts and grants	779,704	779,704	605,020	(174,684)
Local government contracts and grants	-	-	306,411	306,411
Private gifts, grants, and contracts	126,879	126,879	-	(126,879)
Tuition and miscellaneous fees	-	-	44,243	44,243
Land and permanent fund	-	-	-	-
Sales and services	-	-	-	-
Other	-	-	-	-
<b>Total Revenues</b>	<b>4,827,645</b>	<b>4,827,645</b>	<b>4,320,814</b>	<b>(506,831)</b>
<b>Expenditures</b>				
Instruction	3,608,685	3,608,685	3,266,689	(341,996)
Student social and cultural activities	-	-	-	-
Academic support	169,618	169,618	111,434	(58,184)
Student services	1,049,342	1,049,342	898,448	(150,894)
Institutional support	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	44,243	44,243
Intercollegiate athletics	-	-	-	-
<b>Total Expenditures</b>	<b>4,827,645</b>	<b>4,827,645</b>	<b>4,320,814</b>	<b>(506,831)</b>
Net Transfers	-	-	-	-
<b>Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending, Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Unrestricted - Instruction and General (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ 595,408	\$ 595,408	\$ 595,408	\$ -
<b>Revenues</b>				
State government appropriations	11,472,800	11,472,800	10,990,200	(482,600)
Federal government contracts and grants	140,000	140,000	55,797	(84,203)
State government contracts and grants	8,000	8,000	2,997	(5,003)
Local government contracts and grants	5,000	5,000	-	(5,000)
Private gifts, grants, and contracts	-	-	-	-
Tuition and miscellaneous fees	2,659,531	2,659,531	2,866,432	206,901
Land and permanent fund	230,506	230,506	152,394	(78,112)
Sales and services	13,000	13,000	90,655	77,655
Other	227,762	227,762	653,076	425,314
<b>Total Revenues</b>	<b>14,756,599</b>	<b>14,756,599</b>	<b>14,811,551</b>	<b>54,952</b>
<b>Expenditures</b>				
Instruction	6,438,170	6,438,170	5,641,529	(796,641)
Student social and cultural activities	-	-	-	-
Academic support	945,996	945,996	257,111	(688,885)
Student services	1,462,290	1,462,290	1,477,751	15,461
Institutional support	2,444,202	2,444,202	2,842,558	398,356
Operation and maintenance of plant	2,219,571	2,219,571	2,161,543	(58,028)
Public service	-	-	-	-
Internal service	-	-	(13,926)	(13,926)
Auxiliary enterprises	-	-	5,200	5,200
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	61,999	61,999
Intercollegiate athletics	-	-	-	-
<b>Total Expenditures</b>	<b>13,510,229</b>	<b>13,510,229</b>	<b>12,433,765</b>	<b>(1,076,464)</b>
Net Transfers	(1,310,541)	(1,310,541)	(978,242)	(332,299)
<b>Change in Fund Balance</b>	<b>(64,171)</b>	<b>(64,171)</b>	<b>1,399,544</b>	<b>799,117</b>
<b>Ending, Fund Balance</b>	<b>\$ 531,237</b>	<b>\$ 531,237</b>	<b>\$ 1,994,952</b>	<b>\$ 799,117</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Reconciliation of Budgetary Basis to Financial Statement Basis Unrestricted and Restricted - All**  
**Operations**  
**For the Year Ended June 30, 2010**

---

<b>Total Unrestricted and Restricted Revenues:</b>	
<b>Budgetary Basis</b>	\$ 33,662,116
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(1,621,002)
Other revenue (not in budgetary basis)	-
Total reconciling items	<u>(1,621,002)</u>
<b>GAAP Basis</b>	<u>\$ 32,041,114</u>
<b>Basic Financial Statements</b>	
Operating revenues	\$ 19,568,342
Non-operating revenues	12,472,772
<b>Total Unrestricted and Restricted Revenues Per Financial Statements</b>	<u>\$ 32,041,114</u>
<b>Total Unrestricted and Restricted Expenditures:</b>	
<b>Budgetary Basis</b>	\$ 31,412,099
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(1,621,002)
Capital outlay/renewal & replacement (not in financial statements)	(3,407,036)
Depreciation expense (not in budgetary basis)	1,182,749
Total reconciling items	<u>(3,845,289)</u>
<b>GAAP Basis</b>	<u>\$ 27,566,810</u>
<b>Basic Financial Statements</b>	
Operating expenditures	\$ 27,566,810
Non-operating expenditures	-
<b>Total Unrestricted and Restricted Expenditures Per Financial Statements</b>	<u>\$ 27,566,810</u>

See Notes to Financial Statements

**OTHER SUPPLEMENTARY INFORMATION**

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Deposit Accounts**  
**June 30, 2010**

Depository/Account Name	Type of Account	Cash per Bank June 30, 2010	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2010
<b>COLLEGE</b>						
<b>Valley National Bank</b>						
General	Checking	\$ 602,593	\$ 5,474	\$ (611,400)	\$ -	\$ (3,333)
Payroll	Checking	183,751	-	(7,277)	-	176,474
Student	Checking	1,007,398	-	-	5	1,007,403
NRGHNA	Checking	13,584	-	-	-	13,584
Certificate of Deposit	CD	757,810	-	-	-	757,810
Certificate of Deposit	CD	301,338	-	-	-	301,338
<b>Bank of America</b>						
Payroll	Checking	276,986	-	-	-	276,986
Perkins	Checking	131,758	105	-	-	131,863
Luis Bustos	Checking	6,661	-	-	-	6,661
Federal	Checking	2,434	-	-	-	2,434
<b>Community Bank</b>						
General	Checking	2,270	705	-	-	2,975
Cash in Bank		3,286,583	6,284	(618,677)	5	2,674,195
Petty Cash and Cash Drawers		4,423	-	-	-	4,423
<b>Total College Cash and Cash Equivalents</b>		<b>\$ 3,291,006</b>	<b>\$ 6,284</b>	<b>\$ (618,677)</b>	<b>\$ 5</b>	<b>\$ 2,678,618</b>
<b>FOUNDATION</b>						
<b>Valley National Bank</b>						
Operating	Checking	\$ 447,468	\$ -	\$ (978)	\$ -	\$ 446,490
Marketing	Checking	12,718	-	-	-	12,718
On-line Giving	Checking	6,797	-	-	-	6,797
Certificate of Deposit	Certificate of Deposit	731,797	-	-	-	731,797
<b>Total Foundation Cash and Cash Equivalents</b>		<b>\$ 1,198,780</b>	<b>\$ -</b>	<b>\$ (978)</b>	<b>\$ -</b>	<b>\$ 1,197,802</b>

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Pledged Collateral**  
**June 30, 2010**

<u>Pledged Collateral</u>					
<u>Safekeeping</u>	<u>Type of</u>	<u>Valley</u>	<u>Community Bank</u>	<u>Bank of America</u>	<u>Total</u>
<u>Location</u>	<u>Security</u>	<u>National Bank</u>			
<b>Funds on Deposit</b>					
Demand deposits		\$ 2,866,474	\$ 2,270	\$ 417,839	\$ 3,286,583
<b>FDIC Insurance</b>					
Demand deposits		(250,000)	(2,270)	(250,000)	(502,270)
<b>Total Uninsured Public Funds</b>		<u>\$ 2,616,474</u>	<u>\$ -</u>	<u>\$ 167,839</u>	<u>\$ 2,784,313</u>
<b>Fifty Percent Collateral</b>					
Requirement Per Section					
6-10-17 NMSA		\$ 1,308,237	\$ -	\$ 83,920	\$ 1,392,157
<b>Pledged Collateral</b>					
Valley National Bank					
	CUSIP #891400JN4	272,485	-	-	272,485
	CUSIP #545562JH4	100,222	-	-	100,222
	CUSIP #149321BV2	204,086	-	-	204,086
	CUSIP #492316AN4	133,415	-	-	133,415
	CUSIP #31393THP4	818,952	-	-	818,952
	CUSIP #414214LW4	366,440	-	-	366,440
	CUSIP #465416BY0	1,825,819	-	-	1,825,819
	CUSIP #106056DX9	350,392	-	-	350,392
	CUSIP #106056DZ4	310,115	-	-	310,115
	CUSIP #613922LD3	353,073	-	-	353,073
Community Bank					
	CUSIP #31361VHL6	-	11,182	-	11,182
	CUSIP #6202K3H6	-	13,263	-	13,263
Bank of America					
	CUSIP #31416BLC0	-	-	881,662	881,662
		<u>4,734,999</u>	<u>24,445</u>	<u>881,662</u>	<u>5,641,106</u>
<b>Deficiency / (Excess) of Pledged Collateral</b>		<u>\$ (3,426,762)</u>	<u>\$ (24,445)</u>	<u>\$ (797,742)</u>	<u>\$ (4,248,949)</u>



**NORTHERN NEW MEXICO COLLEGE**  
**Collaborative Partnerships**  
**June 30, 2010**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Memorandum of Understanding</b>			
MOU between NNMC and ENMU	June, 2010	Presidents	Enable the institutions to more fully take advantage of their organizational structures in providing educational services to students.
MOU between NNMC and NMJC	December, 2009	Presidents of both institutions	Jointly employ a Data Base Administrator to support each institutions administrative software system (Banner).
MOU between NNMC and the El Rito Regional Water and Waste Water Association	January, 2010	Juan Garcia, ERRWWA President	Meet a need for a safe and reliable domestic water supply by joining the ERRWWA.
MOU between NNMC and MARTECH International, Inc.	February, 2009	Dr. Camilla Bustamante	Establish a Strategic Alliance for NNMC's Environmental Science and Hazmat Science Applications.
MOU between NNMC and NNMC Foundation	October 16, 2008 Succeeds Sept 11, 2008 MOA		Sets up financial and strategic arrangement between entities.
MOU between NNMC and Espanola Community Market: Sostenga La Vida.	November, 2007	Dr. Camilla Bustamante, 747-5454	Allows for collaboration between the College and the EC natural food market.
MOU between the State of NM HED and NNMC concerning grant to administer the film and media grant (\$20 thousand).	February 7, 2007	David Trujillo, Dean of Grants Dev., NNMC	Allows the film training program to occur on campus with financing from HED.
MOU between NNMC and Los Alamos Cooperative Market.	July, 2007	Dr. Camilla Bustamante, 747-5454	Allows for collaboration between the College and the LAC market.
MOU between NNMC and the Espanola Farmers Market Board.	May 14, 2007	Gene Lopez, President	Allows for collaboration between the College and the EF market.
MOU between NNMC and The Forest Guild.	April 12, 2006	Henry Carey, Exe. Dir., 983-8992; info@forestguild.org	Forest worker safety certification class held on NNMC campus.
MOU between NNMC and ENIPC, Inc.	August, 2006		Formalize the relationship between NNMC and Eight Northern Indian Pueblos.
MOU between NNMC and Northwest Regional Education Center #2 and NM Education Technology Consortia. (NMETC)	March, 2006	Dr. Kris Baca, Exe. Dir., 638-5491 ext. 126; NMREC, Dist. 2, PO Box 230, Gallina, NM 87017	College of Education provides professional development programs.
MOU between the City of Espanola and NNMC for the exchange and utilization of one another's recreational and athletic facilities.	Sept. 15, 2004	City of Espanola, 405 N. Paseo de Oate, Espanola, NM; 747-6100	Allows for mutual use of athletic facilities between the College and the city of Espanola.
MOU for Construction, Operation, Maintenance, and Management Services between NNMC and Rio Arriba County, New Mexico.	20-yr. agreement, 2/1/98 to 2018	County Manager, 753-2992, 1122 Industrial Park Rd., Espanola, NM	

**NORTHERN NEW MEXICO COLLEGE**  
**Collaborative Partnerships**  
**June 30, 2010**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Memorandum of Agreement</b>			
MOA between NNMC's Sostenga Center and Native Earth Bio-Culture Council	September, 2010		5 <sup>th</sup> Annual Traditional Agriculture & Sustainable Living Conference.
MOA between NNMC and NMSU	June, 2010	Dr. Steve Guldán, Alcalde Sustainable Agriculture Science Center	Provide NMSU scientist Dr. Shengui Yao laboratory space.
MOA between NNMC and NM Community Foundation	May, 2010		RACER Project.
MOA between NNMC and the El Rito Regional Water and Wastewater Association	July 15, 2010		Use of existing space at the El Rito Campus for the ERRW&WA.
MOA between NNMC and Las Cumbres Community Service	May 20, 2010	Exe. Director, Las Cumbres	Use of existing space at Northern for the Family Infant Toddler Program.
MOA between NNMC and State of NM Dept. of Veterans' Services	March, 2010		Develop a Veterans' Green Jobs Academy.
MOA between NM Community Foundation and NNMC Environmental Science Program	March 5, 2009	Michael Chamberlain, CEO, NM Comm. Foundation	Establishes basis for RACER courses in ES program.
MOA between NNMC and Northern Rio Grande Heritage Area	January, 2010	Dr. Camilla Bustamante	Support a tradition of sustainability as well as assuring Heritage preservation & education.
MOA between Espanola Public School Dist. and NNMC College of Education	2008-09	Dr. Cathy Berryhill	Establish the Professional Development Academy to ensure the highest quality teacher preparation & development program.
MOA between NNMC and Las Cumbres Community Services.	December 3, 2007	Dr. Azul La Luz, Exe. Dir., 753-4123 azul.laluz@lascumbres-nm.org	Joint effort to purchase land and allow facility construction.
MOA between NNMC and Espanola Fiber Arts Center	April 2, 2008	Diane Bowman, Exec. Dir.,	Allows NNMC to offer classes at Fiber Arts Center
MOA between ENLACE (Engaging Latino Communities for Education) and SFCC and NNMC.	August 15, 2007	Dr. Meredith Machen, ENLACE Northeastern NM Dir.,	Allows ENLACE space and services at NNMC with no overhead charges.
MOA between NNMC and Espanola Farmers Market	May, 2007	Term of MOU (20 years)	
MOA between NNMC and Northern New Mexico Network for Rural Education (Proposed Baccalaureate Teacher Preparation Program).	Nov. 20, 2003	Carlos Atencio, Exe. Dir., 925-8675 catencio@unm.edu	

**NORTHERN NEW MEXICO COLLEGE**  
**Collaborative Partnerships**  
**June 30, 2010**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Other Agreements:</b>			
Collaborative Agreements between NNMC and NMHU for the ENLACE and Gear Up Programs.		Paul Romero, Director of ENLACE	
Cooperative Agreement between SFCC acting as the Lead Center of the New Mexico Small Business Development Center and NNMC.		J. Roy Miller, State Director, NMSBDC, 6401 Richards Ave., SF, NM 87508; 428-1362	Allows SBDC Center to occupy space at NNMC and offer small business services.
Operating Agreement with the Elder Hostel program at the El Rito Campus.		James Moses, President and CEO, 11 Avenue de Lafayette, Boston, MA 02111	College program for senior citizens.
Affiliation Agreement between the UNM's Health Sciences Center School of Medicine, College of Pharmacy, the Office of Cultural and Ethnic Programs and NNMC.			
Contractual Agreements with Hospitals, Clinical Sites, etc., for the Nursing and Radiology programs.		Ellen Trabka, Mike Frain	
Cooperative Agreement with NMSU on the New Mexico Alliance for Minority Participation (AMP) program.		Richardo Jacquez, NMAMP Dir., NMSU, NM Alliance for Minority Participation, PO Box 3001, Las Cruces, NM 88003-8001 (Ajit Hira at NNMC)	AMP program recruits NNMC sophomores to matriculate at NMSU baccalaureate programs.

**Joint Powers Agreement:**

JPA for the Continuing Operation of the NMESC (Supersedes JPA dated 7/1/08; March 6, 2006)	January, 2009		Joint effort to pay for support of Banner data base archiving and software assistance.
Joint Powers Agreement by the Regents of NNMC, Rio Arriba County, and the El Rito Acequia Association for establishing an El Rito Community Center.	September, 2004	County Manager and County Commissioners, 1122 Industrial Park Rd., Espanola, NM 87532; 753-2992	Build, operate a community center for NNMC and regional residents.
Joint Powers Agreement to Establish an Educational Cooperative – operating as Cooperative Educational Services. (Members are public educational institutions and schools within the State of New Mexico, desirous of pooling their efforts and resources in order to bring additional, necessary educational services to their respective institutions at an affordable cost).	Sept. 16, 1999	Max Luft, Exe. Dir., CES, 4216 Balloon Park Rd., NE, Albuquerque, NM 87109-5801; 344-5470; www.nmedu.org.	Pool efforts and resources for cost savings.

**NORTHERN NEW MEXICO COLLEGE**  
**Collaborative Partnerships**  
**June 30, 2010**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Dual Credit Agreements:</b>			
Chama Valley Independent Schools Cuba Independent Schools Dulce Independent Schools Espanola Public Schools Jemez Mountain Public Schools Mesa Vista Consolidated Schools Mora Independent Schools Penasco Independent Schools Pojoaque Valley Public Schools Santa Fe Public Schools Santa Fe Indian School			Dual Credit Agreements stipulate conditions under which pre-College students earn College credits under a released condition from their high schools.

**SINGLE AUDIT**

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Agency/ Pass-Through Agency	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>United States Department of Education</b>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Supplemental Education Opportunity (SEOG)		84.007	\$ 101,963
Federal Work Study		84.033	106,130
Federal Pell Grant		84.063	3,671,435
ACG Grant		84.375	19,336
SMART Grant		84.376	20,134
Federal Stafford Loan		84.032	459,886
Federal Un-Sub Stafford Loan		84.032	174,976
Federal Perkins Loans		84.038	23,632
Subtotal Student Financial Aid Cluster			<u>4,577,492</u>
TRIO Cluster			
Student Support Services		84.042	271,716
Student Support Services - Indirect Cost		84.042	8,999
Educational Opportunity Center		84.066/84.042	468,311
Educational Opportunity Center - Indirect Cost		84.066/84.042	32,595
Upward Bound Program		84.047	114,889
Upward Bound Program - Indirect Cost		84.047	9,313
Subtotal TRIO Cluster			<u>905,823</u>
Migrant Education			
High School Equivalent Program		84.141	357,403
High School Equivalent Program - Indirect Cost		84.141	24,290
Subtotal Migrant Education			<u>381,693</u>
CCRAA - HSI Project		84.031C	<u>1,123,540</u>
Title V		84.031	<u>471,168</u>
Minority Science and Engineering Improvement		84.120A	95,529
Minority Science and Engineering Improvement - Indirect Cost		84.120A	-
Subtotal			<u>95,529</u>
The Esperanza Project		84.195N	220,930
The Esperanza Project - Indirect Cost		84.195N	17,570
Subtotal			<u>238,500</u>
<b>Subtotal DOE Direct Programs</b>			<u>\$ 7,793,745</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Agency/ Pass-Through Agency	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>United States Department of Education - continued</b>			
<b>Pass-through the State of New Mexico</b>			
Department of Education			
Adult Basic Education	N/A	84.048	\$ 69,063
Adult Basic Education - Indirect Cost	N/A	84.048	3,486
EDA-University Center	08-66-04208.02	84.306	141,416
Federal Perkins Loan	V048A080031	84.038	108,287
Federal Perkins Redistribution	V048A080031	84.038	22,210
ARRA-Solar	N/A	84.394A	17,542
ARRA-Heating	N/A	84.394A	14,858
ARRA-Stabilization	N/A	84.394A	103,749
Subtotal			<u>480,611</u>
<b>Pass-through New Mexico Highlands University</b>			
Department of Education			
Gear Up	P334A050210	84.334	56,155
Gear Up - Indirect Cost	N/A	84.334	10,118
Subtotal			<u>66,273</u>
<b>Subtotal Pass-Through Programs</b>			<u>546,884</u>
<b>Total U.S. Department of Education</b>			<u>8,340,629</u>
<b>Department of Interior</b>			
Northern Rio Grande Heritage Area		15.939	<u>119,666</u>
<b>Department of Veterans Affairs</b>			
Veterans Green Job Academy		64.027	<u>14,409</u>
<b>National Science Foundation</b>			
<b>Pass-through New Mexico State University</b>			
NSF STEM - Biological Science	806469	47.076	90,584
NSF Aspire	757088	47.076	157,438
Alliance for Minority Participation	HRD-0331446	47.076	23,652
NSF-CRI	N/A	47.076	<u>40,575</u>
<b>Pass-through Arizona State University</b>			
WAESO	N/A	47.076	765
Subtotal NSF			<u>313,014</u>
<b>U.S. Department of Agriculture</b>			
USDA Corn and Bean Exchange		10.960	<u>6,572</u>
<b>Total Federal Programs</b>			<u><u>\$ 8,794,290</u></u>

**NORTHERN NEW MEXICO COLLEGE**  
**Notes To Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

---

**NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

The federal financial assistance of the University is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (Compliance Supplement).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to the College that had activity during 2010 or accrued revenue at June 30, 2010. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**NOTE 3. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

**NOTE 4. STUDENT FINANCIAL ASSISTANCE**

The College administers the Perkins Loan Program. The Schedule of Expenditures of Federal Awards includes an amount, which represents administrative costs and new loans processed during the fiscal year ended June 30, 2010. Perkins Loans awarded for the year ended June 30, 2010 totaled \$23,632. As of June 30, 2010, the outstanding student loan balances under the federal Perkins Loan Program was \$280,397.



**Report of Independent Auditors on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Board of Regents  
Northern New Mexico College  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the budgetary comparisons presented as supplemental information of the Northern New Mexico College (College) as of and for the year ended June 30, 2010, and have issued our report thereon dated April 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Board of Regents  
Northern New Mexico College  
and  
Hector H. Balderas  
New Mexico State Auditor

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 05-01, 09-03, 09-04, 10-01, 10-02, 10-03, 10-05, 10-08 and 10-09.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 07-01, 09-01, 09-02, 09-05, 09-06, 09-07, 09-18, 10-04, 10-06, and 10-07.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 09-06.

We also noted certain other matters that are required to be reported pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 09-22 and 09-23.

Board of Regents  
Northern New Mexico College  
and  
Hector H. Balderas  
New Mexico State Auditor

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Regents, others within the entity, New Mexico Higher Education Department, the State Auditor, the Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
April 26, 2012

**Report of Independent Auditors on Compliance With Requirements  
that Could Have a Direct and Material Affect on Each  
Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

Board of Regents  
Northern New Mexico College  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

### **Compliance**

We have audited the Northern New Mexico College (College) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

Board of Regents  
Northern New Mexico College  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

As described in items 09-14, 09-15, 09-17, 10-13, and 10-19 in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding cash management for Migrant Education Cluster, CCRAA-HSI Project, Title V, NSF-Education and Human Resources, Student Financial Aid Cluster, and TRIO Cluster; maintenance of effort for CCRAA-HSI Project; allowable costs for CCRAA-HSI Project, Title V, NSF-Education and Human Resources and TRIO Cluster; and eligibility for the TRIO Cluster. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-09, 09-11, 10-10, 10-11, 10-12, 10-14, 10-15, 10-16, 10-17, and 10-18.

### **Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be *material weaknesses* and other deficiencies that we consider significant deficiencies.

Board of Regents  
Northern New Mexico College  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as items 09-14, 09-15, 09-17, 10-13, and 10-19 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as items 10-10, 10-11, 10-12, 10-14, 10-17, and 10-18 to be significant deficiencies.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Regents, others within the College, the New Mexico State Auditor, the Legislature, the Higher Education Department, and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
April 26, 2012

**NORTHERN NEW MEXICO COLLEGE  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010**

05-01	Timely Reconciliations of Subsidiary Ledgers	Repeat
07-01	Improper Account Coding	Repeat
07-04	Procurement Procedures	Resolved
09-01	Segregation of Duties-Payroll	Repeat & Modify
09-02	Segregation of Duties-Journal Entries	Repeat & Modify
09-03	Bank Reconciliations	Repeat & Modify
09-04	Timely Reconciliations of Bank Reconciliations and Stale Dated Checks	Repeat
09-05	Perkins Loan Receivable	Repeat
09-06	Fixed Assets-Disposals and Physical Inventories of Equipment	Repeat
09-07	Recording of Prior Period Adjustments	Repeat
09-08	Student Financial Aid Program-Preferred Lender List	Resolved
09-09	Student Financial Aid Program-NSLDS Reporting	Repeat
09-10	Cost of Attendance Calculations	Resolved
09-11	Disbursing of Federal Student Aid Funds	Repeat & Modify
09-12	Perkins Loan Receivable	Repeat
09-13	Gift Certificates	Resolved
09-14	Allowability (Time and Effort Reports)	Repeat & Modify
09-15	Level of Effort	Repeat & Modify
09-16	Physical Inventory of Equipment	Resolved

**NORTHERN NEW MEXICO COLLEGE  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010**

09-17	Review and Approval of Cash Draws	Repeat & Modify
09-18	Cashiering Controls	Repeat & Modify
09-19	Missing Payroll Documentation	Resolved
09-20	Reimbursement of Meal Expenses	Resolved
09-21	Information Technology Matters	Resolved
09-22	Budgetary Comparisons	Repeat & Modify
09-23	Late Financial Audit	Repeat & Modify



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(s) identified?   X   Yes        None reported

Non-compliance material to financial statements noted?   X   Yes        No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(s) identified?   X   Yes        None reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes        No

**Identification of Major Program**

CFDA Number	Name of Federal Program or Cluster
84.141	Migrant Education
84.031C	CCRAA – HSI Project
84.031	Title V
47.076	NSF – Education and Human Resources
84.007/84.033/84.063/ 84.375/84.376/84.032/ 84.038	Student Financial Aid Cluster
84.042/84.047/84.066	TRIO Cluster

Dollar threshold used to distinguish between type A and type B programs \$       300,000      

Auditee qualified as low-risk auditee?        Yes   X   No

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS**

**05-01 Timely Reconciliations of Subsidiary Ledgers (Material Weakness)**

**CONDITION**

During the year ended June 30, 2010, we noted the subsidiary ledger for Accounts Receivable and Grant Deferred Revenue were not reconciled with the general ledger.

**CRITERIA**

Formal reconciliations help ensure that errors and fraud are detected and corrected timely. Formal written procedures help ensure that internal control activities are communicated to employees so that internal controls are performing as intended. Additionally, regular reconciliations ensure accuracy in financial reporting.

**EFFECT**

There is an increased risk that errors or fraud may not be detected timely. Management may not be receiving accurate financial information. The completion of the audit was delayed while the reconciliations were performed and audit procedures resulted in at least nine material audit adjustments. Supporting schedules are stale-dated and inaccurate. It also appears the College may not be collecting all amounts due under the various contract and grants.

**CAUSE**

Turnover in the accounting staff and the lack of a formalized, written procedures resulted in the lack of timely reconciliation of the accounts. There are no formal job descriptions or procedures to ensure reconciliations are performed timely and accurately, and subject to appropriate review.

**RECOMMENDATION**

The College should develop written procedures for the reconciliation of all balance sheet accounts to their subsidiary ledgers to ensure accuracy of the monthly financial statements and underlying subsidiary ledgers. Further, the College should ensure that formal job descriptions include responsibility for performing reconciliation procedures on a regular basis. Also, all reconciliations should be subject to appropriate and timely management review.

**MANAGEMENT RESPONSE**

During this review period, the operation was experiencing significant staff turnover. The Business Office staff has made progress in correcting this finding as steps of corrective action are being implemented to include formal written procedures and updating of job descriptions, as well as implementing appropriate and timely management review.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**07-01 Improper Account Coding (Significant Deficiency)**

**CONDITION**

During our testing of expenditures posted to the Upward Bound program, we noted that certain expenditures were posted to this grant through June of 2010 though the program was discontinued in February of 2010.

**CRITERIA**

The internal control structure should be designed and implemented so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Consistent with this, the College's purchasing policy requires the Business Office to review each purchase requisition for budget sufficiency and ensure that the correct account is charged in the appropriate period prior to approving a purchase requisition.

**EFFECT**

Inaccurate financial reporting.

**CAUSE**

The disbursement approval process has not been properly designed and implemented.

**RECOMMENDATION**

We recommend that the College implement a procedure requiring a review of invoice coding prior to payment, as well as procedures to ensure fund-level accounting within the Banner accounting software is appropriately reconciled. This review should be designed to ensure that the account coding has been inspected by at least two individuals, e.g., the individual submitting the purchase request and the individual entering the invoice into the general ledger.

**MANAGEMENT RESPONSE**

The College will take action to educate requestors, as well as AP Accounting Techs and Purchasing agents of the appropriate account coding to minimize improper coding. The Business Office staff will also continue to perform account code reviews and budget checks, which will also strengthen this control.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-01 Segregation of Duties - Payroll (Significant Deficiency)**

**CONDITION**

During our documentation and testing of internal controls, we noted that certain individuals have access to change pay rates and create new employees within Banner (the College's accounting software). This includes the Business Office Director who has the ability to affect bank transfers.

**CRITERIA**

Proper internal control structure requires an appropriate segregation of duties so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

The ability of one individual to both create new employees and change pay rates results in the potential for the creation of fictitious employees, the creation of erroneous or fictitious disbursements, or both.

**CAUSE**

In the prior year, a vacancy in the Human Resources Office created an improper segregation of duties. Management filled this position which restored proper segregation; however, this was not completed until February 2010.

**RECOMMENDATION**

Banner provides the ability to restrict user access to various functions. We suggest that management conduct a review of individuals with access to Banner screens that allow entry of employees and changes in pay rates, and update these permissions so that no individual has access to both functions.

**MANAGEMENT RESPONSE**

The duties noted above have now been properly segregated so that the Payroll Director is not able to create new employees and also have the ability to process payroll. HR is the sole department that creates and enters new employees into Banner. Additional reviews will be conducted to ensure that these functions cannot be performed by one individual.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-02 Improper Internal Controls Over Journal Entries (Significant Deficiency)**

**CONDITION**

Deficiencies in the design and implementation exist in multiple areas of the journal entry cycle. We noted that an improper segregation of duties exists over preparation and review of journal entries resulting from improperly designed controls. In addition, the current system for preparing journal entries does not allow for the definitive identification of the preparer. Certification by the reviewer is also inconsistent. We noted cases where documentation over journal entries absent or insufficient. We identified instances where the College was unable to document entries posted to the general ledger, and a case where expenditures were coded to incorrect accounts. The ultimate result is a weak control structure which may lead to inappropriate postings to the general ledger.

**CRITERIA**

The internal control structure should be designed and implemented so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

An increased risk due to error or fraud which could occur resulting is misappropriation of assets.

**CAUSE**

Internal controls have not been designed and implemented appropriately.

**RECOMMENDATION**

We recommend that the College implement automated procedures to ensure that individuals who prepare entries cannot also post them, or implement procedures for independent review of all posted entries to detect inappropriate postings. We also suggest adoption of a formal policy to ensure every entry is reviewed by an individual other than the preparer. Finally, we recommend that implemented policies and procedures are designed to ensure a clear audit trail over the entry, including certification by the preparer and reviewer, identification of the identification of the individual posting the entry, and documentation supporting the amounts, accounts, and necessity of the entry.

**MANAGEMENT RESPONSE**

Beginning in late FY10, the College implemented a process whereby the individual preparing the journal entry cannot also hardcopy or system approve. The approver takes the responsibility of performing the review process for accuracy, as well as to ensure that proper supporting documentation is present before approving. The College will be developing formal written procedures.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-03 Review of Bank Reconciliations (Material Weakness)**

**CONDITION**

Bank reconciliations were not being properly reviewed and approved by management.

**CRITERIA**

The College's policies and procedures state that the bank reconciliations must be signed off by the Director of the Business Office. Also, an appropriately designed system of internal controls requires segregation of duties where practical.

**CAUSE**

No one within the Business and Accounting Office has knowledge of this policy.

**EFFECT**

Errors or irregularities can occur and go undetected during the reconciliation process because no one is reviewing the reconciliation.

**RECOMMENDATION**

We recommend that control activities be communicated so that the Director of the Business Office reviews the reconciliations and sign off on them verifying proper review.

**MANAGEMENT RESPONSE**

The College has reviewed its business office policies and procedures with management personnel responsible for supervising employees preparing bank reconciliations. Management is responsible for reviewing bank reconciliations for accuracy and consistency before signing off on behalf of the Business Office.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-04 Timely Reconciliation of Bank Reconciliations (Material Weakness)**

**CONDITION**

Bank reconciliations were not performed over 2010 cash accounts until December 2011.

**CRITERIA**

Appropriate internal controls over cash require timely reconciliation of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

**EFFECT**

Not reconciling cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected.

**CAUSE**

Vacancies and turnover within the accounting staff resulted in a significant delay in the reconciliation process.

**RECOMMENDATION**

We suggest that the College prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled and reviewed monthly.

**MANAGEMENT RESPONSE**

In 2010, the College lacked adequate business office personnel necessary to address the workload requirements associated with the preparation of monthly bank reconciliations. In 2011, the Board of Regents approved additional staff resources to address the business office personnel requirements that afforded the College an opportunity to reorganize and establish more formal business functions with increased responsibilities for general ledger maintenance, grants management, fixed assets, budget management, procurement, human resources and payroll. The increase in staff enabled the College to address a backlog of bank reconciliations, as well as other financial areas of concern for 2010.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-05 Perkins Loan Receivable (Significant Deficiency)**

**CONDITION**

The College was not reconciling the Perkins Loan Receivable throughout the year. The College was dependent upon a third party service provider to monitor the receivable balance. Based on our testing, there is an unreconciled balance of \$112,672 between the College and the third-party service provider.

**CRITERIA**

It is the responsibility of the College to ensure that receivable balances are traceable to third party evidence.

**EFFECT**

There is an increase for the likelihood that errors in financial reporting could arise due to the loan receivable for Perkins not being tracked.

**CAUSE**

Lack of Staffing.

**RECOMMENDATION**

We recommend the College implement effective reconciliation controls between the College's records and those of any third-party service providers involved in administration of loan balances.

**MANAGEMENT RESPONSE**

The College is working with a consulting firm and a third-party service provider to remedy this finding. In the coming months, as the Business Office is fully staffed, we will concentrate on implementing an effective reconciliation process that will be assigned as a primary function to one of the accountants.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-06 Capital Assets - Lack of Adequate Policies (Significant Deficiency and Compliance)**

**CONDITION**

The College conducted a physical inventory of capital assets however based on our review of the physical count documents, they did not reflect all changes in the capital asset system. Reconciliations between capital asset listing and the physical inventory were not performed for the year.

**CRITERIA**

Section 12-6-10 NMSA 1978, 2.20.1.8 NMAC states, agencies should implement systematic and well-documented methods for accounting for their capital assets and to conduct a physical inventory of \$5,000 or more for items under their control.

Section 13-6-1 (B) NMSA 1978, states "The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property: (1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor... duly sworn and subscribed under oath by each member of the authority approving the action."

**EFFECT**

There is an increased risk that the loss or theft of capital assets would be undetected. There is also a risk that capital assets and expenditures could be materially misstated on the financial statements.

**CAUSE**

There were not sufficient formalized policies and procedures in place to ensure that once the physical inventory was performed it was reconciled to the capital asset subledger.

**RECOMMENDATION**

We recommend that the College develop policies and procedures surrounding tracking and managing of capital assets. Expenditures surrounding capital assets should be tracked and reviewed on a monthly basis for all transactions including acquisitions, depreciation, and disposition, and for items that need to be capitalized. An annual physical inventory should be reconciled to the capital assets module.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**09-06 Capital Assets - Lack of Adequate Policies (Significant Deficiency and Compliance)  
(Continued)**

**MANAGEMENT RESPONSE**

The College performed a physical inventory but did not have a formal process in place to ensure that the physical inventory was reconciled to the capital assets subledger. The College was experiencing significant staff turnover and function responsibilities were not clear. In FY11 additional steps were taken to ensure that the physical inventory was reconciled to the capital assets subledger.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-07 Recording Prior Period Audit Adjustments (Significant Deficiency)**

**CONDITION**

We noted that the College recorded prior year's audit adjustments multiple times which caused the College's beginning balances to be different than the prior year ending balances from the June 30, 2009 audit report.

**CRITERIA**

The College's internal beginning financial balances should agree to prior year audited balances.

**EFFECT**

Failure to properly post adjustments from the prior year results in inaccurate financial reporting. Thus, management and other users of the financial statements and related reporting received inaccurate financial information during the current fiscal year.

**CAUSE**

Turnover within the accounting staff and the lack of formalized written procedures resulted in the failure to record audit adjustments.

**RECOMMENDATION**

The College should implement procedures to ensure balances are reconciled to prior audited balances as soon as they are available, and that necessary adjustments to bring Banner into agreement with audited balances are completed on a timely basis.

**MANAGEMENT RESPONSE**

This has been noted and steps are being taken to implement procedures to ensure accountants are verifying that balances are reconciled to prior audited balances and that Banner is accurate.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-18 Improper Controls Over Cash Receipts (Significant Deficiency)**

**CONDITION**

As a result of our walkthrough of the cash receipting transaction cycle we noted cash drawers are not changed out and reconciled following a change in cashiers. The College is not consistently performing reconciliations of cash receipts. Individuals preparing and depositing cash receipts do not certify their actions. Additionally, individuals posting cash receipts to Banner are allowed inappropriate access to a module that allows them to decrease a student's account balance while receiving cash payments.

**CRITERIA**

Formal reconciliations help ensure that errors and fraud are detected and corrected timely and begin with a reconciliation of the cash drawer when cashiers are changed. Formal written procedures help ensure that internal control activities are communicated to employees so that internal controls are performing as intended. Additionally, regular reconciliation ensures accuracy in financial reporting. Certification by the individuals preparing and depositing cash receipts to the bank are important to establish proper segregation of duties. Proper access controls within the IT system are also a preventative control which segregates access to financial information from custody of assets.

**EFFECT**

An inappropriate reconciliation process over the cash receipts process, failure to establish appropriate segregation of duties over depositing cash receipts to the bank, or both, and inadequate access controls provides for greater opportunity of error or misappropriation of funds.

**CAUSE**

The process of reconciling the cash drawers upon a change in cashier has not been properly implemented.

Reconciliations are either not being consistently performed or certified by the preparer and reviewer. In addition, the current system does not provide for efficient reconciliation of cash receipts.

Current internal policy does not mandate that individuals preparing the deposit slip and depositing the funds certify their actions.

Current access controls allow individuals receiving cash improper access to financial records and the ability to modify financial information.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-18 Improper Controls Over Cash Receipts (Significant Deficiency) (Continued)**

**RECOMMENDATION**

We recommend that at every change in cashier, a reconciliation of the cash drawer be performed. We recommend that the College correct the spreadsheet export used to reconcile cash receipts to allow more efficient reconciliation. Reconciliation of cash receipts should be performed timely, ideally daily, and both preparation and review should be certified.

The individual preparing the deposit slip should be distinct from the individual depositing the funds in the bank. Both individuals should certify their actions to document appropriate segregation of duties.

Proper access controls should be established and followed that will allow posting of cash receipts, but not the ability to alter a student's account in any other way.

**MANAGEMENT RESPONSE**

The College has implemented and enforces the process of reconciling cash drawers at every change in cashier. When the primary cashier is relieved for lunch, the interim cashier uses a petty cash drawer to make change for customers, if necessary, and provides manual receipts. Receipts are then entered into Banner by the primary cashier upon return, eliminating the need for the interim cashier to access the main cash drawer. Reconciliation of cash receipts is performed at the end of the day or at each cashier change, other than the lunch hour. Both the preparer and reviewer certify their actions by initialing or signing the reconciliation spreadsheet. In addition, the cashier who prepares the deposit slip is distinct from the individual depositing the funds in the bank.

Currently, it is necessary for the cashier to have access to a student's account as this is the only way that Banner allows the cashier to apply a payment for the purposes of the Touchnet Software the College currently uses for the Payment Plan process. Discussions have been held with IT personnel to provide a log of any changes made by the cashier to student accounts to ensure that there are no inappropriate decreases to student balances.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-01 Financial Close and Reporting (Material Weakness)**

**CONDITION**

As a result of our walkthrough of the financial close and reporting process, we noted the financial closing and reporting process is not well established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; roles and responsibilities; changes and analyses of financial information and requirements. This includes a process to periodically reconcile balance sheet accounts to the supporting detail. Capital assets, cash, grants receivables, other receivables, and fund balance were still being reconciled at the time of the audit. The College was not prepared for the audit initially so the audit team had to leave the College twice. After the second time, the College had to hire consultants to help reconcile subledgers. Additionally, adjusting journal entries are not entered in a timely manner, which results in untimely financial close and reporting. After the auditors received the original trial balance, one-hundred and forty-four (144) adjusting journal entries were posted to Banner to properly close the fiscal year out.

**CRITERIA**

Sound internal controls include procedures to ensure financial closing and reporting process are complete and lead to accurate and timely financial reporting.

**EFFECT**

There is an increased risk of error or fraud in the financial records.

**CAUSE**

There are not sufficient formal policies and procedures in place over financial close and reporting due to a high level of turnover in the Business and Administration offices.

**RECOMMENDATION**

We recommend that the College develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process and obtain the necessary staffing to carry this out.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-01 Financial Close and Reporting (Material Weakness) (Continued)**

**MANAGEMENT RESPONSE**

In 2010, the College lacked adequate business office personnel necessary to address the workload requirements of the institution. In 2011, Board of Regents approved additional staff resources to address the business office personnel requirements that afforded the College an opportunity to reorganize and establish more formal business functions with increased responsibilities for general ledger maintenance, grants management, fixed assets, budget management, procurement, human resources and payroll. At its August 2011 board meeting, the Board of Regents also reviewed and adopted financial policies and procedures for financial reporting, budget maintenance, purchasing, fixed assets and the handling of cash receipts. The College has also been directed to establish a formal internal audit function within the College reporting directly to the President and/or Board of Regents.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-02 Improper Accounting for Capital Assets (Material Weakness)**

**CONDITION**

During our testing of the Repairs and Maintenance Accounts we noted \$846,000 of capital assets that was not included in the capital assets detail listing or capitalized during the year. The capital assets included a new water system, roof repairs, a deck, and improvements to the Farmer's market. Additionally, the College does not review the repairs and maintenance accounts to ensure that only items to be expensed are included in repairs and maintenance.

**CRITERIA**

Section 12-6-10 NMSA 1978 requires a capitalization threshold of \$5,000 for fixed assets, which includes infrastructure and improvements to land and buildings.

**EFFECT**

\$846,000 in capital assets were not capitalized.

**CAUSE**

The College did not have a sufficient review process in place to ensure all capital assets greater than \$5,000 were capitalized.

**RECOMMENDATION**

We recommend that the College develop a procedure to detect uncapitalized items. The College should review its repairs and maintenance accounts for items over the capitalization threshold to ensure that capital assets are reported properly.

**MANAGEMENT RESPONSE**

This finding has been noted and the College will take proper action to ensure that repair and maintenance accounts are reviewed for items over the capitalization threshold and to ensure that capital assets are reported properly.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-03 Lack of Supporting Documentation (Material Weakness)**

**CONDITION**

During our testwork we noted the College did not have supporting documentation for one cash disbursement totaling \$263,208, one journal entry to record revenue of \$71,433, one journal entry to correct a due from foundation for \$168,715, and two adjusting journal entries made during the year totaling \$71,532.

**CRITERIA**

Proper accounting practices require the College to keep all supporting documentation for all transactions in order to verify transactions were properly reviewed and approved.

**EFFECT**

There is an increased risk of unauthorized purchases or journal entries that could go undetected. In addition, lack of supporting documentation may result in payments being made for goods or services that were not received.

**CAUSE**

Due to high turnover in accounting staff, the current staff was unable to locate the documents.

**RECOMMENDATION**

We recommend that the College ensure all supporting documentation is maintained in accordance with the College's record retention policy. All purchase documents should be approved, have attached invoices and/or other supporting documentation prior to payment. Additionally, all journal entries should be approved and have all supporting documentation attached before it is posted.

**MANAGEMENT RESPONSE**

The College has implemented a formal log to track journal entries as well as a verification process to ensure that all journal entries are accounted for after they have been approved and before they are filed. Approvers of journal entries are reviewing to ensure that proper supporting documentation is attached.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-04 Improper Account Coding-Foundation (Significant Deficiency)**

**CONDITION**

During our walkthrough of the cash disbursement cycle, we noted that transactions are not consistently coded to the correct journal in the accounting system. During review of the subsequent disbursements listing for the Foundation, it was noted that cash receipts transactions were posted to the cash disbursements journal and included in the listing requested.

**CRITERIA**

The internal control structure should be designed and implemented so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

Prior to adjustment the Foundation's revenues and expenses were not fairly stated.

**CAUSE**

Lack of proper training and adequate oversight.

**RECOMMENDATION**

We recommend that the Foundation implement a procedure requiring a review of cash receipts documentation prior to posting transactions. This review should be designed to ensure that the account coding has been inspected by at least two individuals. Additionally, procedures should be followed to ensure journals within Banner are appropriately reconciled to the general ledger.

**MANAGEMENT RESPONSE**

On behalf of the Foundation, the College will develop and implement a procedure to ensure that its cash receipts, supporting documentation and account codes are properly reviewed prior to the posting of transactions. The College has already developed a procedure for the review and approval of journal entries within Banner and believes that our established bank reconciliation process provides for the appropriate reconciliation to the GL.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-05 Timely Reconciliation of Bank Reconciliations and Certificates of Deposit -  
Foundation (Material Weakness)**

**CONDITION**

Bank reconciliations were not performed over 2010 cash accounts until December 2011. In addition we noted the Foundation did not accrue interest for the 2010 certificate deposit accounts until February 2012 and could not identify interest related to the endowment accounts.

**CRITERIA**

Appropriate internal controls over cash require timely reconciliation of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

**EFFECT**

Not reconciling cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected.

**CAUSE**

Vacancies and turnover within the accounting staff resulted in a significant delay in the reconciliation process. In addition, the present accounting staff at the College was unaware the Foundation had certificates of deposits.

**RECOMMENDATION**

We suggest that the Foundation prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled and reviewed monthly.

**MANAGEMENT RESPONSE**

In 2010, the College lacked adequate business office personnel necessary to address the workload requirements associated with the Foundation's monthly bank reconciliations. In 2011, the Board of Regents approved additional staff resources to address the business office personnel requirements that afforded the College an opportunity to reorganize and establish more formal business functions with increased responsibilities for general ledger maintenance, grants management, fixed assets, budget management, procurement, human resources and payroll. The increase in staff had enabled the College to address the Foundation's backlog of bank reconciliations and Certificates of Deposits for 2010 and 2011.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-06 Lack of Board Minute Retention - Foundation (Significant Deficiency)**

**CONDITION**

During our subsequent events testwork, we noted the Foundation did not have any board minutes related to the February 16, 2011 board meeting.

**CRITERIA**

Appropriate accounting practices require the Foundation to keep formal minutes of all meetings to record activities of the Board and documentation of Board approval of actions taken at the meetings.

**EFFECT**

We are unable to determine whether there was discussion and approval of any significant transactions during the meeting.

**CAUSE**

Due to turnover within the accounting staff resulted the Foundation was unable to locate the minutes.

**RECOMMENDATION**

We suggest that the Foundation keep formal minutes of all meetings and document approval of all major transactions.

**MANAGEMENT RESPONSE**

The College has increased its participation with the membership of the Foundation and is working closely with its board to ensure that adequate support services are provided. The College has also reassigned staff resources to the Foundation and has received staffing assistance from the Los Alamos Foundation to establish formal policies and procedures for its daily operation. The administration of the College will work with the Foundation to ensure that formal meeting minutes are kept and related documentation supporting board actions are maintained.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-07 Improper Internal Controls Over Journal Entries - Foundation (Significant Deficiency)**

**CONDITION**

During our testwork over journal entries, we noted 2 out of 18 entries tested were not approved. We additionally noted a significant period of time between the time the journal entries were created and when they were posted in Banner (the Foundation's accounting software).

**CRITERIA**

The internal control structure should be designed and implemented so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

There is an increased risk that errors or fraud may not be detected timely. Management may not be receiving accurate financial information.

**CAUSE**

Turnover in the accounting staff and the lack of a formalized, written procedures resulted in the lack of controls over journal entries.

**RECOMMENDATION**

We recommend that the Foundation implement procedures for independent review of all posted entries to detect inappropriate postings. We also suggest adoption of a formal policy to ensure every entry is reviewed and posted in a timely manner.

**MANAGEMENT RESPONSE**

The College will work with the Foundation to develop and implement a policy and procedures designed to ensure that all posted entries are reviewed and approved before being posted in Banner and that a process for identifying and correcting any inappropriate postings are addressed in a timely manner.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-08 Timely Reconciliations of Subsidiary Ledgers – Foundation (Material Weakness)**

**CONDITION**

We noted that, during the year, the subsidiary ledger for Pledge Receivable, Investments and In-Kind contributions were not reconciled with the general ledger.

**CRITERIA**

Formal reconciliations help ensure that errors and fraud are detected and corrected timely. Formal written procedures help ensure that internal control activities are communicated to employees so that internal controls are performing as intended. Additionally, regular reconciliation ensures accuracy in financial reporting.

**EFFECT**

There is an increased risk that errors or fraud may not be detected timely. Management may not be receiving accurate financial information. The completion of the audit was delayed while the reconciliations were performed and audit procedures resulted in at least one material audit adjustment. Supporting schedules are stale-dated and inaccurate.

**CAUSE**

Turnover in the accounting staff and the lack of a formalized, written procedures resulted in the lack of timely reconciliation of the accounts. There are no formal job descriptions or procedures to ensure reconciliations are performed timely and accurately, and subject to appropriate review.

**RECOMMENDATION**

The Foundation should develop written procedures for the reconciliation of all balance sheet accounts to their subsidiary ledgers to ensure accuracy of the monthly financial statements and underlying subsidiary ledgers. Further, the Foundation should ensure that formal job descriptions include responsibility for performing reconciliation procedures on a regular basis. Also, all reconciliations should be subject to appropriate and timely management review.

**MANAGEMENT RESPONSE**

On behalf of the Foundation, the College will develop written procedures for the reconciliation of balance sheet accounts to subsidiary ledgers to ensure accuracy of the monthly financial statements. In addition, the College is currently in the process of establishing a Cash Accountant position within the finance department that includes responsibilities for performing the monthly reconciliation of bank and investment accounts in the proposed job description. The finance department will also formalize its process for management's timely review of reconciliations.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-09 Financial Close and Reporting - Foundation (Material Weakness)**

**CONDITION**

During our walkthrough of the financial close and reporting process we noted the financial closing and reporting process is not well established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; roles and responsibilities; changes and analyses of financial information and requirements. This includes a process to periodically reconcile balance sheet accounts to the supporting detail. Cash, investments, pledge receivable, and fund balance were still being reconciled at the time of the audit.

**CRITERIA**

Sound internal controls include procedures to ensure financial closing and reporting process are complete and lead to accurate and timely financial reporting.

**EFFECT**

There is an increased risk of error or fraud in the financial records.

**CAUSE**

There are not sufficient formal policies and procedures in place over financial close and reporting due to a high level of turnover in the Business and Administration offices.

**RECOMMENDATION**

We recommend that the Foundation develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process and obtain the necessary staffing to carry this out.

**MANAGEMENT RESPONSE**

In 2010, the College lacked adequate business office personnel necessary to address the workload requirements of the Foundation. In 2011, Board of Regents approved additional staff resources to address the business office personnel requirements that afforded the College an opportunity to reorganize and establish more formal business functions with increased responsibilities for general ledger maintenance, grants management, fixed assets, budget management, procurement, human resources and payroll. At its August 2011 board meeting, the Board of Regents also reviewed and adopted financial policies and procedures for financial reporting, budget maintenance, purchasing, fixed assets and the handling of cash receipts. The College has also been directed to establish a formal internal audit function within the College reporting directly to the President and/or Board of Regents.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM**

**09-09 Student Financial Aid Programs – NSLDS Reporting (Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: Student Financial Aid Cluster**

**CFDA Number: 84.007, 84.033, 84.063, 84.735, 84.376, 84.038, 84.032**

**CONDITION**

During our audit testwork, we noted that the required status change reports were being filed at six month intervals for the first half of the year instead of the required sixty day intervals.

**CRITERIA**

According to 34 CFR 682.610(c)(1) and (2), the College should be submitting the status information within 30 days after the receipt of the report from the Secretary *or* every 60 days with notification to the guaranty agency. Further, there should be appropriate management review controls in place to timely detect and correct errors in reporting.

**EFFECT**

Untimely reporting can potentially affect the College's awards under this program.

**QUESTIONED COSTS**

None

**CAUSE**

The College was not aware of the 60 day requirement.

**RECOMMENDATION**

We recommend the College develop policies to ensure the student status information is reported to the proper agency in a timely manner.

**MANAGEMENT RESPONSE**

The College was aware of the 60 day recommended reporting cycle, however had opted to use the ad hoc reporting which is allowed by the Dept. of Ed. Effective November 2009, the College began the 60 day reporting schedule as per advice from Moss Adams.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-11 Student Financial Aid Programs - Disbursing Federal Student Aid Funds (Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: Student Financial Aid Cluster**

**CFDA Number: 84.007, 84.033, 84.063, 84.735, 84.376, 84.038, 84.032**

**CONDITION**

During our audit testwork, the College could not provide support to substantiate the date of the written notification of disbursements sent to four of twenty-five students tested.

**CRITERIA**

Federal Student Aid disbursements to student accounts that result in credit balances are required by §34 CFR 668.164(c)(1)(ii) to be disbursed to the student 14 days after the date the credit balance occurred. Additionally, at institutions where students are refunded via check the school is considered to have issued the check when the student is notified that the check is available for immediate pick up. The school may hold the check for up to 21 days after the date of notification. If the student does not claim the check within this time period the institution must immediately return the funds to the appropriate program.

**EFFECT**

The College is not in compliance with federal regulation which could impact their awards under this program.

**QUESTIONED COSTS**

None

**CAUSE**

The College does not have policies in place to ensure that proper support is maintained for the notifications sent to students.

**RECOMMENDATION**

We recommend the College develop policies to ensure students are notified within the required timeframes and that support is maintained to substantiate the dates of notification.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-11 Student Financial Aid Programs - Disbursing Federal Student Aid Funds (Non-Compliance) (Continued)**

**MANAGEMENT RESPONSE**

Students are required to present an ID, sign and date a copy of the check before a check is released. Procedures have been updated to ensure that this requirement is met. In addition, effective in October of 2010, the College implemented the process of mailing out student refund checks that were not picked up within 5 working days after issue date. There is a written policy in place as well. Currently, approximately 98% of all student refunds are handled through direct deposit to the students account. The small percentage of student refund checks that are still generated follow the procedure that was implemented in October 2010.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-14 Allowability - Time and Effort Reports (Material Weakness and Non-Compliance)**

**Funding Agency: U.S. Department of Education, National Science Foundation**

**Title: Title V, CCRAA, TRIO Cluster, NSF**

**CFDA Number: 84.031, 84.031C, 84.042, 84.037, 84.066, & 47.076**

**CONDITION**

The payroll distribution system does not provide for the confirmation of activity allocable to each sponsored agreement for employees working for multiple cost objectives.

**CRITERIA**

OMB Circular A-21, *Cost Principles for Educational Institutions*, requires that the apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.

**EFFECT**

Because no after-the-fact confirmation is prepared, the apportionment of the wages of salaried employees is uncertain. This results in the wages of all employees working on multiple cost objectives to be questioned costs.

**QUESTIONED COSTS**

Unknown

**CAUSE**

The College's manual timesheet system appears to be sufficient to certify activity for employees working for a single cost objective (e.g., an employee working 100% on one federal program); however, as the timesheets do not provide sufficient information to distinguish activity applied towards different cost centers (e.g., general fund vs. federal program), and there is no mitigating system to certify this information, it is not possible to distinguish activity applied towards each cost center.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-14 Allowability - Time and Effort Reports (Material Weakness and Non-Compliance)  
(Continued)**

**RECOMMENDATION**

We recommend that the College implement a payroll distribution system approved by OMB A-21, such as the After-the-Fact Activity Records. Under this plan, activity reports estimating the employee's activity to different sponsored agreements or objectives are prepared at least every academic term but no less frequently than every six months. The amount of activity expended by an individual is then updated to appropriately reflect the actual activity expended. The record is then certified by an individual familiar with the work, e.g., the Department Chair, Dean, Program Manager.

**MANAGEMENT RESPONSE**

The College has established a Time and Effort Reporting tool as well as a formal policy to meet the time and effort reporting requirements of the grant agreement. The initial implementation was rolled out at the end of FY10 and improvements were made through FY11. In FY12, the Office of Grants and Special Projects has taken over the function in order to better track that proper and timely submission of time and effort reports is occurring.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-15 Level of Effort (Material Weakness and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: CCRAA**

**CFDA Number: 84.031C**

**CONDITION**

The Grant Agreements for both College Cost Reduction and Access Act (CCRAA) Hispanic-Serving Institutions (HSI) and Minority Science and Engineering Improvement Program (MSEIP) state the required percentage for level of effort of key personnel that is required to be met. The required level of effort for each grant could not be re-calculated due to the fact that it is not being tracked by the College.

**CRITERIA**

The following is an excerpt from the OMB Circular A-87:

- (1)** Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2)** No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3)** Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4)** Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection
- (5)** Unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a)** More than one Federal award,
  - (b)** A Federal award and a non-Federal award,
  - (c)** An indirect cost activity and a direct cost activity,
  - (d)** Two or more indirect activities which are allocated using different allocation bases, or
  - (e)** An unallowable activity and a direct or indirect cost activity.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-15 Level of Effort (Material Weakness and Non-Compliance) (Continued)**

**EFFECT**

Since level of effort is not being tracked, the College cannot ensure that the required percentage of level of effort is being met as required by the grant.

**CAUSE**

The College may not be in compliance with the required Level of Effort as set forth for the two individuals per the grant agreements.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend the College develop and implement a policy that requires Level of Effort to be tracked on a regular basis.

**MANAGEMENT RESPONSE**

The College has established a Time and Effort Reporting tool as well as a formal policy to meet the time and effort reporting requirements of the grant agreement. The initial implementation was rolled out at the end of FY10 and improvements were made through FY11. In FY12, the Office of Grants and Special Projects has taken over the function in order to better track that proper and timely submission of time and effort reports is occurring.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-17 Review and Approval of Cash Draws (Material Weakness and Non-Compliance)  
Allowable Costs and Cash Management**

**Funding Agency: U.S. Department of Education, National Science Foundation**

**Title: Migrant Education, Title V, TRIO, CCRAA, SFA Cluster, NSF - Education and Human Resources**

**CFDA Number: 84,031, 84.031C, 84.141, 84.042, 84.047, 84.066, 84.007, 84.033, 84.063, 84.375, 84.376, 84.038, 84.032, 47.076**

**CONDITION**

During our audit testwork, we noted that there is no official review and approval process for cash draw-down amounts reported to the Federal Government. As a result, certain indirect costs were not reimbursed timely or in the correct amount.

**CRITERIA**

Sections 21 and 22 of OMB A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires that payment to a recipient is contingent on the ability of the awardee's financial management system to provide records that allow accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. This includes maintaining documentation to identify adequately the source and application of funds for federally-sponsored activities. It further specifies, that payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients.

**CAUSE**

The College has not implemented policies and procedures to ensure grant draw downs are properly prepared and reviewed prior to submission, including the matching of support to draw down amounts.

**EFFECT**

Lack of an appropriate preparation, review, and approval system for draw downs results in noncompliance with OMB A-110. Failure to comply with OMB A-110 resulted in noncompliance with allowable cost principles specified in OMB A-21 over indirect costs.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**9-17 Cash Management (Material Weakness and Non-Compliance) (Continued)**

**QUESTIONED COSTS**

Four cash draws tested in the TRIO program had incorrectly calculated indirect costs which resulted in the College claiming \$9,000 to much.

**RECOMMENDATION**

We recommend the College design and implement a system to ensure that amounts requested for payment from granting agencies are accurate, timely, and properly supported. Support and calculations should be reviewed, and certification should be provided by both the individual preparing the request and the individual reviewing it.

**MANAGEMENT RESPONSE**

This finding has been noted and although Banner reports were downloaded to support the draws that were being requested from the federal granting agency, formal reviews were not being performed consistently. The College has implemented a formal review of the calculations to include indirect as well as a review of supporting documentation and a formal approval signature. This was fully implemented in the second quarter of FY12.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-10 Improper Maintenance of Financial Systems Over Federal Programs (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education  
Title: CCRAA, TRIO Cluster, Migrant Education  
CFDA Number: 84.031C, 84.042, 84.047, 84.066, 84.141**

**CONDITION**

During testing we noted the following deficiencies:

- We identified one disbursement for the CCRAA program where the amount disbursed was increased by \$38 after the formal review and approval process with no management oversight and no supporting evidence for the change.
- We noted two disbursements made for the TRIO Cluster, one for \$8.83 for the Upward Bound program and the other for \$460.40 for the Educational Opportunity Center for which the College could not provide documentation.
- We noted one disbursement for the Migrant Education program for \$192 for which the College could not provide documentation.
- The College was unable to provide support for the eligibility of 4 of the 25 students tested enrolled in the TRIO Student Support Services program.
- The College's current system for tracking laptops loaned to students as part of the TRIO Student Support Services program results in misappropriated laptops being expensed twice to the program: once at purchase and again when not returned.

**CRITERIA**

Section 21 of OMB A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires that an awardee's financial management system must provide records that allow accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. This includes maintaining documentation to identify adequately the source and application of funds for federally-sponsored activities.

**EFFECT**

Incorrect expenditures reported by program.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-10 Improper Maintenance of Financial Systems Over Federal Programs (Significant Deficiency and Non-Compliance) (Continued)**

QUESTIONED COSTS – Undocumented expenditures by program.

CCRAA, 84.031C - \$38

MSEIP, 84.141 - \$192

TRIO SSS, 84.042 - \$3,000

TRIO UB, 84.047 - \$9

TRIO EOC, 84.066 - \$460

**CAUSE**

A deficiency in internal control allowed disbursements without the formal review and approval process which would have otherwise detected the lack of documentation.

**RECOMMENDATION**

We recommend that College implement automated controls in Banner to ensure proper segregation between the individuals authorizing and preparing disbursements. For instance, Purchasing should set the amount of the disbursement but not be able to disburse funds, while Accounts Payable should disburse funds without being able to change vendors or amounts.

**MANAGEMENT RESPONSE**

This deficiency has been noted and steps have been taken to segregate the duties of entering vendors into Banner and the disbursements function. The AP Technician also obtains proper approvals when an amount requires changing after the initial approval.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-11 Davis-Bacon Act (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: CCRAA**

**CFDA Number: 84.031C**

**CONDITION**

The College is not including required wording in construction contracts to document the applicability of the Davis-Bacon Act and the necessity to pay prevailing wage rates, nor is it obtaining and reviewing certified payrolls from contractors.

**CRITERIA**

Title 29 of the Codified Federal Register, Section 5, requires that contracts for construction involving Federal funds in excess of \$2,000 must include specific clauses regarding the requirement of the contractor to pay prevailing wages and to provide copies of certified payrolls, including a Statement of Compliance, to the grantee.

**EFFECT**

The omission of appropriate wording in contracts covered under the Davis-Bacon Act and the failure to obtain and review weekly certified payrolls results in noncompliance with 29 CFR 5 and therefore causes all expenditures under this act to be considered questioned costs.

**QUESTIONED COSTS**

Construction expenditures incurred during fiscal year 2010, which fall under the provisions of the Davis-Bacon Act resulted in \$37,000 in questioned costs.

**CAUSE**

The College's unfamiliarity with the provisions of Davis-Bacon and lack of formal policies and procedures for complying with the Act resulted in the noncompliance.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-11 Davis-Bacon Act (Significant Deficiency and Non-Compliance) (Continued)**

**RECOMMENDATION**

We recommend that the College design and implement policies and procedures to ensure that any construction contract over \$2,000 is evaluated to determine if the provisions of the Davis-Bacon Act apply, and this determination should be properly documented and certified. If an affirmative determination is derived, the policy should dictate that required wording be included in the contract and processes should be enacted to ensure certified payrolls are obtained from the contractor, including the Statement of Compliance, and that these are reviewed and filed for the minimum three years required under the Act.

**MANAGEMENT RESPONSE**

The College has established a position reporting to the Vice President for Finance and Administration entitled Policy and Compliance Officer. The College has also formalized the establishment of a Policy and Procedures Committee made up of members from all areas of the College. The committee will be responsible for establishing an institutional process for the review of administrative and board policies and obtaining public input before final adoption by the Board of Regents or administration. The College will develop a policy to address the auditor's recommendation regarding the Davis Bacon Act.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-12 TRIO - Eligibility-Student Support Services Program (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: TRIO Cluster**

**CFDA Number: 84.042, 84.047, 84.066**

**CONDITION**

The College is not determining the eligibility of students to participate under the Student Support Services program past the initial determination made at acceptance. In addition, the College was unable to provide documentation supporting the eligibility of 4 of the 25 students tested for the Student Support Services program.

**CRITERIA**

Title 20 of the US Code, Section 1091, specifies that for any individual receiving a grant, loan, or work assistance under Subchapter IV Title 20, which includes the Student Support Services program (20 USC 1070a-14), the eligibility is restricted to one 12-month period, i.e., eligibility must be determined at least every 12 months.

**EFFECT**

Certain students may be ineligible to participate in the Student Support Services Program. Failure to maintain support for student eligibility and to determine eligibility at least every 12 months results in noncompliance with relevant federal regulation. Therefore, any expenditures made to students without supporting documentation or who have not been determined eligible within the last 12 months are questioned costs.

**QUESTIONED COSTS**

Unknown

**CAUSE**

The College's unfamiliarity with the requirement to determine eligibility at least every 12 months has resulted in noncompliance with relevant guidance. In addition, both of these programs had ended by the date of fieldwork and therefore the College had difficulty locating files.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-12 TRIO - Eligibility-Student Support Services Program (Significant Deficiency and Non-Compliance) (Continued)**

**RECOMMENDATION**

We recommend that the College design and implement policies and procedures to ensure that the eligibility of students participating in this program is determined at least every 12 months.

**MANAGEMENT RESPONSE**

This SSS program ended and staff assigned to run the program were no longer employed at the College. The Business Office made every effort to locate all the files that were placed in storage, but not all were located. This program is no longer an active program at the College.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-13 Level of Effort – Maintenance of Effort (Material Weakness and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: Title V, CCRAA**

**CFDA Number: 84.031, 84.031C**

**CONDITION**

The payroll distribution system does not provide for the confirmation of activity allocable to each sponsored agreement for employees working for multiple cost objectives. Therefore, the College cannot ensure that the required level of effort is being met for the relevant employees.

**CRITERIA**

OMB Circular A-21 Section J. 10. 2. specifies that federal award recipients must provide for a means of properly apportioning employees' wages and expenses between grants using an accepted method. The method should ensure that employee wages are properly approved and charged to federal programs in a timely manner, i.e. within a six month time-frame.

**EFFECT**

Because no after-the-fact confirmation is prepared, compliance with the minimum required amount of time spent on the grant for relevant employees cannot be certain.

**QUESTIONED COSTS**

Unknown

**CAUSE**

Processes do not exist to ensure employees properly track and periodically certify their time spent working on grant programs.

**RECOMMENDATION**

We recommend that the College design and implement policies and procedures to ensure that any time spent working on grant programs has been tracked and periodically certified by employees. Additionally, we recommend that the College ensures the employees certifying their time understand what time qualifies for grant programs and when the certifications should occur.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-13 Level of Effort - Maintenance of Effort (Material Weakness and Non-Compliance)  
(Continued)**

**MANAGEMENT RESPONSE**

The College has established a Time and Effort Reporting tool, as well as a formal policy to meet the time and effort reporting requirements of the grant agreement. The initial implementation was rolled out at the end of FY10 and improvements were made through FY11. In FY12, the Office of Grants and Special Projects has taken over the function in order to better track that proper and timely submission of time and effort reports is occurring.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-14 Procurement (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: CCRAA**

**CFDA Number: 84.031C**

**CONDITION**

We noted during our audit testwork that one item out of four items tested for \$32,269 did not go through the procurement process. The requests for proposal were not advertised nor were three formal bids received.

**CRITERIA**

According to OMB A-133, governmental subrecipients of States shall use the same State policies procedures used for procurements. Per the State Procurement Code 13-1-30, the procurement code applies to purchases of tangible items in excess of \$25,000.

**EFFECT**

The College is not in compliance with procurement policies and procedures.

**QUESTIONED COSTS**

\$32,269

**CAUSE**

The employee making the purchase was not aware of the procurement requirements.

**RECOMMENDATION**

We recommend that the College design and implement policies and procedures to that purchases go through the appropriate procurement processes as required and to ensure that any employees involved in the purchasing process are properly trained in the compliance requirements.

**MANAGEMENT RESPONSE**

The College recognizes the weakness of its procurement process and will be filling an additional procurement position to assist in the day-to-day workload requirements of the institution. The College has already identified this as an area requiring more training and qualified staff and will be working on a plan to address this concern before the end of the current fiscal year.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-15 Reporting (Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: CCRAA**

**CFDA Number: 84.031C**

**CONDITION**

It was noted during testing that the program reported incorrect student participant numbers in the Annual Report.

**CRITERIA**

According to 34 CFR 74.51(d) and the grant award, the College is required to submit an annual performance report that accurately reflects the activity and results of the performance period.

**EFFECT**

The College reported inaccurate numbers in the students served, which can impact the amount of future funding.

**QUESTIONED COSTS**

None

**CAUSE**

The College was using attendance in a course required for this program to determine the number of students served. However, students who were not enrolled in this program were also able to attend this class and were therefore inappropriately included in the total students.

**RECOMMENDATION**

We recommend that the College develop policies and procedures to track the number of students enrolled in this program. In addition, we recommend that the College implement review processes to ensure that the information reported to the Department of Education is accurate.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-15 Reporting (Non-Compliance) (Continued)**

**MANAGEMENT RESPONSE**

The enrollment for Gateway courses was used as the indicator to measure the effectiveness of several of the goals of the CCRAA program in the first annual performance report. After recognizing that some gateway courses were shared by non-STEM students, we improved the measurement for this indicator. The number of students reported on April of 2010 and the Final 2011 report was based on "declared students". As a result of this, the College implemented an improved practice for the reporting of grants, including the AVANCE grant. Moreover, the College established a committee in the Fall of 2011 (the Provost Advisory Committee on Data Acquisition, Analysis and Reporting) which oversees the accuracy, reliability and statistical significance of data that needs to be reported to external agencies.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**10-16 Upward Bound Final Reporting (Non-Compliance)**

**Funding Agency: U.S. Department of Education  
Title: TRIO Cluster-Upward Bound  
CFDA Number: 84.047**

**CONDITION**

The program ended during the fiscal year, however, we noted that the College did not submit a final report and no evidence the US Department of Education gave the College permission not to prepare and submit the report.

**CRITERIA**

According to 34 CFR 74.51(d) and the grant award, the College is required to submit an annual performance report that accurately reflects the activity and results of the performance period.

**EFFECT**

The College is not in compliance with U.S Department of Education report requirements.

**QUESTIONED COSTS**

None

**CAUSE**

The College was told by the US Department of Education that a final report was not required and this may impact future funding.

**RECOMMENDATION**

We recommend that the College implement policies and procedures in order to ensure that all required reporting submitted to the Department of Education is timely and accurate. Additionally, we recommend that the College obtain, in writing, correspondence from the federal government when someone from the federal government notifies the College that it does not need certain requested reports.

**MANAGEMENT RESPONSE**

As explained to the Business Office by the Upward Bound Director, once the program was terminated, the Upward Bound Director made many attempts to submit the required reports online. He was not successful, as access for reporting on-line was also terminated. The Director recently e-mailed his contacts at the Department of Education associated with the Upward Bound Program requesting that they provide something in writing to document their verbal conversations but he has not received anything to date.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-17 Equipment - Lack of Adequate Policies (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: CCRAA**

**CFDA Number: 84.031C**

**CONDITION**

The College conducted a physical inventory of equipment for the CCRAA program, however based on our review of the physical count documents, the College did not reflect all changes in the capital asset system. Reconciliations between capital asset listing and the physical inventory were not performed for the year.

**CRITERIA**

Code of Federal Regulations (CFR) Title 34, part 74 (f)(3) a physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities by the physical inspection and those shown in the accounting recorded must be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment

**EFFECT**

The College is not in compliance with CFR Title 34, part 74 (f)(3). Thus there is an increased risk that the loss or theft of capital assets purchased with federal funds would be undetected. There is also a risk that capital assets and expenditures could be misstated on the financial statements.

**QUESTIONED COSTS**

None

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-17 Equipment - Lack of Adequate Policies (Significant Deficiency and Non-Compliance)  
(Continued)**

**CAUSE**

There were not sufficient formalized policies and procedures in place to ensure that once the physical inventory was performed it was reconciled to the capital asset subledger.

**RECOMMENDATION**

We recommend that the College develop policies and procedures surrounding tracking and managing of capital assets. Expenditures surrounding capital assets should be tracked and reviewed on a monthly basis for all transactions including acquisitions, depreciation, and disposition, and for items that need to be capitalized. An annual physical inventory should be reconciled to the capital assets module.

**MANAGEMENT RESPONSE**

The College performed a physical inventory but did not have a formal process in place to ensure that the physical inventory was reconciled to the capital assets subledger. The College was experiencing significant staff turnover and function responsibilities were not clear. In FY11 additional steps were taken to ensure that the physical inventory was reconciled to the capital assets subledger.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-18 Late Submission of Data Collection Form (Significant Deficiency and Non-Compliance)**

**Funding Agency: All Programs**

**CONDITION**

The College did not finalize the Fiscal Year 2010 audit until April 2012 and did not submit the Data Collection Form to the Federal Audit Clearinghouse until April 2012.

**CRITERIA**

According to the OMB Circular A-133, the Data Collection Forms are to be submitted to the Federal Audit Clearinghouse (FAC) within nine months after the fiscal year end.

**EFFECT**

Due primarily to turnover of accounting personnel, the College is not in compliance with OMB Circular A-133 and could result in reductions of federal funding.

**QUESTIONED COSTS**

None

**CAUSE**

Due to accounting department turnover, the College was late in completing the Fiscal Year 2010 audit.

**RECOMMENDATION**

We recommend the College adhere to federal reporting deadlines.

**MANAGEMENT RESPONSE**

The College did not finalize the Fiscal Year 2010 audit until April 2012 and, thus, was unable to submit the required Data Collection Form to the Federal Audit Clearinghouse until it was officially released from the State Auditor's Office.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**10-19 Eligibility –Educational Opportunities Centers Program (Material Weakness and Non-Compliance)**

**Funding Agency: U.S. Department of Education**

**Title: TRIO Cluster**

**CFDA Number: 84.042 and 84.066**

**CONDITION**

During testing of Eligibility for the Educational Opportunities Center program, it as noted that College is unable to provide a listing of students in which services were provided as of June 30, 2010. The system tracks the students based on services provided on the grant fiscal year ended August 31, 2010.

**CRITERIA**

The grant requires for eligibility to be maintained on a grant fiscal year, however, fiscal requirements state that the eligibility should also be tracked on a fiscal year.

**EFFECT**

The College is unable to determine eligibility as of June 30, 2010.

**QUESTIONED COSTS**

Unknown

**CAUSE**

The College was not aware of the requirement for tracking eligibility on a fiscal year basis.

**RECOMMENDATION**

We recommend that the College develop policies and procedures to ensure tracking of eligibility on a Fiscal Year basis. In addition, the College should implement procedures to review the listing and to monitor any noncompliance within the program.

**MANAGEMENT RESPONSE**

The College will develop a policy and procedure, for implementation in the current fiscal year, to distinguish between those participants eligible by fiscal year and by grant year.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**D. OTHER MATTERS**

**09-22 Budgetary Comparisons**

**CONDITION**

At June 30, 2010, we noted that the College overspent its approved budget in combined revenues and expenditures budget in the following categories:

Institutional Support	\$ 402,797
Public Service	\$ 275,849
Internal Service	\$ 18,575
Auxiliary Enterprises	\$ 267,975
Student Aid, grant stipends and Independent Operations	\$ 3,408,389
Intercollegiate Athletics	\$ 226,428

**CRITERIA**

Per 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

**EFFECT**

The College has not complied with budgetary compliance requirements as set out in the New Mexico Administrative Code. This may impact future funding.

**CAUSE**

Due to budget staff turnover, the College did not submit budget adjustment requests to the Higher Education Department and therefore did not receive proper approvals sufficient to cover expenditures.

**RECOMMENDATION**

We recommend that College budget controls and processes be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**D. OTHER MATTERS (CONTINUED)**

**09-22 Budgetary Comparisons (Continued)**

**MANAGEMENT RESPONSE**

The College will implement budget controls and processes in the current year to ensure that authorized budgeted amounts are not exceeded and will submit budget adjustment requests for restricted and unrestricted funds as prescribed by the financial deadlines of the Department of Higher Education.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**D. OTHER MATTERS (CONTINUED)**

**09-23 Late Financial Audit Report**

**CONDITION**

The College issued the audit report subsequent to the November 15, 2010 deadline required by the State Auditor. It was delivered to the State Auditor in May 2012.

**CRITERIA**

State Audit Rule 2.2.2.9(A), NMAC states that Colleges and Universities are required to submit the audit report for the year ended June 30, 2010 on or before November 15, 2010.

**EFFECT**

The College is not in compliance with State of New Mexico requirements.

**CAUSE**

Due to turnover, the College was unable to submit the June 30, 2010 audit report on a timely basis.

**RECOMMENDATION**

The College should obtain sufficient staffing to ensure the College's audited financial statements are submitted to the New Mexico Office of the State Auditor by the statutory deadline.

**MANAGEMENT RESPONSE**

In 2010, the College lacked adequate business office personnel necessary to address the workload requirements of the institution. In 2011, the Board of Regents approved additional staff resources to address the business office personnel requirements that afforded the College an opportunity to reorganize and establish more formal business functions with increased responsibilities for general ledger maintenance, grants management, fixed assets, budget management, procurement, human resources and payroll. The College believes that it will have sufficient staffing to complete this task more timely in future audits.

**NORTHERN NEW MEXICO COLLEGE  
EXIT CONFERENCE  
Year Ended June 30, 2010**

The contents of this report were discussed in a closed meeting exit conference held on April 12, 2012 at Northern New Mexico College, with the following in attendance:

**Representing Northern New Mexico College:**

Dr. Nancy Barcelo - President  
Domingo Sanchez III - Vice President for Finance and Administration  
Henrietta Trujillo - Director of Business Operations  
Alfredo Montoya - Financial Aid Director  
Connie Manzanares - Financial Aid Assistant Director  
Connie Romero - Director of Budget and Finance  
Cecille Martinez-Wechsler - Board of Regents  
Feliberto Martinez - Board of Regents  
Alfred Herrera - Board of Regents  
Michael Branch - Board of Regents  
Sean Weiner - Abeyta, Weiner & Cherne, P.C.

**Representing New Mexico Higher Education Department:**

Deborah DeMella - Interim Institutional Financial Director

**Representing Northern New Mexico College Foundation:**

Domingo Sanchez III - Vice President for Finance and Administration (College)

**Representing Moss Adams LLP:**

Scott Eliason - Partner  
Molly Saiz - Supervisor