

COMMUNITY HEALTH WORKER INITIATIVES AUDIT

THE UNIVERSITY OF NEW MEXICO

Report 2024-05
August 12, 2025



THE UNIVERSITY OF
NEW MEXICO.

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ABBREVIATIONS

CHWs.....	Community Health Workers
CHWI.....	Community Health Worker Initiatives
EITC	Earned Income Tax Credit
HHS.....	US Department of Health and Human Services
HSC.....	Health Sciences Center
Internal Audit.....	University of New Mexico Internal Audit Department
PI.....	Principal Investigator
UAP.....	University Administrative Policy and Procedure
University.....	University of New Mexico
UNM	University of New Mexico
UNMHSC.....	University of New Mexico Health Sciences Center

EXECUTIVE SUMMARY

Internal Audit received multiple reported concerns from both former and current employees of the Community Health Worker Initiatives (CHWI) through Ethics Point. These complaints include allegations of misuse of grant funds, unallowable costs, and misappropriation of unspent grant funds. Additionally, some complaints were not submitted via Ethics Point but were later discovered by Internal Audit during interviews and other processes. These complaints also involve budget processes, misusing gift cards, bookstore incentives, and parking permits.

The allegations led Internal Audit (IA) to examine whether CHWI has adequate internal controls to reduce the risk of unallowable costs and misappropriation of grant funds from local, state, and federal sources. The investigation focused on two high-risk grants: Health Literacy and Earned Income Tax Credit (EITC). These were the primary grants with noted concerns.

CHWI was included in the FY 24 Internal Audit work plan. As part of the audit, Internal Audit focused on the financial and accounting issues related to Ethics Point complaints. The audit aimed to determine whether unallowable costs were charged to the CHWI grants and whether the program has sufficient internal controls to mitigate the risks of unallowable costs and misappropriation of grant funds.

The following are financial-related concerns reported through the Ethics Point hotline, which Internal Audit reviewed:

Unallowable Costs/Misappropriation of Grant Funds

Allegation 1: The Principal Investigator (PI) allegedly removed \$35,250 of non-related expenditures from the Health Literacy program. The PI alleged that in the Earned Income Tax Credit (EITC) program, CHWI's management had conducted similar acts or behaviors by spending non-approved expenditures unrelated to EITC. It is alleged that CHWI's management used grants to buy personal items.

Also, CHWI's management was accused of misappropriating the Health Literacy grant funds on non-approved items as the project ended on June 30, 2023, and misusing unspent project funds on items for other projects.

Unspent Grant Funds

Allegation 2: CHWI employees intended to use remaining grant funds for unrelated items. CHWI management pushed to spend the remaining funds on non-project-related items in Literacy Projects and the EITC program.

The Health Literacy program had an unspent balance of approximately \$100K to \$150K, and employees and managers discussed using it for non-approved items. Additionally, the EITC program

had an unspent balance of approximately \$500K, and similar considerations were made for spending the funds on unrelated items.

Misuse/Abuse of Gift Cards and Inadequate Maintenance of Gift Card Log

Allegation 3: Gift cards were misused under the Health Literacy grant. It was reported that six \$50 gift cards were unaccounted for and that the logs provided insufficient information to verify participant distribution. Additionally, UNM policy was not followed when completing participant incentive forms and some gift cards had not been distributed as intended.

CHWI employees also purchased approximately \$2,000 worth of "incentives" at the bookstore using EITC funds despite not being authorized to provide clients with incentives other than gift cards. The items purchased from the bookstore were taken by employees at the CHWI office.

Parking Permit Log

Allegation 4: Employees/managers purchased 100 daily parking passes that they were intended for clients coming to their office. However, CHWI employees were using them.

Unallowable Travel and Conference Fees

Allegation 5: There were 27 employees that attended a Rural Health Equity Conference in San Diego, CA. The Rural Health Equity Conference occurred June 14 -19, 2023, toward the end of the Health Literacy project, which ended on June 30, 2023. Reportedly, approximately \$63,000 was spent on this conference.

It was alleged that CHWI management intended to charge the Health Literacy program the \$63,000 in Rural Health Equity Conference costs. However, the grant's pass-through entity, City of Albuquerque, denied this request. Conference costs were subsequently allocated among various indices.

CONCLUSION

Internal Audit reviewed the five (5) allegations regarding Community Health Worker Initiatives. Four (4) of the five allegations were either substantiated or partially substantiated.

CHWI lacks adequate oversight, and internal controls are ineffective for financial management and adherence to UNM policies. CHWI management circumvented established internal controls within the grant administration process.

In addition to \$35,250 of Health Literacy expenditures that were removed by the Principal Investigator (PI), Internal Audit identified unallowable costs totaling \$2,950 for the Health Literacy grant and \$5,635 for the EITC grant.

The following are unallowable costs identified by Internal Audit surrounding the Health Literacy grant and EITC grant include the following.

Health Literacy Grant

Unallowable gift card purchases	<u>2,950</u>
Total unallowable – Health Literacy Grant	\$ 2,950

Earned Income Tax Credit (EITC)

Unallowable Bookstore incentives	\$ 1,985
Unallowable gift card purchases	<u>3,650</u>
Total unallowable – EITC	\$ 5,635

Total Unallowable Costs **\$ 8,585**

The total unallowable costs for the Health Literacy grant do not include \$35,250 that the Principal Investigator (PI) removed. Internal Audit confirmed that these unallowable costs were identified and removed from the Health Literacy grant before any reimbursement was requested from the funding agency.

In addition, IA determined CHWI does not have adequate internal controls in place for the following:

- To prevent misuse, abuse, and misappropriation of unused grant funds from federal sources.
- Budget management - Reconciliation of Actual Expenditures to Approved Sponsor Budgets.
- Management of Participant Incentives – Gift Cards.
- Adequate parking permit log to track and safeguard the parking permits purchased for customers or clients.

The following are key recommendations as a result of the audit.

Key Recommendations

Health Sciences Center and Office of Community Health management should:

- Review the organizational structure for the CHWI program and determine if current management and oversight provide adequate financial management, accountability, and operational effectiveness for the department.
- Work with Human Resources to determine appropriate disciplinary action for the CHWI Program Operations Director's misuse of grant funds, overriding of internal controls, and lack of enforcing and adhering to UNM policies and procedures.
- Work with the HSC Contract and Grant Accounting Office to review potential unallowable costs charged to Health Literacy and EITC grant funds and initiate appropriate action based on its review.

- Strengthen internal controls for CHWI grant management by improving the approval process and ensuring segregation of duties among the grant's authorities, including the Director, Principal Investigators, Program Managers, and accounting personnel. This segregation should create a clear line of authority and responsibilities.
- Develop formal departmental operating procedures to standardize the grant administration process, from initiating the grant agreement to its finalization.
- Ensure all CHWI personnel involved in grant administration have taken the grant management training provided by Learning Central.
- Implement and enforce processes to ensure unspent grant funds at the end of grant periods are de-obligated and returned to the funding agency. Processes should also ensure adequate procedures are in place to apply for unused funds, either in a new grant award or as an amendment to an existing open grant.
- Develop Standard Operating Procedures (SOPs) for billing and reconciliation processes surrounding Pathways to ensure that the billing information aligns with both the general ledger and the actual invoices issued by the vendor.
- Provide training to ensure that CHWI employees understand and fulfill their responsibilities effectively in Pathways billing procedures. Training should include a demonstration of the purpose and administration of the Bernalillo County system for Pathways business activity.
- Ensure adequate documentation supporting business activity and billing for Pathways is maintained by CHWI and readily available for review.
- Implement a process for reconciling approved budgets per grant agreements with the amount entered into Banner at the beginning of the award period and for each fiscal year. Implement formal approval procedures for grant budgets and establish standardized budgeting policies and procedures.
- Designate a gift card custodian (someone who is not involved in purchasing or approving gift card purchases) to maintain a gift card log that keeps track of gift card distributions. The gift card log should include, at a minimum, the recipient's name or study subject, ID number, date of payment, purpose of payment, gift card serial number, payment amount, and the recipient's signature/initials (or email address for electronic cards).
- Develop a Standard Operating Procedure for the maintenance of guest parking permits, including parking permit logs that include the permit number, name, and signature of the user, purpose of the visit, date, and signed/out time.

INTRODUCTION

BACKGROUND

CHWI was created in 2014 as part of the University of New Mexico Office for Community Health. Its mandate is to design, implement, and evaluate projects that utilize Community Health Workers (CHWs) as a strategy to increase New Mexicans' well-being, promote health equity, and minimize the negative impacts associated with the social determinants of health.

CHWI oversees several innovative programs that use CHWs' support to address community health issues primarily impacting low-income populations. Some of our programs are statewide in scope, and some are based only in Bernalillo County. CHWI aims to support community-based health initiatives that build community power and improve health outcomes.

CHWI envisions achieving health equity and social justice across New Mexico's diverse communities through empowerment, education, and a community health lens.

An audit of CHWI was initiated as a result of allegations of misuse and abuse of grant funds reported through Ethics Point. The allegations pertain to two specific grants: the Health Literacy grant and the Earned Income Tax Credit (EITC) grant. Reported issues include incurring unallowable costs, attempting to allocate unspent funds for unauthorized expenses, and circumventing internal controls.

Health Literacy Grant

The Health Literacy Agreement was established in response to the Coronavirus Relief Supplemental Appropriations Act, enacted in 2021. On June 18, 2021, the Office of Minority Health, part of the U.S. Department of Health and Human Services (HHS), awarded the City of Albuquerque a grant. This grant was intended to support the Health Literacy Project, which aims to enhance equitable community responses to COVID-19 within the Albuquerque area.

The City of Albuquerque acted as the HHS intermediary on the Health Literacy grant and provided \$1.68 million to CHWI, the sub-recipient. The City of Albuquerque disbursed payments to CHWI over a two-year grant period of FY 2022 and FY 2023, with the grants amounting to \$849,000 and \$837,000, respectively. The Health Literacy grant's performance period is from July 1, 2021, to June 30, 2023.

Earned Income Tax Credit Grant

The Earned Income Tax Credit (EITC) was issued in September 2020 by the US Department of Health and Human Services and funded through the Office of Minority Health. EITC aimed to educate Community Health Workers (CHWs) about Adverse Childhood Experiences and EITC. CHWI would refer clients to their projects for free tax assistance and financial education.

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The Office of Minority Health, acting as the intermediary for the HHS, provided CHWI, the recipient of the grant, with total funding of \$1,353,236 over three fiscal years: 2021, 2022, and 2023. The grant's project period was from September 29, 2020, to September 30, 2023.

PURPOSE AND OBJECTIVES

IA assessed the Health Literacy and EITC grants to determine whether CHWI has adequate internal controls to prevent unallowable costs and the misappropriation of funds. The audit covered the period from July 1, 2022, to June 30, 2023. The audit focused on evaluating non-labor operating expenses; salaries and benefits were excluded from this scope.

The objectives of this audit were as follows:

- Evaluate allegations received; Determine if unallowable costs were charged to grants.
- Evaluate CHWI's oversight and effectiveness for program operations.
- Obtain an understanding of CHWI's practices, processes, and procedures regarding allowable and unallowable costs and the administration of grant funds.
- Evaluate CHWI's internal controls over grant administration.
- Evaluate CHWI's internal and budgetary controls over grant funds from state, local, and federal awards.
- Review internal controls over Parking Permits and participant incentives, such as gift cards.
- Evaluate the adequacy of processes over unspent (leftover) grant funds.

PROCEDURES

After reviewing the reported concerns, IA performed audit procedures including, but not limited to, the following:

- Obtained and reviewed the grant agreements for Health Literacy and EITC to identify terms and conditions for transaction testing.
- Developed sampling plans for two grants: Health Literacy and EITC.
- Tested transactions for FY 2023 EITC and Health Literacy expenditures against supporting documentation.
- Assessed the efficiency of budgetary controls within CHWI or in grant agreements by comparing the budgets for FYs 2022 and 2023 to the actual expenses on EITC and Health Literacy grants.
- Reviewed a list of non-approved items totaling \$35,250 removed by the PI from the Health Literacy grant. Verified or substantiated unallowable expenditures by reviewing supporting documentation.

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- Obtained the parking permit and gift card logs to verify compliance with departmental and UNM policies.
- Interviewed personnel with knowledge of concerns raised in the allegation, including but not limited to the following:
 - Principal Investigator (PI) of the Health Literacy Program, CHWI
 - Former Education and Development Manager, CHWI
 - Financial Analyst, CHWI
 - Accountant II, CHWI
 - Vice President of the Office of Community Health
 - Former Administrative Officer, CHWI

Note: IA made multiple requests to interview the CHWI Program Operations Director. However, the Director did not respond to IA's requests.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

DEPARTMENT OVERSIGHT, FINANCIAL MANAGEMENT, AND POLICY ENFORCEMENT

CHWI does not have adequate oversight of financial management and enforcement of UNM policies and procedures. IA determined that a lack of internal controls and/or override of controls at the program level resulted in unallowable grant expenditures.

The CHWI Program Operations Director's lack of enforcing and adhering to restricted grant terms and conditions and inadequate supervision resulted in several allegations reported in Ethics Point concerning misuse of grant funds. Financial allegations that are substantiated or partially substantiated are reported below.

Finding 1: Department Oversight, Financial Management, and Policy Enforcement

Condition: CHWI does not always have adequate oversight of financial management and enforcement of UNM policies and procedures. The Program Operations Director did not adhere to grant provisions and enforce established policies and procedures.

Criteria: UAP 2000: Responsibility and Accountability for University Information and Transactions, section 2, states, *"Deans, directors, and department heads define departmental approval processes and designated individuals in their organizations who are authorized to process business and administrative transactions. Deans, directors, and department heads are responsible for exercising good judgment, upholding ethical standards, and should have internal procedures in place to ensure periodic review of designations and related training."*

Cause: CHWI management does not have adequate internal controls and does not always comply with grant terms and conditions and UNM policies and procedures.

Effect: Misuse of funds, abuse of department resources, and increased risk for loss of UNM resources.

Recommendation 1

The Vice President of Finance and Administration for Health and Health Sciences should:

- Review the organizational structure for the CHWI program and determine if current management and oversight provide adequate financial management, accountability, and operational effectiveness for the department.

- Work with Human Resources to determine appropriate disciplinary action for the CHWI Program Operations Director's misuse of grant funds, overriding internal controls, and failure to enforce and adhere to UNM policies and procedures.
- Require a policy review for the following UNM policies:
 - UAP 2000: Responsibility and Accountability for University Information and Transactions
 - UAP 4000: Allowable and Unallowable Expenditures
 - UAP 2410: Accounting for Federal Defined Allowable and Unallowable Costs

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
<i>Targeted Completion Date: 11/30/2025</i>
<i>Assigned to:</i> Vice President of Finance and Administration for Health and Health Sciences
<p><i>Corrective Action Planned:</i> The Office of the Vice President of Finance and Administration for Health and Health Sciences will initiate a review of the CHWI program's organizational structure to assess whether current oversight ensures adequate financial management, accountability, and operational effectiveness.</p> <ul style="list-style-type: none"> • In coordination with Human Resources, the Office of the Vice President of Finance and Administration for Health and Health Sciences will evaluate the Program Operations Director's actions regarding misuse of grant funds and internal control violations and determine appropriate disciplinary measures per UNM policy. • A policy review will be conducted with CHWI employees for the following: <ul style="list-style-type: none"> ○ UAP 2000: Responsibility and Accountability for University Information and Transactions ○ UAP 4000: Allowable and Unallowable Expenditures ○ UAP 2410: Accounting for Federal Defined Allowable and Unallowable Costs

UNALLOWABLE COSTS

Unallowable Costs/Misappropriation of Grant Funds

Allegation 1: The Principal Investigator (PI) allegedly removed \$35,250 of non-related expenditures from the Health Literacy program. The PI determined that in EITC, CHWI's management had conducted similar acts or behaviors by spending non-approved expenditures unrelated to EITC. It is alleged that CHWI's management used grants to buy personal items.

Also, CHWI's management is accused of misappropriating the Health Literacy grant funds on non-approved items as the project ended on June 30, 2023, and misusing unspent project funds on items for other projects.

Partially Substantiated: IA performed audit procedures and determined this allegation to be partially substantiated. The PI provided IA with a list detailing the \$35,250 purchases. IA noted that the PI determined these purchases were not for program-related reasons and were removed from the grant. However, IA did not identify any purchases made from the grants that were for personal use. IA reviewed the supporting documentation for the purchases removed from the Health Literacy program and confirmed these costs were not intended for the grant.

To determine the allowability of grant disbursement and to assess the adequacy of CHWI's internal controls for mitigating the risks of unallowable costs, IA selected the two grants noted in the allegations. IA selected the Health Literacy program and EITC grant to perform audit procedures for allowable costs and grant management processes.

A total of 190 sample transactions were tested from the Health Literacy program and the EITC grant. The specific criteria used for evaluation are as follows:

- Grant expenditures have adequate supporting documentation.
- Grant expenditures comply with allowable and unallowable cost policies outlined in *UAP 2410: Accounting for Federal Defined Allowable and Unallowable Costs and UAP 4000: Allowable and Unallowable Expenditures*.
- Grant expenditures adhere to other UAP policies, such as *UAP 4030: Travel or UAP 2480: Incentives for Program Participants*, when applicable.
- Grant expenditures follow the provisions of the grant agreement.
- Grant expenditures were necessary and reasonable for the performance of the award.
- Grant expenditures received proper approval.
- Grant expenditures were classified, coded, and recorded in the correct general ledger account.

In addition to the \$35,250 in unallowable costs identified by the PI and removed from grant accounts, IA's testing of grant expenditures revealed unallowable costs for both grants: \$2,950 for Health Literacy and \$5,635 for EITC. IA found that the internal controls for CHWI are not always effective in preventing unallowable costs in local, state, and federal grants. The following presents unallowable

costs charged to Health Literacy and EITC grants. See the details for each unallowable cost in its stand-alone section of the audit report.

Unallowable Costs Charged to Grants

Health Literacy Grant

Unallowable gift card purchases	<u>2,950</u>
Total unallowable – Health Literacy Grant	\$2,950

Earned Income Tax Credit (EITC)

Unallowable Bookstore Incentives	\$ 1,985
Unallowable gift card purchases	<u>3,650</u>
Total unallowable – EITC	\$ 5,635

Total Unallowable Costs	<u>\$ 8,585</u>
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The total unallowable costs for the Health Literacy grant do not include \$35,250 that the Principal Investigator (PI) removed. Internal Audit confirmed that these unallowable costs were identified and removed from the Health Literacy grant before any reimbursement was requested from the funding agency.

Finding 2: Unallowable Costs and Misuse of Grant Funds

Condition: CHWI incurred unallowable costs charged to the Health Literacy and EITC grant funds by purchasing non-approved items that are unrelated to the grants. In addition to the \$35,250 in unallowable costs identified by the PI, IA identified additional allowable costs for both grants: \$2,950 for Health Literacy and \$5,635 for EITC.

Criteria: UAP 4000: Allowable and Unallowable Expenditures, states, *"University funds obtained through contract and grant awards are subject to special restrictions and must be expended per applicable laws, the rules and regulations, and terms and conditions of the grants."*

UAP 2410: Accounting for Federal Defined Allowable and Unallowable Costs, states, *"Federal regulations govern both direct and indirect costs associated with federally sponsored programs. In some instances, federal regulations for allowable costs are more stringent than the University's criteria for allowable expenditures."*

Cause: Insufficient oversight and internal controls in the review and approval processes for grant expenditures. Override of existing internal controls as the CHWI Program Operations Director used grant funds that were not approved by the PI responsible for ensuring compliance with grant provisions.

High level of turnover in key CHWI positions.

Effect: Unallowable costs charged to grant funds. Risk of non-compliance with Health Literacy and EITC grant requirement; and risk of errors, irregularities, and misuse of grant funds is increased.

Recommendation 2

The Vice President of Finance and Administration for Health and Health Sciences should:

- a. Work with the HSC Contract and Grant Accounting Office to determine appropriate action for unallowable costs spent by CHWI using Health Literacy and EITC grant funds.
- b. Work with the HSC Contract and Grant Accounting Office to review potential unallowable costs charged to Health Literacy and EITC grant funds and initiate appropriate action based on its review.
- c. Strengthen internal controls for CHWI grant management by improving the approval process to segregate duties among the grant's authorities, including the Program Operations Director, Principal Investigators, Program Managers, and accounting personnel. This segregation should create a clear line of authority and responsibilities.
- d. Develop formal departmental operating procedures to standardize the grant process, from initiating the grant agreement to its finalization.
- e. Ensure all CHWI personnel involved in grant administration have taken the grant management training provided by Learning Central.

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
Targeted Completion Date: 11/30/2025
Assigned to: Vice President of Finance and Administration for Health and Health Sciences
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences will take the following actions:</p> <ul style="list-style-type: none"> • Work with the HSC Contract and Grant Accounting Office to determine appropriate action for unallowable costs charged to Health Literacy and EITC grant funds. • Review internal controls for CHWI grant management and consider training and revision to CHWI's approval process to ensure segregation of duties among the Program Operations Director, Principal Investigators, Program Managers, and accounting personnel. • Develop formal departmental operating procedures to standardize the grant process from initiation through finalization, ensuring consistency and compliance. • Ensure that all CHWI personnel involved in grant administration complete the grant management training provided through Learning Central to reinforce policy adherence and best practices.

MANAGEMENT OF UNSPENT GRANT FUNDS

Allegation 2: CHWI employees intended to use remaining grant funds for unrelated items. CHWI management pushed to spend the remaining funds on non-project-related items in the Health Literacy program and the EITC program.

The Health Literacy program had an unspent balance of approximately \$100K to \$150K, and employees and managers discussed using it for non-approved items. Additionally, the EITC program had an unspent balance of approximately \$500K, and similar considerations were made for spending the funds on unrelated items.

Partially Substantiated: IA obtained the close-out documents for the Health Literacy and EITC programs to determine the remaining fund balances and noted the following issues surrounding the Health Literacy and EITC grants.

IA verified with the grants pass-through entity, the City of Albuquerque, that \$247,103 was unspent, which was consistent with CHWI's Health Literacy close-out documents. IA noted that CHWI utilized \$1,143,897 of the \$1,391,000 sub-award.

IA received confirmation from HSC Contracts and Grants, indicating an unspent fund balance of \$330,160, consistent with CHWI's EITC close-out documents. According to the HSC Office of Contracts and Grants' records, the EITC project utilized \$1,019,840 of the \$1,350,000 federal funds authorized.

IA conducted an analysis of grant expenditures for FYs 2022 and 2023 to examine Health Literacy and EITC's non-labor expenses to determine if significant expenses occurred at the end of the grant periods, which may indicate a higher risk of unallowable use of the funds.

It was noted that expenditures significantly increased at the end of the grant period. The increase in expenditures was consistent with allegations of misuse of grant funds reported to IA. The increase in Health Literacy's expenditures towards the end of the project was partially due to the Rural Health Equity conference, which incurred travel and fees totaling \$28,595. It was also noted in its analysis that \$35,250 of expenditures charged to the Health Literacy grant had to be reversed due to the PI's determination that the charges did not comply with the terms and conditions of the grant.

Although CHWI could have requested budget revisions for larger purchases utilizing the Health Literacy grant funds, no requests were made for approval.

Based on its analysis, IA determined that pressures on CHWI management may have increased to utilize unspent grant funds before the end of the grant period. This increased the risk of unallowable costs charged to the grants and potential spending for personal use. IA determined

that adequate internal controls and/or oversight were not sufficient to mitigate the risk of misuse of unspent grant funds at the end of the program period.

Finding 3: Misuse and/or Abuse of Unspent Grant Funds

Condition: Adequate internal controls and/or oversight were not sufficient to mitigate the risk of misuse of unspent grant funds at the end of the program period.

Criteria: Section 885.19 of the Title 30 Code of the Federal Regulations, states, *“All program grant funds are available until expended. If there are any unexpended funds after your grant is completed, we will de-obligate them when we close your grant. We make these unused funds available for re-award to the same certified State or Indian tribe to which they were originally distributed. You may apply for unused funds whenever you choose to request them, either in a new grant award or as an amendment to an existing open grant.”*

According to the Health Literacy Project Agreement, *“The Contractor shall inform the City of any “line-item” revisions to the City Budgets, within the Maximum Compensation shown in this Agreement and shall obtain the City’s prior written approval of any budget line-item change that represents at least Five Hundred Dollars (\$500) or five percent (5%) or more of the line- item amount, whichever is greater, pursuant to the latest approved budget. Provided, however, that any budget revisions must be eligible expenditures under this Agreement. Amendments to this Agreement must be incorporated in written Supplemental Agreements to this Agreement, signed by both parties.”*

Cause: Pressures on CHWI management may have increased to utilize unspent grant funds before the end of the grant period. Failure to obtain required budget revisions per agreement from the pass-through entity, City of Albuquerque, to utilize unspent grant funds with larger purchases, including but not limited to conference fees and travel.

Effect: Misuse of unspent grant funds that increases the risk of negative exposure for the University. Reimbursement of unallowable costs from UNM to the funding agency and reputation risk.

Recommendation 3

CHWI should strengthen internal controls to ensure unspent grant funds are not misused and/or spent on purposes outside of the grant terms and provisions. The Vice President of Finance and Administration for Health and Health Sciences should:

- Implement and enforce processes to ensure unspent grant funds at the end of grant periods are de-obligated during closeout. Adequate processes should be in place to apply for unused funds, either in a new grant award or as an amendment to an existing open grant. This will ensure compliance with section 885.19 of the Title 30 Code of the Federal Regulations when handling unused funds on federal awards.

- Provide training to CHWI employees and management surrounding implemented processes and requirements for unspent grant funds at grant period completion.
- Ensure that CHWI has adequate separation of duties for properly accounting for and utilizing unspent funds. No single individual should have sole responsibility for the initiation, review, and approval of unspent grant funds.
- Ensure adequate processes are in place for the communication of unspent grant funds to the Office of Community Health leadership and HSC Contract and Grant Accounting Office in a timely manner.

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
Targeted Completion Date: 11/30/2025
Assigned to: Vice President of Finance and Administration for Health and Health Sciences
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences will implement the following actions:</p> <ul style="list-style-type: none"> • Establish and enforce grant closeout processes for CHWI to ensure unspent grant funds are properly de-obligated during closeout. Procedures will be developed to support applications for unused funds through new awards or amendments to existing grants. • Provide specific training to CHWI employees and management on the new processes and regulatory requirements related to grant closeout. • Review CHWI segregation of duties in the grant accounting roles and provide recommendation to strengthen internal controls where possible. • Implement clear procedures for reporting unspent grant funds to appropriate offices.

PATHWAYS PARTNERS BUSINESS PURPOSE

The Pathways to a Healthy Bernalillo County program's mission is to connect underserved county residents with health care and other support systems and assist them as they navigate through it. The University contracts with various community organizations that employ community health workers, whose responsibilities include identifying Pathways clients and working with them using a holistic approach; connecting them with the appropriate resources; and following their progress until improved health and wellness outcomes are confirmed.

Pathway Partners' payments represent a significant portion of Health Literacy's overall budget. The Health Literacy grant agreement included a budget for Pathway Partners but did not clearly outline

the specific services to be provided. The agreement should have included detailed instructions for billing procedures, a statement of work from Pathway Partners, and a clear scope of services.

The billing invoices from Pathway Partners to Health Literacy refer to either Health Literacy or COVID Benchmarks. The COVID Benchmark payment is set at \$150.00 for each completed service. During fiscal year 2023, payments were made to eight vendors, totaling \$52,050.

Internal Audit conducted a walk-through of Bernalillo County's Pathway client administration system to obtain an understanding of CHWI's Pathway Partner billing processes and documentation. IA observed transactions and invoices related to Health Literacy or COVID Benchmarks and determined adequate documentation was housed in the system to support a valid business purpose.

Although documentation for COVID Benchmarks supported a valid Health Literacy business purpose, Internal Audit noted CHWI should enhance its Pathway billing information and documentation, particularly for reconciliation purposes. CHWI does not have standard operating procedures (SOP) or policies in place to standardize its billing procedures for Pathway Partners. Additionally, supporting documentation for Pathways billing and business activity is not maintained and readily available for review.

Finding 4: Support for Business Purpose for Pathways Partners Payments

Condition: CHWI lacks a standardized process for its Pathways billing and reconciliation procedures. In addition, supporting documentation for Pathways billing is not maintained and readily available for review.

Criteria: UAP 4000 - Allowable and Unallowable 2.1.1. Sponsored Funds, states, *“University Funds obtained through sponsored awards are subject to special restrictions. The funds must be expended in accordance with applicable laws, the rules and regulations of the sponsoring entity, and the terms and conditions of the award. The university official responsible for administering the sponsored award is responsible for ensuring that expenditures of award funds comply with these restrictions.”*

Adequate documentation supporting a valid business purpose for funds expended should be maintained and available for review.

Cause: CHWI utilizes a third-party, Bernalillo County, to administer the billing and business activity for the Pathway Partner's program. Benchmark requirements are documented in the service agreements but not clearly stated in billing invoices maintained by CHWI.

Due to turnover, CHWI personnel were not familiar with the administration of the Bernalillo County system and the data that was available to support billing activity.

Effect: Risk of overbilling of grants, potential fines and penalties, violations of federal grant agreements, and loss of funding. Increased risk of fraud, waste, and abuse on federal grant agreements.

Recommendation 4

The Vice President of Finance and Administration for Health and Health Sciences should:

- Develop Standard Operating Procedures (SOPs) for billing and reconciliation processes surrounding Pathways to ensure that the billing information aligns with both the general ledger and the actual invoices issued by the vendor.
- Provide training to ensure that CHWI employees understand and fulfill their responsibilities effectively in Pathways billing procedures. Training should include a demonstration of the purpose and administration of the Bernalillo County system for Pathways business activity.
- Ensure adequate documentation supporting business activity and billing for Pathways is maintained by CHWI and readily available for review.

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
Targeted Completion Date: 11/30/2025
Assigned to: Vice President of Finance and Administration for Health and Health Sciences
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences acknowledges the need to strengthen billing and reconciliation processes for the Pathways program and will take the following steps to address the recommendations:</p> <ul style="list-style-type: none"> • To improve alignment between vendor invoices, the general ledger, and billing records, CHWI will develop comprehensive Standard Operating Procedures (SOPs) that clearly define roles, timelines, and reconciliation checkpoints. These SOPs will be designed to ensure consistency, accuracy, and transparency across all billing activities. • In support of these procedures, CHWI staff will receive targeted training that not only covers billing responsibilities but also includes hands-on instruction in the Bernalillo County system used for Pathways business activity. This will help ensure staff understand both the technical and operational context of their work. • To reinforce accountability, CHWI will implement a documentation protocol that ensures all billing and business activity records are systematically maintained and readily accessible for internal and external review. This will support audit readiness and promote confidence in the program's financial practices.

BUDGET MANAGEMENT AND CONTROLS

Concerns were reported surrounding internal budgetary controls at CHWI. No established approval process or standardized method for reconciling actual expenditures to approved budgets is in place. In addition, conflicts exist among managers and employees regarding budget allocation and expenditure control.

IA assessed the effectiveness and efficiency of CHWI's budgetary controls over local, state, and federal grants. IA determined that CHWI's budgetary controls are not always effective for mitigating the risk of non-compliance with budget grant agreements and monitoring actual grant expenditures against the budget.

IA assessed CHWI's budgetary controls by performing the following:

- Review of year-to-date reconciliations for FYs 2022 and 2023 in the My Reports system against the grant budgets.
- Completing budget-to-actual analysis of non-labor operating expenses for the Health Literacy and EITC grants. For the Health Literacy grant budget management, IA would expect the YTD "My Reports" budget per Banner and the Health Literacy Grant agreement budget should reasonably match. IA assessed the two budgets to determine whether CHWI accurately entered the Health Literacy budgets into Banner for FY 2022 and FY 2023. The analysis indicated that in FY 2022, the budget entered into Banner for non-labor expenses was under budgeted by \$5,000, whereas in FY 2023, it was over budgeted by \$88,889.93. In both FYs 2022 and 2023, actual expenditures were under the budgeted amounts.

In addition, IA noted inconsistencies with approved budgets within the EITC and Health Literacy grants and budgets entered in Banner for budget monitoring. Budgeted line items, or functions, are not consistent between the grant agreement and Banner. IA noted the EITC agreements did not include detailed line-item budget amounts. Therefore, IA could not determine where line-item budget amounts entered into Banner were derived from.

Without adequate budgets for monitoring the use of funds, the risk of unspent and overspent grant funds and unallowable costs is increased.

Finding 5: Reconciliation of Actual Expenditures to Approved Sponsor Budgets

Condition: Reconciliation of expenditures to approved sponsor budgets processes for grant funds is not always consistent. Approved non-labor expense budgets per grant agreement and non-labor expenses entered into Banner per "My Reports" are not comparable for the Health Literacy and EITC grants.

Criteria: *UAP Policy 7000 - Budgets and Reserves states, “The University has limited funds, and department heads are responsible for ensuring the most effective, efficient use of those funds. Budgets are valuable tools for measuring performance because they reflect planned activities. Department heads should review their budgets regularly to identify positive and negative variances between expected expenditures and actual costs. These variances will help the department head determine if goals and objectives are being met and if unanticipated events are negatively impacting the department's ability to meet its goals and objectives.”*

According to the Health Literacy Project Agreement, CHWI shall inform the City of any “line item” revisions to the City budgets and shall obtain the City’s approval of a budget line-item change of anything over \$500 or 5%. Amendments to this agreement must be incorporated into written supplemental agreements to this agreement, signed by the parties.

Cause: Approved budgets per grant agreements may not be carefully compared to actual expenditures in Banner. Approved budgets in grant agreements may not always be clear.

Effect: Risk of overspending or underspending grant funds. The risk of unallowable costs and misuse of grant funds is increased.

Recommendation 5

Internal controls over the CHWI grant reconciliation process should be strengthened. The Vice President of Finance and Administration for Health and Health Sciences should work with HSC Contracts and Grants to:

- Implement a process for reconciling approved budgets per grant agreements with the amount entered into Banner at the beginning of the award period and for each fiscal year.
- Implement formal approval procedures for grant budgets and establish standardized budgeting policies and procedures.
- Define roles and responsibilities related to the CHWI budget process, including but not limited to preparation, approval, execution, and monitoring of the budgeted grant expenditures.
- Create a training program to raise awareness about budgeting and monitor the actual amounts compared to the budget entered in Banner.

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
Targeted Completion Date: 11/30/2025
Assigned to: Vice President of Finance and Administration for Health and Health Sciences
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences recognizes the importance of strengthening budget oversight and consistency within the CHWI program. To address the recommendations, a multi-phase approach will be implemented to improve budget integrity and operational accountability.</p> <ul style="list-style-type: none"> • A reconciliation framework will be developed to ensure that approved grant budgets are accurately reflected in Banner at the start of each award period and updated annually. This process will include validation checkpoints and coordination with the HSC Contract and Grant Accounting Office to ensure alignment with grant agreements. • To formalize budget governance, standardized policies and procedures will be established for budget development, approval, and monitoring. These will be supported by clearly defined roles and responsibilities across CHWI personnel, ensuring transparency and accountability throughout the budget lifecycle—from planning to execution. • In addition, a targeted training initiative will be launched to build budgeting competencies among CHWI staff. This program will emphasize the importance of comparing actual expenditures to budgeted amounts in Banner and will promote proactive financial management practices.

MANAGEMENT OF PARTICIPANT INCENTIVES – GIFT CARDS

Allegation 3: During interviews with certain CHWI employees, it was alleged that gift cards were misused for the Health Literacy grant.

On February 2, 2024, CHWI personnel disclosed the misuse of participant incentives in the form of gift cards under the Health Literacy grant. The employee indicated that some gift cards had not been distributed as intended, and there were uncertainties about the appropriateness of giving gift cards to employees and partners.

In addition, regarding the EITC, a former CHWI employee informed IA that CHWI employees and managers purchased approximately \$1,985 worth of personal items from the bookstore, which were incorrectly classified as incentives. The personal items purchased from the bookstore included polo shirts, sweaters, eyeglasses, socks, and a megaphone jar. These items were reported as incentives, even though they should have been disallowed.

Substantiated: IA confirmed that CHWI did not follow UAP Policy 2480 – Incentives for Participant Program and incentive accounting. IA determined that unused gift cards were not properly tracked, managed, and safeguarded.

A CHWI employee submitted an email and supporting documentation indicating that participant incentive gift cards were distributed under the Health Literacy grant. He noted that six (6) \$50 gift cards were unaccounted for and that the attached logs lacked sufficient information to verify the distribution to participants. Furthermore, it was found that UNM policy was not adhered to regarding completing participant incentive forms.

Per review of gift cards charged to the Health Literacy grant, IA determined that there were six (6) missing gift cards and logs with no participants' information. In addition, IA determined that four (4) gift cards totaling \$2,950 were unallowable, considering CHWI did not comply with UAP Policy 2480: Incentives for Participant Program. Gift card logs, participants' signatures, ID numbers, or dates were not received, and they were not in line with the Health Literacy agreement. The following presents the four (4) gift card purchases deemed unallowable.

Participant Incentives - Health Literacy

Transaction Date	Chrome River No.	Vendor	Amount
12/16/2022	10055837278	MAVERIK #618	\$ 700
12/16/2022	10055837278	MAVERIK #618	1,000
12/16/2022	10055837278	MAVERIK #618	550
12/16/2022	10055837278	MAVERIK #618	700
			<u>\$ 2,950</u>

Per review of gift cards charged to the EITC grant, IA determined that there were five (5) gift cards totaling \$5,635, including \$1,985 of “incentives” purchased at the UNM Bookstore. These gift cards are considered unallowable, considering CHWI did not comply with UAP Policy 2480: Incentives for Participant Program. There were no gift card logs, participants' signatures, ID numbers, or dates received, and they were not in line with the EITC agreement. The following presents the five (5) gift card purchases deemed unallowable.

Participant Incentives - Earned Income Tax Credit

Transaction Date	Document No.	Chrome River No.	Vendor	Amount
8/2/2022		10053006744	Wal-Mart	\$ 650
9/7/2022		10053705936	Wal-Mart	1,000
9/21/2022		10054117926	Wal-Mart	1,000
9/26/2022	BS003450		UNM Bookstores	1,985
3/17/2023		10057845618	Wal-Mart	1,000
				<u>\$ 5,635</u>

The total charged to the EITC grant includes \$1,985 of items purchased at the UNM Bookstore. These purchases were made by the former Program Specialist. IA reviewed the transactions and noted purchases included polo shirts, sweaters, eyeglasses, socks, etc. Although these items do not appear to be for a valid business purpose and are deemed unallowable, IA could not determine that these items were purchased for personal use. The Program Specialist's employment at UNM was terminated on June 30, 2023.

Finding 6: Management of Participant Incentives – Gift Cards

Condition: CHWI does not properly track, manage, and safeguard gift cards. Gift card logs for tracking information such as names, signatures, and dates of incentives provided to participants who are awarded gift cards or incentives are not adequately maintained. IA determined gift cards and incentives totaling \$2,950 charged to the Health Literacy grant and \$5,635 charged to the EITC grant are unallowable.

Criteria: UAP 2480 Incentives for Program Participants 3.1. Incentives of Less than \$600 in a Calendar Year states, "When incentives to individual participants total less than \$600 in a calendar year, departments should use the Participant Receipt Form (for less than \$600) to track basic information for internal departmental use. These forms collect the following information, which should be collected from each participant before the incentive is distributed:

- *Name of the participant (or unique identifier for confidential studies).*
- *Participant's signature (or checkmark for confidential studies) acknowledging the receipt of the incentive.*
- *A date incentive was provided to the participant.*
- *Value (for cash) or fair market value (for non-cash) of the incentive.*

The Participant Receipt Form (for less than \$600) is for internal departmental use only, and should not be forwarded to any other office unless specified on the form."

Cause: Lack of established processes and adequate internal controls for logging gift cards and incentives.

Effect: The risk of unallowable purchases and personal use of gift cards and incentives is increased. In addition, the lack of documentation on the gift cards used by participants results in non-compliance with UNM Policies.

Recommendation 6

Internal controls should be strengthened for the distribution of gift cards and their participant incentives. The Vice President of Finance and Administration for Health and Health Sciences should:

- Designate a gift card custodian (someone who is not involved in purchasing or approving gift card purchases) to maintain a gift card log that keeps track of gift card distributions. The logs should record the recipient information by the UNM participant. The gift card information should include, at a minimum, the recipient's name or study subject ID number, date of payment, purpose of payment, gift card serial number, payment amount, and the recipient's signature/initials (or email address for electronic cards).
- Work with the HSC Contract and Grant Accounting Office to determine appropriate action for unallowable costs of \$2,950 charged to the Health Literacy grant and \$5,635 charged to the EITC grant for gift cards and Bookstore purchases.

Response from the Vice President of Finance and Administration for Health and Health Sciences

Action Items
Targeted Completion Date: 11/30/2025
Assigned to:
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences acknowledges the need to strengthen controls surrounding gift card distribution and address the identified unallowable costs charged to the Health Literacy and EITC grants.</p> <ul style="list-style-type: none"> • The Office of the Vice President of Finance and Administration for Health and Health Sciences will work with CHWI to create, document and implement a revised SOP for gift card management protocol that includes the designation of a custodian independent of purchasing and approval functions. This role will be responsible for maintaining a detailed distribution log that captures all required recipient and transaction information, ensuring traceability and audit readiness. For electronic gift cards, appropriate digital documentation will be collected to verify receipt. • The Office of the Vice President of Finance and Administration for Health and Health Sciences will collaborate with the HSC Contract and Grant Accounting Office to review the unallowable charges and determine appropriate corrective actions. This may include reclassification of expenses, reimbursement, or other measures consistent with UNM policy and federal grant requirements.

SINGLE DAY PARKING PERMITS

Allegation 4: CHWI purchased 100 daily parking passes that they claimed were for clients to come to their office. However, CHWI's employees and managers were abusing or misusing the parking permits for personal use.

Partially Substantiated: Internal Audit noted that CHWI does not adequately maintain a parking permit log to track and safeguard parking permits purchased for customers or clients. The parking permit logs are often incomplete and lack required information such as names and signatures, and the signed in/out date and time. However, there was no evidence to determine whether employees were abusing or misusing the parking permits for personal use, due to a lack of an audit trail and inadequate maintenance of the parking permit log.

Finding 7: Parking Permit Logs

Condition: CHWI does not adequately maintain a parking permit log to track and safeguard parking permits purchased for customers or clients.

Criteria: UAP 4000, Section 6, states, "*It is prohibited to use University funds for any type of personal benefit, other than for salary and benefits to which employees are entitled under University policy.*"

Parking Permit Logs should be maintained to track and safeguard parking permits purchased for customers or clients.

Cause: Lack of internal controls for the proper utilization of single-day parking permits. CHWI does not have standardized procedures for tracking, managing, and logging parking permits for customers or clients.

Effect: The lack of effective controls over parking permit log maintenance by CHWI could lead to waste, abuse, and fraud surrounding parking permits.

Recommendation 7

The Vice President of Community Health should ensure CHWI:

- Develop a Standard Operating Procedure for the maintenance of guest parking permits, including parking permit logs that include the permit number, name and signature of the user, purpose of the visit, date, and signed/out time.
- Ensure that the parking permit logs are reconciled to existing parking permits promptly.

Response from the Vice President of Community Health

Action Items
Targeted Completion Date: 11/30/2025
Assigned to: Vice President of Finance and Administration for Health and Health Sciences
<p>Corrective Action Planned: The Vice President of Finance and Administration for Health and Health Sciences recognizes the importance of improving oversight and documentation related to guest parking permits within CHWI operations.</p> <ul style="list-style-type: none"> • To enhance accountability and ensure proper tracking, the Office of the Vice President of Finance and Administration for Health and Health Sciences will work with CHWI to implement a formal procedure for managing guest parking permits. This will include a structured logging system that captures essential details of each permit's use and establishes clear responsibilities for issuing, recording, and reconciling permits. The process will be designed to minimize risk of misuse and ensure that all permits are accounted for in a timely and verifiable manner. • The Office of the Vice President of Finance and Administration for Health and Health Sciences will also work with CHWI to develop reconciliation practices to ensure that permit logs are regularly reviewed against the inventory of active permits. This will support operational transparency and readiness for internal or external review.

OTHER REPORTED CONCERNS:**Travel and Conference Fee Costs – Rural Health Equity Conference (San Diego, CA) & Office of Minority Health Grantee Conference (Atlanta, GA) - Health Literacy Program**

Allegation 5: There were 27 employees that attended a Rural Health Equity Conference in San Diego, CA. The Rural Health Equity Conference occurred June 14 -19, 2023, toward the end of the Health Literacy project, which ended on June 30, 2023. Reportedly, approximately \$63,000 was inappropriately spent on this conference.

It was alleged that CHWI management intended to charge the Health Literacy program the \$63,000 in Rural Health Equity Conference costs. However, the grant's pass-through entity, City of Albuquerque, denied this request. Conference costs were subsequently allocated among various indices.

Internal Audit performed audit procedures to determine the allowability of conference fees and travel related costs considering the timing and costs of these events. The Health Literacy project was set to conclude on June 30, 2023, while both conferences occurred toward the end of this grant period.

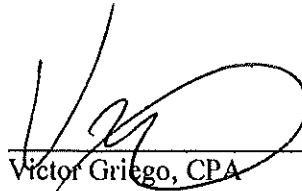
The total travel costs and fees for the Rural Health Equity Conference amounted to \$64,515 and were allocated across multiple grants. Of this total, the Health Literacy project incurred costs of \$28,595 for eleven employees to attend the San Diego conference.

The total expenses associated with the Office of Minority Health Grantee Conference were \$9,893.

IA verified that the Principal Investigator (PI) requested and obtained approval from the City of Albuquerque for conference fees and travel cost to attend the Rural Health Equity Conference in San Diego, CA, from June 14-19, 2023 and the Office of Minority Health Grantee Conference in Atlanta, Georgia, from June 3 - 6, 2023.

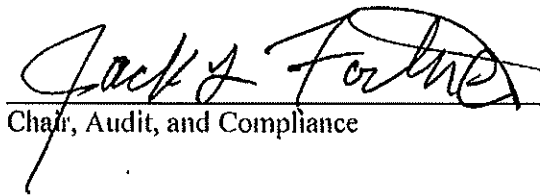
Therefore, conference fees and travel charged to the Health Literacy Grant are deemed allowable considering approval was obtained from the sponsoring entity.

APPROVALS



Victor Griego, CPA
Director, Internal Audit Department

Approved for Publication



Jack Fortune
Chair, Audit, and Compliance