

*State of New Mexico*

*Santa Fe Community College  
Examination*



**Accounting &  
Consulting Group, LLP**

Certified Public Accountants

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## Independent Accountant's Report

Hector H. Balderas  
New Mexico State Auditor  
To the Board of Directors Santa Fe Community College  
Santa Fe, New Mexico

We have examined Santa Fe Community College's (SFCC) compliance with provisions of the New Mexico Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, and internal policies as they pertain to the objectives detailed below. Management is responsible for SFCC's compliance with those requirements. Our responsibility is to express an opinion on SFCC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about SFCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on SFCC's compliance with specified requirements.

The objectives of our examination were as follows:

- 1) Whether 24 College employees who benefitted from stipends totaling over \$140,000 annually and the \$1.8 million spent on temporary positions went through the standard SFCC personnel hiring processes and met applicable evaluation requirements during the period of July 1, 2009 through June 30, 2012.
- 2) Whether SFCC has adequate budgetary processes to allocate public monies during the period of July 1, 2009 through June 30, 2014.
- 3) Whether the \$35 million bond issue in 2010 for SFCC construction and expansion has adequate, complete documentation on file to substantiate and support all of the goods and services provided to SFCC under this bond issue including the use of a procurement card by a SFCC employee during the period of July 1, 2009 through June 30, 2012.

In our opinion, except for missing documentation and budget deficiencies described in the next paragraphs, Santa Fe Community College complied in all material respects, with the aforementioned requirements during the period from July 1, 2009 through June 30, 2014.

Certain documentation supporting goods and services provided under the 2010 bond issuance is missing and was unavailable for examination. The missing documentation is detailed in findings 07 through 09 in the schedule of findings and responses.

The College overspent its approved budgets in fiscal years 2012 and 2013, and had excessive revenue shortfalls in fiscal year 2014 in comparison with final budgeted amounts. The budget overages and revenue shortfalls are detailed in findings 01 through 03 in the schedule of findings and responses.

This report is intended solely for the information and use of management, the New Mexico State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico Higher Education Department and is not intended to be and should not be used by anyone other than those specified parties.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP Albuquerque, NM 87120  
November 19, 2014

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**FINDING-01-FY12 BUDGET OVERAGE**

*Condition:* During our review of budgetary comparisons in SFCC's FY12 audit we noted SFCC overspent its approved expenditures budget in the following categories:

Student social and cultural activities	\$ 8,650
Internal Services	10,420
Student aid, grants stipends and independent operations	182,894

We also noted a variance between actual and final budget amounts of \$6,922,337 in the capital outlay category.

*Criteria:* Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets.

*Effect:* In this instance, SFCC may not have complied with budgetary compliance requirements as set out in the New Mexico Administrative Code.

*Cause:* Certain documentation may have been lost, misplaced or destroyed without the knowledge or consent of SFCC. We did note the budget was properly approved by the New Mexico Higher Education Department and the Department of Finance and Administration and that FY12 budget adjustment requests were in fact submitted as required; however, budget overages still occurred.

With respect to the \$6,922,337 variance, actual expenditures on the budget statement were misclassified between Capital outlay and Building renewal and replacement categories. This variance does not represent an amount expended in excess of final budget amounts.

*Accountants' Recommendation:* We recommend SFCC budget controls and processes be strengthened to ensure that budgeted amounts are not overspent, budget adjustment requests are completed on a timely basis, and signed budget adjustment request approvals are archived in permanent College accounting records.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 01 (Budgetary Comparison) simply restates Fiscal Year 2012 Audit Finding 12-17 almost verbatim, a known issue that has been well documented in public records and is therefore merely a repeat of an earlier finding that has been fully addressed by internal control improvements. However, the key difference is that Finding 01 (above) clarifies and mitigates the nature of the \$6,922,337 variance, which SFCC has consistently maintained was simply an accounting journal entry misclassification error and by no means indicative of a failure of the institutional budgetary process.

In response to Fiscal Year 2012 Audit Finding 12-17, the College immediately improved its mid-year review for plant fund projects including strengthening the journal entry peer-review process to be sure all journal entries are reviewed by senior Accounting Department managers and approved by the Budget Director, Assistant Vice President of Finance, or Chief Financial Officer. In addition to those internal control changes designed to avoid journal entry misclassifications pertaining to plant fund projects, in November 2013 the College appointed a full time Director of Capital Projects and Accounting Systems whose primary function is to constantly monitor all such transactions and ensure their accuracy.

Finally, throughout calendar year 2013 the college worked to develop a comprehensive budgetary process involving several key SFCC departments to provide complete oversight and cross-checking of all budgetary functions. In conjunction with enhanced Presidential and Board involvement with the budget process, the College believes it has fully addressed the internal control conditions that led to Fiscal Year Finding 12-17 as well as its restatement above as Finding 01.

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**FINDING-02- FY13 BUDGET OVERAGE**

*Condition:* During fiscal year 2013, we noted that the College overspent its approved expenditures budget in the following categories below. No additional procedures were performed as we audited the financial statements in fiscal year 2013.

Internal services	\$ 11,271
Building renewal and replacements	50,257
Retirement of indebtedness	16,798

*Criteria:* Per statute 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.

*Cause:* The College did not submit budget adjustment requests to the Higher Education Department and therefore did not receive proper approvals sufficient to cover expenditures.

*Accountants' 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.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

The College has been in a continuous process of improving internal controls throughout the budget entry and adjustment process. The Chief Financial Officer has convened a formal Budget Committee comprised of senior academic administrators and operational managers that meets weekly to ensure robust oversight of the budget development process and complete discussion of all budget adjustments. The College has also designated an experienced accountant as Budget Director to ensure daily management of all detailed budget processes. The College's overall effort has been to add approval levels to the budget entry process designed to separate approval functions; encourage collaborative review of budget adjustments; and ensure that multiple approvals are obtained prior to budget entry or adjustment in order to ensure accurate budgetary accounting and full policy compliance. Accounting Department personnel have also received additional training regarding specific budget entry considerations within the Banner software system.

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**FINDING-03- FY 14 BUDGET COMPARISON REVENUE SHORTFALL**

*Condition:* During our review of SFCC's FY14 budgetary comparison statement for the unrestricted and restricted-all operations- we noted that the College utilized assumptions that were, in hindsight not reviewed or not scrutinized at the time, and it led to the following:

- SFCC's actual revenues for local government appropriations were less than final budgeted amounts by \$1,617,503.
- SFCC's actual revenues for federal government contracts and grants were less than final budgeted amounts by \$2,882,247.
- SFCC actual revenues for state government contracts and grants were less than final budgeted amounts by \$1,748,120.

*Criteria:* Good budget practices require projections of estimated revenues to be reasonable and to be reviewed by the SFCC Board, the New Mexico Higher Education Department and the New Mexico Department of Finance and Administration to ensure the estimate is reasonable prior to sign-off and approval.

*Effect:* The shortfall in revenues contributed to a \$5 million budgetary shortfall that forced the college to begin drawing on its cash reserve amounts. In addition, salary decreases and staff reduction were required, and tuition was increased to make up the shortfall.

*Cause:* In hindsight, the mid-year budget adjustment should have been subjected to higher scrutiny by the parties detailed in the criteria paragraph above. Also in hindsight, a projection used to estimate revenues for local government appropriations in preparation of a mid-year budget adjustment dated December 18, 2013 over estimated the amount of local government appropriations revenue to be received by SFCC. The mid-year budget adjustment increased revenues by \$2,443,277, increased expenditures by \$3,238,363 and decreased transfer \$794,985 for the unrestricted- Instruction and General funds category. The projection for local government appropriations were based on the Chief Financial Officer's monthly over/under variance analysis that compared budgeted and actual revenue amounts over a three year period between July 1, 2011 and September 30, 2013.

*Accountants' Recommendation:* We recommend the SFCC Board, the New Mexico Higher Education Department, and the New Mexico Department of Finance and Administration provide stronger oversight by more thoroughly reviewing and verifying revenue projection methodologies performed by management and reviewing to ensure the amount of anticipated revenues is reasonable prior to approval.

*Views of Responsible Officials and Management's Planned Corrective Actions:* This erroneous assumption had far reaching consequences for the College. It lead to the College spending a large portion of its cash reserves in FY14 and budgeted expenses that exceeded available funds. Those who made these assumptions no longer are employed by the College. Additionally, the Governing Board and Management responded by approving and implementing finance oversight committee and a Financial Stability plan containing the following actions:

- o Ongoing cost reduction of \$3 million consisting of:
  - \$860k reduction in supplies and expenses
  - \$1.3 million in elimination of vacant positions
  - \$888k from a reduction-in-force
- o One time reduction totaling \$2 million consisting of:
  - \$1.4 million in across the board pay cuts to all employees making \$30,000 or more per year (cuts range from 2% to 12%)
  - \$600k in to be determined costs cuts and vacancy savings
  - Increase all tuition rates by \$5 per credit hour effective January 2015

To ensure financial responsibility, Management has implemented a process to monitor budget status and cash flow on a weekly basis. Furthermore, Management is meeting with HED authorities monthly to review financials.

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**FINDING-04-MISSING QUARTERLY CERTIFICATIONS**

*Condition:* During our examination of the adequacy of SFCC's budgetary process we requested all quarterly certifications submitted to New Mexico Higher Education Department for the period of July 1, 2009 through June 30, 2012. The quarterly certifications for quarter ended September 30, 2011 and December 31, 2011 could not be located and provided for examination.

*Criteria:* 21-1-33 NMSA 1978, System of Accounting and Reporting, grants the New Mexico Higher Education Department (NMHED), the authority to establish uniform system for budgeting and reporting. It states "the uniform system for budgeting and reporting shall require the submission of at least quarterly financial reports."

NMHED requires written certifications to be submitted quarterly and signed by a member of the governing body, president and chief financial officer. The certifications content includes that they are aware that timely and routine processes are in place and being followed and where appropriate, reviewed and approved by the Board of Regents related to:

- Comparison of approved annual operating and plant fund budgets with year-to-date revenues, expenditures and transfers;
- Comparison of current year-to-date to prior year's activities in operating and plant fund revenues, expenditures and transfers;
- State of net assets; and
- Statement of cash flow

*Effect:* The actual and potential impact of the condition paragraph above could not be determined.

*Cause:* It could not be determined if the certifications and related comparison were completed or if the certifications documents were lost or misplaced or destroyed without the knowledge or consent of SFCC.

*Accountants' Recommendation:* We recommend SFCC ensure the required certifications and related analytical comparisons are completed and archive the executed certifications electronically.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 04 (Missing Quarterly Certifications) arose because after several years of key personnel changes in the College Finance Department, certain records that had been previously archived in electronic or hard copy form (e.g., hanging file folders, 3-ring binders etc.) could not be located. File that were removed from the office of the Vice President of Finance and Administration upon her retirement and have never been located. These missing files have been reported to the Santa Fe County Sheriff. Noting that all other quarterly certifications submitted to New Mexico Higher Education Department for the period of July 1, 2009 through June 30, 2012 were located and provided to the auditors without exception, management believes the two missing certifications were likely included in a large corpus of missing documents that were relocated within the College during late calendar year 2013 and removed or destroyed without the knowledge or consent of SFCC, and are therefore not indicative of a failure of the College accounting system.

In response to Finding 04, the College will improve its record-keeping process to ensure that all certifications are electronically archived in permanent College records immediately upon receipt from the approving authorities. The Chief Financial Officer and Assistant Vice President of Finance will also conduct periodic internal reviews to ensure that all archived records are current and complete.

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**FINDING-05-DUPLICATE PAYMENTS TO CREATIVE INTERIORS INC. FOR PURCHASES OF FURNITURE FOR THE CAMPUS CENTER WITHOUT VERIFICATION OF RECEIPT OF GOODS**

*Condition:* During our review of 451 vendor invoices related to the 2010 bond issue we noted internal controls may have been compromised in one case by an administrative assistant to the Vice President of Finance and Administration (VPFA), resulting in duplicate payments to Creative Interiors Inc. (vendor) for the purchase of furniture for the campus center that were subsequently fully revealed and corrected during SFCC's voluntary internal audit.

The first payment of \$119,743 without verification of receipt of goods was paid to vendor on November 8, 2011 based on a quote provided by the vendor (check 232688). This purchase represented full payment for the campus center furniture.

The second payment of \$62,704 was paid to Creative Interiors Inc. on December 1, 2011 (check 233220) based on an invoice from the vendor for one-half of the furniture purchase for the campus center. This payment represented a 50% deposit on the purchase of furniture for the campus center.

The third payment of \$125,407 was paid to Creative Interiors Inc. on December 7, 2011 (check 233284) based on a quote provided by the vendor. This purchase represented full payment for the campus center furniture plus three Shademaker Umbrellas.

Management did not detect the overpayments until November of 2012. SFCC ultimately received a credit from the vendor on a subsequent invoice for the deposit totaling \$62,704 on May 8, 2012 and was reimbursed an additional \$119,743 from the vendor on November 5, 2012.

*Criteria:* Good accounting practices require internal controls sufficient to prevent duplicate payments to vendors. Additionally Section 13-1-158(A) NMSA 1978 provides the following: "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications, or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code."

*Effect:* The actual impact was overpayments to the vendor totaling \$182,447 and violation of procurement code statutes. The potential impact is that SFCC is more susceptible to fraudulent invoices from vendors since internal controls are not operating effectively. Any financial reports filed subsequent to the duplicate payments, up until the time these were detected, would have inaccurately reflected expenses.

*Cause:* An administrative assistant to Vice President of Finance and Administration approved the first payment for campus center furniture to the vendor on October 31, 2011 based on a quote from the vendor. The same administrative assistant to Vice President of Finance and Administration mistook the quote as an actual invoice from the vendor and did not verify the furniture had been delivered by the vendor.

The same administrative assistant to Vice President of Finance and Administration approved the third payment for campus center furniture to the vendor on November 10, 2011. The same administrative assistant to Vice President of Finance and Administration disregarded the first payment and second payment for the deposit and mistook the quote as an actual invoice from the vendor.

For this specific vendor controls over the acknowledgement or receipt of goods provided by vendors were not sufficient.

*Accountants' Recommendation:* We recommend SFCC only pay vendors upon receipt of an approved vendor invoice. We recommend persons with first-hand knowledge of the goods and services provided by the vendor sign the invoice indicating receipt of the goods or services. SFCC should require vendor invoices to be clearly distinguished from other documents received from the vendors including quotes and proposals. Vendor invoices should include an invoice number and clearly indicate the goods or services performed and also indicate the date the goods or services were performed.



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**FINDING-05-DUPLICATE PAYMENTS TO CREATIVE INTERIORS INC. FOR PURCHASES OF FURNITURE FOR THE CAMPUS CENTER-CONTINUED**

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 05 (Duplicate Payments to Creative Interiors for Purchases of Furniture for the Campus Center) partially restates Fiscal Year 2012 Audit Finding 12-02, a known issue that repeats an earlier finding that has been fully addressed by internal control improvements. Management believes it is important to note that the error discussed in Finding 05 (above) was first identified and then resolved not by outside auditors, but during an internal audit conducted by the Assistant Vice President of Finance in November 2012. Once the error had been fully identified, the matter was addressed immediately with the vendor, resulting in financial correction the very next day. Moreover, additional internal controls were immediately put in place to avoid such errors going forward. Specifically, the College strengthened small-project procedures by adding a pre-project approval process such that in addition to the Vice President for Finance/Chief Financial Officer, all projects are reviewed and approved by the Director of Capital Accounts and Accounting Systems, Director of Procurement, Director of Facilities, and Accounting staff responsible for the plant fund. Further, the Board approved an improved Procurement Policy in 2014 specifically designed to memorialize those improved processes and internal controls.

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**FINDING-06-PROCUREMENT VIOLATION FOR GUY'S PAINTING COMPANY INC. FOR PAINTING SERVICES RELATED TO THE MAIN CAMPUS AND CORRIDOR PAINTING**

*Condition:* During our review of 451 vendor invoices related to the 2010 bond issue we noted SFCC procured painting services for the main campus and corridor areas from Guy's Painting Company Inc. (vendor) totaling \$139,015 without going through a competitive bid process.

*Criteria:* Pursuant to Procurement Code, specifically Section 13-1-102, all procurement shall be achieved through a competitive bid process unless specifically exempted for.

Pursuant to the Procurement Code, specifically Section 13-1-125(A) and (C) NMSA 1978, "a central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) in accordance with the applicable small purchase regulations adopted by a local public body."

Pursuant to the Procurement Code, specifically Section 13-1-129(A)(1) Procurement under existing contracts, requires the purchase order to adequately identify the GSA contract number relied upon.

*Effect:* It appears the Procurement Code was violated. SFCC's purchasing power for painting services may not have been optimized due to lack of competitive bids.

*Cause:* SFCC management thought this specific vendor had a valid contract with the Federal General Services Administration (GSA) and had a valid GSA contract number. The number turned out to be a Data Universal Numbering System number. For this specific vendor controls over GSA contract verification process were not operating effectively.

*Accountants' Recommendation:* We recommend SFCC management independently verify vendors who claim to have valid GSA contracts by obtaining the number from the vendor and cross checking the number against GSA's elibrary online.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 06 (Procurement Violation for Guy's Painting Company Inc. for Painting Services) simply restates Fiscal Year 2012 Audit Finding 12-02 almost verbatim, a known issue that has been well documented in public records and is therefore merely a repeat of an earlier finding that has been fully addressed by internal control improvements. SFCC has consistently maintained that the College had every intention of compliance under a valid GSA, and simply made a bookkeeping error in failing to realize the GSA contract number had been entered incorrectly using a DUNS number.

In response to Fiscal Year 2012 Audit Finding 12-02, additional internal controls were immediately put in place to avoid such errors going forward. Specifically, the College strengthened small-project procedures by adding a pre-project approval process such that in addition to the Vice President for Finance/Chief Financial Officer, all projects are reviewed and approved by the Director of Capital Accounts and Accounting Systems, Director of Procurement, Director of Facilities, and Accounting staff responsible for the plant fund. Further, the Board approved an improved Procurement Policy in 2014 specifically designed to memorialize those improved processes and internal controls.

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**FINDING-07-JOURNAL ENTRY NOT SUFFICIENTLY SUPPORTED BY ADEQUATE DOCUMENTATION**

*Condition:* During our review of three journal entries recorded in the 2010 bond fund which recorded \$1,883,555 in expenditures during the period of July 1, 2010 through June 30, 2012, we noted a portion of one journal entry (JE 16) which recorded \$147,742 in expenditures lacked adequate supporting documentation. The purpose of the journal entry was to reclassify expenditures previously recorded in the 2007 bond fund into the 2010 bond fund. The journal entry was supported by a 2007 Adjustments and Closeout schedule prepared by the Vice President of Finance and Administration (VPFA) that identified the \$147,742 as information technology (IT) purchases. As part of our examination procedures we asked SFCC management to provide us with the vendor invoices to support \$147,742 in expenditures recorded. The invoices, vendors and specific IT goods and services provided could not be determined and located by SFCC management.

*Criteria:* Good accounting practices require journal entries to be supported by adequate documentation. The support for the journal entry to reclassify expenditures into the 2010 bond fund should have detailed the underlying expenditures by vendor, purchase order, check date, invoice number, amount, and description of goods and services provided.

*Effect:* Without adequate supporting documentation it is more difficult to ascertain whether the 2010 bond issue for construction and expansion has adequate documentation on file to support the goods and services provided to SFCC. The related expenditures could be misclassified. Fraudulent journal entries could go undetected without sufficient supporting documentation.

*Cause:* The 2007 Adjustments and Closeout Schedule did not sufficiently describe the expenditures being reclassified. The invoices, vendors, and specific IT goods and services provided could not be located and determined by SFCC management. It could not be determined if the supporting documentation was lost or misplaced or destroyed without the knowledge or consent of SFCC.

*Accountants' Recommendation:* We recommend SFCC ensure supporting documentation for future journal entries is sufficiently detailed such that the related expenditures can be traced back to the original source documents.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 07 (Journal Entry Not Sufficiently Supported by Adequate Documentation) arose because after several years of key personnel changes in the College Finance Department, certain records that had been previously archived in hard copy and electronic form (e.g., hanging file folders, 3-ring binders etc.) could not be located. Management believes the missing journal entry detail records were likely included in the missing documents that were relocated within the College during late calendar year 2013 and removed or destroyed without the knowledge or consent of SFCC, and are therefore not indicative of a failure of the College accounting system.

In response to Finding 07, the College will improve its record-keeping process to ensure that all journal entry detail records are electronically archived in permanent College records immediately upon entry to the accounting system. The Chief Financial Officer and Assistant Vice President of Finance will also conduct periodic internal reviews to ensure that all archived records are current and complete.

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**FINDING-08-INVOICE MISSING**

*Condition:* During our review of 451 vendor invoices from 60 vendors with a corresponding dollar value of \$12,231,163 related to the 2010 bond issuance, we noted one invoice (vendor invoice number 08102011) totaling \$785.50 that could not be located by SFCC management and tested during the examination. The invoice was paid to the vendor on August 10, 2011.

*Criteria:* Good accounting practices require management to maintain adequate documentation related to expenditures to support goods and service provided by the vendor for audit and accountability purposes.

*Effect:* Without supporting documentation including invoices that details goods and services provided, fraud, waste, and abuse could go undetected.

*Cause:* It could not be determined if the invoice was lost or misplaced or destroyed without the knowledge or consent of SFCC.

*Accountants' Recommendation:* We recommend SFCC maintain invoices related to bond expenditures electronically to ensure they are retained to support the expenditures recorded.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 08 (Invoice Missing) arose because after several years of key personnel changes in the College Finance Department, certain records that had been previously archived in hard copy and electronic form (e.g., hanging file folders, 3-ring binders etc.) could not be located. Management believes the missing invoice was likely included in the missing documents that were relocated within the College during late calendar year 2013 and removed or destroyed without the knowledge or consent of SFCC, and are therefore not indicative of a failure of the College accounting system. Copies of all vendor invoices related to the 2010 bond issuance were located in the missing files. With the exception of one invoice, College staff were able to obtain copies of these invoices from documentation in our accounts payable system.

In response to Finding 08, the College will improve its record-keeping process to ensure that all invoice records are electronically archived in permanent College records immediately upon entry to the accounting system. The Chief Financial Officer and Assistant Vice President of Finance will also conduct periodic internal reviews to ensure that all archived records are current and complete.

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**FINDING-09-CERTAIN PROCUREMENT DOCUMENTS UNAVAILABLE FOR EXAMINATION**

*Condition:* During our review of 7 vendors procured through a competitive bid process by SFCC for the three year period ending June 30, 2012 we noted the following procurement documentation was unavailable for examination for the vendors below.

<u>Vendor</u>	<u>MissingProcurementDocument</u>	<u>AwardAmount</u>
Sacred Power	notice of award	\$55,000
Hanna Plumbing and Heating	notice of award	\$91,959
Xcal Corporation 10-11-03	notice of award, evaluation of proposals	\$21,033
Xcal Corporation 11-12-07	notice of award	\$21,985

The 7 vendors procured through a competitive bid process that were selected for testing represented 100% of SFCC's procurements through competitive bid process for the three year period ending June 30, 2012 with respect to SFCC 2010 bond issuance. The total dollar amount of expenditures covered under procurements through a competitive bid process totaled \$692,447.

*Criteria:*

Procurement code statute 13-1-108 requires written notice of award to the lowest responsible bidder.

Procurement code statute 13-1-105 requires bids to be evaluated based on the requirements set forth in the invitation for bids.

Procurement code statute 13-1-97.2 requires SFCC to maintain, for a minimum of three years, all records relating to the award of a contract through a competitive sealed bid or competitive sealed proposal process.

*Effect:* Without supporting documentation, it is more difficult to determine in the course of the examination if procurement code statutes were adhered to. Procurement code statutes may have been violated.

*Cause:* It could not be determined if the missing documentation referenced above was lost or misplaced or destroyed without the knowledge or consent of SFCC management.

*Accountants' Recommendation:* We recommend SFCC develop a better method to ensure all records relating to the award of a contract through a competitive sealed bid or competitive sealed proposal process are available for audit, examination, or public information requests.

*Views of Responsible Officials and Management's Planned Corrective Actions:*

Finding 09 (Procurement Documents Unavailable for Examination) arose because after several years of key personnel changes in the College Finance Department, certain records that had been previously archived in hard copy and electronic form (e.g., hanging file folders, 3-ring binders etc.) could not be located. Management believes the missing procurement documents were likely included in the missing files that were relocated within the College during late calendar year 2013 and removed or destroyed without the knowledge or consent of SFCC, and are therefore not indicative of a failure of the College accounting system.

In response to Finding 09, the College will improve its record-keeping process to ensure that all procurement documents are electronically archived in permanent College records immediately upon entry to the accounting system. The Chief Financial Officer and Assistant Vice President of Finance will also conduct periodic internal reviews to ensure that all archived records are current and complete.