



March 21, 2018

VIA ELECTRONIC MAIL

Dr. Garnett Stokes, President
University of New Mexico
1 University of New Mexico
MSC05 3300
Albuquerque, NM 87131

Dear President Stokes:

This letter is to inform you that the Higher Learning Commission (“HLC” or “the Commission”) has reviewed the report of the special audit of the University of New Mexico (“the University” or “the institution”) conducted by the New Mexico Office of the State Auditor (“the Auditor”). This special audit stemmed from reports published by local media outlets in early 2017, regarding the University and its components, with specific focus on the University’s athletics department. The Commission was made aware of the special audit through these reports.

As you recall, on August 15, 2017, members of my staff informed you in writing that the Commission became aware of the special audit. In that letter, staff requested a brief report regarding the audit; including an overview of the events that triggered the audit, information regarding any preliminary findings, and information regarding any actions taken by the University in response to the audit. Additionally, staff indicated that the requested report would be reviewed under the assumption that the University would submit the final audit upon completion.

The Commission received the University’s report on September 14, 2017, in addition to a letter from the Office of the State Auditor, affirming the University’s cooperation with the audit process, on September 19, 2017. In these materials, the University stated that the audit was triggered by a May 2017 media report regarding overseas trips for prospective donors and its oversight of financial expenses within the athletics department. Furthermore, the University provided an overview of corrective actions that had been taken in response to the University’s internal review, which included: implementation of monthly reviews of expenses, reviews of internal policies and controls related to employee expense accounts, and the creation of new procedures regarding certain operations within the athletic department. Additionally, the University stated that it is developing additional policies, including an office policy manual, and that it would also implement any corrective action recommended by the Auditor.

On November 15, 2017, the University provided the final audit for review and the Commission has since reviewed the report and the findings contained therein. Additionally, it must be noted that the

University concurred with the findings of the Auditor. Based on this review, the findings of the Auditor can be summarized as the following:

- The University lacked internal controls and guidance as to the division of responsibilities among staff and its related entities;
- The lack of internal controls and guidance resulted in the University and its components having insufficient oversight of its revenues and finances;
- The University's oversight of certain funds related to the athletic department "led to an appearance of impropriety at best, and violations...of the New Mexico constitution at worst";
- The University had a range of weaknesses in its internal controls, which were indicative of the University administration's failure to provide proper oversight of its operations; and
- Weaknesses in internal controls resulted in the failure to effectively ensure adherence to various University policies, including those related to Conflict of Interest, cash advances, and employee reimbursements.

As the report of the special audit makes clear, HLC maintains standards regarding an institution's oversight of its operations, including both its financial and academic operations. The special audit indicates that the University did not maintain proper oversight of its operations and did not ensure the effectiveness of its policies and procedures and such conclusions raise concerns as to the University's compliance with the Commission's Criteria for Accreditation and Assumed Practices.

Commission Policy INST.F.10.010, Routine Monitoring and Data Collection, states that an institution on the Open Pathway may be required to file one or more interim reports. As part of this policy, Commission staff has the ability to recommend that the institution be required to file such a report. Because the University is currently scheduled to undergo its comprehensive evaluation for Reaffirmation of Accreditation in February 2019, HLC is recommending that the University be scheduled for interim monitoring, based on the findings contained in the special audit, and this recommendation has been submitted to the Institutional Actions Council ("IAC") for review.

Specifically, HLC is recommending that the University be required to submit an interim report no later than August 1, 2018. This report should detail all actions taken by the University in response to the findings of the audit. The report should also clearly articulate the University's ongoing compliance with the following Criteria for Accreditation in light of the aforementioned findings regarding the University's internal controls, financial management, policies and procedures:

- Criterion Two, Core Component 2.A: The institution operates with integrity in its financial, academic, personnel, and auxiliary functions; it establishes and follows policies and processes for fair and ethical behavior on the part of its governing board, administration, faculty and staff;
- Criterion Five, Core Component 5.A: The institution's resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future; and

- Criterion Five, Core Component 5.B: The institution's governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission.

It is important to emphasize that the report will be focused on significant issues of fiscal management, as noted in the list above, and not on, for example, the University's oversight of athletics or handling of charitable contributions per se. The report will focus on compliance with these areas as they relate to the findings in the audit.

The IAC will review the monitoring recommendation of this interim report at its next regularly scheduled meeting, which will occur on April 30, 2018. The College will be notified following the IAC meeting as to whether this recommendation has been approved. If the IAC approves scheduling the University for monitoring and has any further requirements related to the content of the interim report, the University will receive further clarification regarding the requirements for monitoring at that time.

Thank you for your cooperation. If you have any questions about this letter, please contact your HLC Staff Liaison, Dr. Mary Vanis.

Sincerely,



Barbara Gellman-Danley
President

Cc: Joseph Suilmann, Accreditation Program Manager, University of New Mexico
Mary Vanis, Vice President for Accreditation Relations, Higher Learning Commission
Anthea Sweeney, Vice President for Legal and Governmental Affairs, Higher Learning Commission