



HIGHER LEARNING COMMISSION

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November 29, 2018

President Garnett Stokes
University of New Mexico
1 University of New Mexico
MSC05 3300
Albuquerque, NM78131

Dear President Stokes:

The interim report you submitted to our office has now been reviewed. The staff analysis of the report is attached.

On behalf of the Higher Learning Commission staff received the report on actions taken by the University in response to the findings of the audit by the New Mexico Office of the State Auditor. No further reports are required on this topic.

The institution's next reaffirmation of accreditation is scheduled for 2018 – 2019.

For more information on the interim report process contact Lil Nakutis, Accreditation Processes Manager, at lnakutis@hlcommission.org. Your HLC staff liaison is Mary Vanis (mvanis@hlcommission.org); (800) 621-7440 x 103.

Thank you.

HIGHER LEARNING COMMISSION



STAFF ANALYSIS OF INSTITUTIONAL REPORT

DATE: November 29, 2018

STAFF LIAISON: Mary Vanis

REVIEWED BY: Steven Kapelke

INSTITUTION: University of New Mexico, Albuquerque, NM

EXECUTIVE OFFICER: Dr. Garnett Stokes, President

PREVIOUS COMMISSION ACTION AND SOURCES: An interim report is required by 8/1/2018 on all actions taken by the University in response to the findings of the audit by the New Mexico Office of the State Auditor. The report should also clearly articulate the University's ongoing compliance with the following Criteria for Accreditation in light of the 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; its 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 the enable the institution to fulfill its mission.

REPORT PRESENTATION AND QUALITY: The University of New Mexico (UNM) interim report is presented in a succinct, but well crafted narrative supplemented with relevant supporting materials in extensive appendices. These documents include the Audit of Athletics Administration, the University of New Mexico Special Audit from July 1, 2014 through June 30, 2017, and an internal memoranda pertaining to an investigation conducted by the institution regarding an international trip taken by the University's golf team, among a range of other materials.

REPORT SUMMARY: Following a brief introductory section that provides context for the body of the report, the document is presented in three parts—the first summarizing the findings regarding the Department of Intercollegiate Athletics (“Athletics”); the steps taken to date to address these issues; and a description of the current state of governance at the University of New Mexico.

General Summary of Findings on the Department of Intercollegiate Athletics. This part of the report provides an enumerated list of the findings resulting from the institution’s Internal Audit of Athletics Administration for FY 2016 and FY2017. These findings fall into four general categories:

1. *Fiscal Management*
2. *Deficit*
3. *Gender Equity in Athletics Participation*
4. *Governance and Accountability.*

The report provides narrative summaries for each of these four categories, noting, for example, with respect to Governance and Accountability, that “*The report of the New Mexico Office of the State Auditor emphasized that the specific findings with respect to ‘weaknesses in internal controls’ in the Department of Athletics were ‘indicative of a historical tone-at-the-top that resulted in failure to address findings and improve controls....’*” and, further “*‘Ultimately it falls upon the Regents of the University of New Mexico, as the governing body, to ensure that UNM in general, and Athletics in particular, maintain the highest level of financial accountability....’*”

The second main part of the interim report is titled *Overview of Actions Taken to Date*, which begins by noting a significant change in financial management with regard to Athletics. The change essentially integrates much of the fiscal oversight for the Department of Intercollegiate Athletics into “*existing central units for audit, accounting and human resources.*” Here the report also notes the discontinuation of several athletic programs, the institution’s reaffirmed commitment to Title IX, and the initiation of a deficit reduction plan. In addition, the document provides a timeline of eight key actions related to Athletics, beginning with the April 17, 2018/June 12, 2018 entry, stating,

April 17, 2018 and June 12, 2018: Determination by a UNM Athletics Budget Task Force of adequate expenditure authority for the FY18 budget, followed by development of a balanced FY19 budget and a sustainable deficit reduction plan to address the department’s recurring and accumulated deficit (Appendix I, Appendix J)

The timeline includes other entries that address such related issues as centralization of key financial functions (May 3, 2018), completion of the internal audit (May 16, 2018), and elimination of several athletics programs with corresponding increase “in some women’s programs in compliance with Title IX (July 19, 2018). The timeline culminates with an entry that carries a projected completion date of September 1, 2018, which makes reference to changes in human resources oversight/personnel matters and the implementation of recommendations stemming from the internal audit.

Status of Governance and Accountability at the University of New Mexico is the third major part of the report. This part of the report, which is presented in a first person narrative “voiced” by the UNM President, begins with a statement that cites as priorities, “*assurance of solvency, transparency, and sound fiscal management in the Department of Intercollegiate Athletics.*” Here the document identifies several key initiatives undertaken recently in support of these priorities.

- Commissioning two external consultant reports and an internal audit, the results of which have been made public on the Office of the President’s website and Board of Regent websites.
- Completion and Board adoption of a budget and deficit reduction plan for Athletics that includes modest tuition and fee increases and “*a slight premium on upper division courses.*”
- More generally, a commitment to working transparently within governance and administrative structures to address challenges and ascertain that UNM is fulfilling its mission—evidenced by what the report terms “*The collaboration between the Board of Regents, my [President’s] office and other units and constituents on both the March tuition increase measure and on fiscal and administrative reform of the Department of Intercollegiate Athletics...*”

REPORT ANALYSIS: The University of New Mexico interim report provides clear evidence confirming that the institution has taken measures to address issues identified in the March 21, 2018 HLC Action Letter with regard to the results of the special audit of the University of New Mexico conducted by the New Mexico Office of the State Auditor.

The report is written in a manner that outlines clearly each of the actions undertaken by UNM to establish insure the institution’s integrity, solidify its resource base, and ascertain that its administrative and governance structures provide effective leadership and appropriate oversight of the institution’s operations.

More specifically, the University, under the leadership of the current President and with the apparent support of the Board of Regents, has effected a range of relevant measures, some noted in the Report Summary above. These include the reorganization/restructuring of financial oversight/control in the Department of Intercollegiate Athletics (“Athletics”) beginning during the 2017-2018 academic year. As one aspect of this change, Athletics financial operations, which had been “*managed...autonomously,*” were integrated into the Financial Shared Service Center of Academic Affairs through a service agreement for managing athletics finances, including its budget functions.

In that regard, the institution also completed its Internal Audit of Athletics Administration and, at approximately the same time, completed an assessment of its Title IX compliance “*through a comprehensive, independent review*” by an external consultant. Subsequently, to ensure the University’s ability to meet its Title IX compliance requirements, the institution undertook changes to its athletic programs, eliminating some, and increasing “*participation opportunities in some women’s programs in compliance with Title IX through careful roster management.*”

The report also describes actions taken by the institution to address related concerns pertaining to the operating budget. The report notes ongoing deficits in Athletics that stood at approximately \$2.1 million for FY2018 and were expected to increase if no changes were initiated. The remedies, which are also noted in the Report Summary above, include modest general increases in tuition and fees and an imposition of specific fees for upper level classes. These increases—2.5% for tuition and 2.39% in student fees—emerged from what the report terms “*careful collaboration between my [President’s] office, the Board of Regents, the Budget Leadership Team (including faculty membership, Academic Affairs, EVP for Administration, the Faculty Senate, and the Associated Students of UNM and the Graduate and Professional Students Association.*” These measures, state allocations, and other revenue sources appear to have enabled the institution to continue to carry out its educational purposes; and further, have enabled the UNM main campus to maintain a total Instruction and General (I&G) reserve balance of approximately 10%, 3% required by the New Mexico Higher Education Department.

The University of New Mexico (Including Certain Component Parts) Special Audit, conducted by the Office of the State Auditor, contains this language with regard to the oversight responsibility of governing boards and the University administration:

Governing boards and the University administration are responsible for developing and enforcing appropriate policies across the spectrum of entities that may be involved in Athletic fundraising and expenditure. The Knight Commission observed:

“Boards need to take a stand in bringing about a new era of heightened accountability in the domain of intercollegiate athletics. All too often, boards are unclear about the financial model, whether the athletics program is self-sufficient, or whether athletics programs are supported by institutional funds (often derived from student fees and other sources). In rare but well-known instances, boards have been lax in assessing institutional risks in athletics—with dire consequences for their institutions.”

Ultimately, it falls upon the Regents of the University of New Mexico, as the governing body, to ensure that UNM in general, and Athletics in particular, maintain the highest level of financial accountability and inspire confidence in donors, students, alumni and the public...Accordingly it is incumbent on the Regents to create a governance structure that achieves maximum accountability and transparency while maintaining the necessary independence of the related entities. As the famed management consultant Peter Drucker observed, ‘The best structure will not guarantee results and performance. But the wrong structure is a guarantee of nonperformance.’

The Auditor’s report then notes several “*governance and structural concerns that contributed to the Findings in this Report*” Among other concerns, these conclude that “*a complex web of transactions clouds and distorts most efforts by the public or even*

University executives to be able to draw clear lines of accountability for many expenditures.”

As pertains to the Audit Report excerpt above: It is apparent from the materials provided in the report, some of which are cited above, that the current administration has taken steps to establish systems that has given priority to stronger management controls and greater transparency with regard to the Department of Intercollegiate Athletics. The collaboration between the administration and the Board of Regents is also noteworthy and gives some indication of more effective oversight on the part of the Board, though it is less clear the extent to which the Board has committed to clearly defined systems that characterize its oversight responsibilities. This collaboration also appears to have made some initial progress in addressing issues pertaining to the UNM operating budget and the Athletics deficits noted in the Auditor’s Report.

Analysis Concluding Statement: The University of New Mexico has made notable improvements with regard to the specific issues identified in Core Components 2.A, 5.A and 5.B. The Higher Learning Commission acknowledges this progress and will not require additional reporting on this matter.

However, virtually all of the remediating actions identified in the institution’s interim report are newly established or are works in progress, and the issues pertaining to financial stability and effective management, administration and Board oversight will need ongoing attention on the part of the institution. (Please note the designations in the Staff Finding section below.) The University should assume that the HLC Peer Review Team that conducts the institution’s AY2018-2019 Comprehensive Evaluation will examine its continued progress in these areas.

STAFF FINDING:

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): Core Component 2.A

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): Core Component 5.A

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): Core Component 5.B

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

STAFF ACTION: Receive the report on actions taken by the University in response to the findings of the audit by the New Mexico Office of the State Auditor. No further reports are required on this topic.

The institution's next reaffirmation of accreditation is scheduled for 2018 – 2019.