

July 30, 2018

President Gellman-Danley
Higher Learning Commission
230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411

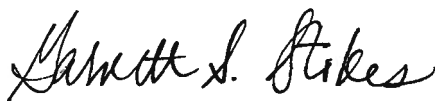
Dear President Gellman-Danley,

I am submitting the attached interim report in response to the May 4, 2018 notification and official record of action by the Institutional Actions Council of the Higher Learning Commission. The University of New Mexico appreciates the opportunity to explain the status of its internal controls, financial management, policies and procedures and to demonstrate new measures taken to ensure ongoing financial integrity and financial stability in the Athletics Department and in the university as a whole.

As the new president of the University of New Mexico, I have prioritized development of sound and transparent fiscal management in the Department of Intercollegiate Athletics. This is a critical priority not only because of the need for solvency in the department but also because of our responsibility to assure broad institutional integrity.

We would be happy to provide any further documentation that you may request and we look forward to our accreditation site visit in March of 2019.

Sincerely,



Garnett S. Stokes
President

CC: Dr. Mary Vanis, President for Accreditation Relations

University of New Mexico Interim Report to the
Institutional Actions Council of the Higher Learning Commission

Submitted July 30, 2018 By
President Garnett Stokes

On May 4, 2018, the Institutional Actions Council of the Higher Learning Commission requested that the University of New Mexico provide an interim report articulating ongoing compliance with core components of several HLC accreditation criteria (Appendix A). The request was made in light of news items about the financial management and oversight of UNM's Department of Intercollegiate Athletics.

The New Mexico Higher Education Department notified the Higher Learning Commission of an ongoing state audit in the spring of 2017 (Appendix B). In August 2017, the HLC requested an initial response from UNM (Appendix C), which was provided by then Interim President Chaouki Abdallah on September 14, 2017 (Appendix D). That response included an overview of the situation, information on preliminary findings, and initial actions taken by the university. On November 10, 2017, the New Mexico Office of the State Auditor completed its audit of the UNM Department of Intercollegiate Athletics.

With reference to the audit findings, the Institutional Actions Council expresses concern that UNM "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." Specifically, the IAC requests that UNM clearly articulate ongoing compliance with Criterion Two, Core Component 2.A, and Criterion Five, Core Components 5.A and 5.B.

This interim report provides: 1) a General Summary of Findings on the Department of Intercollegiate Athletics; 2) an Overview of Actions Taken to Date; and 3) an Account of the Status of Governance and Accountability at UNM.

1) General Summary of Findings on the Department of Intercollegiate Athletics

1. Fiscal Management: An Internal Audit of Athletics Administration for fiscal years 2016 and 2017 determined that Athletics a) did not have a comprehensive business manual that covers the key operational processes; b) reconciled certain revenue accounts at fiscal year-end rather than monthly and based budgeting on projected revenues and accruals that were not adjusted throughout the year to reflect shortfalls; c) engaged in a "practice of untimely account reconciliation [that] increase[d] the risk of over-expended budgets, misstatement of revenues for financial reporting, and year-end deficits" (Appendix E: 3).

2. Deficit: The Analysis and Review by the Department of Intercollegiate Athletics states, "Prior to the infusion of institutional funds and land-sale proceeds, the Athletics Department's projected deficit for FY18 stood at approximately \$2.1 million.

If the Department continues down its current path, the projections in future years will only increase the annual deficit. In addition, these annual deficits do not consider a cumulative deficit over the past 10 years of approximately \$4.7 million, which Athletics is tasked to pay back at a \$500,000 annual cost beginning in FY21, as outlined in the New Mexico Higher Education Department financial master plan approved by the UNM Board of Regents" (Appendix F: 3).

3. Gender Equity in Athletics Participation: An independent review of equity in UNM Athletics by Helen Grant Consulting revealed that "there is a minus 11.6% difference, favoring men, between the male and female participation rates [in athletics] and the male and female full-time, undergraduate enrollment rates, which is equivalent to approximately 145 participation opportunities" (Appendix G: 3).

4. Governance and Accountability: 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, creating an environment susceptible to fraud, waste, and abuse." The State Auditor continues: "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. As the Higher Learning Commission accreditation criteria explain, the governing board must 'make decisions in the best interest of the institution and to assure its integrity.'" (Appendix B. Findings 2017-007 and 2017-008).

2) Overview of Actions Taken to Date

At the University of New Mexico, central procedures for audit, oversight, and financial management are compliant, regular, and transparent. However, prior to Fall 2017 and the appointment of new Director Eddie Nuñez on September 5, 2017, the UNM Department of Intercollegiate Athletics managed operations autonomously, leading to systemic faults in budgeting and fiscal management and an ongoing financial deficit. Moving forward, the broad remedy to fiscal oversight problems faced by the department is to integrate management of its core functions into existing central units for audit, accounting, and human resources (Appendix H). These units have the knowledge, skill set and resources for fiscal administration of the athletics organization. With this support, the UNM Department of Intercollegiate Athletics will eliminate several sports programs, reaffirm commitment to Title IX through representation in athletics program rosters that is proportionate to UNM undergraduate enrollment, and follow a deficit reduction plan.

Since I took office as president on March 1, UNM has taken the following measures to ensure fiscal compliance and sustainability of the UNM Department of Intercollegiate Athletics:

1. 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);
2. May 3, 2018: Centralization of core fiscal functions: the Financial Shared Service Center of Academic Affairs established a service agreement for managing athletics budgeting and finance (Appendix K);
3. May 16, 2018: Completion of an Internal Audit of Athletics Administration, including specific recommendations (Appendix E);
4. May 18, 2018: Completion of an assessment of Title IX compliance through a comprehensive, independent review by Helen Grant Consulting of the Athletics Department's Title IX practices (Appendix G);
5. July 17, 2018: Completion of an "Analysis and Review" by the Department of Intercollegiate Athletics (Appendix F);
6. July 19, 2018: Elimination of several athletics programs in a decision of the Board of Regents with President Garnett Stokes (elimination of men's soccer, men's and women's skiing, women's beach volleyball, women's diving, reduction in men's track and field participation slots, and increases in participation opportunities in some women's programs in compliance with Title IX through careful roster management) (Appendix L; also see <http://regents.unm.edu/> for minutes of the meeting, which have not been posted as of the time of this report).
7. July 25, 2018: Completed implementation of 12 of 20 recommendations in Internal Audit (Appendix M; see Appendix E for the full report).
8. Projected September 1, 2018: Administration of personnel matters by UNM Human Resources; possible referral of advising, compliance, and communications to central units; completed implementation of all recommendations of Internal Audit (Appendix M).

As the supporting evidence in the appendices indicates, UNM is committed to implementing all of the recommendations by Internal and State Audits to ensure financial accountability in the Department of Athletics and to enable sound budgeting practices, including evidence-based projections. The transfer of core functions from the Department to the Academic Affairs Fiscal Shared Services Center and UNM Human Resources will result both in cost savings and in responsible oversight and management.

3) Status of Governance and Accountability at the University of New Mexico

As the new President of UNM, I have prioritized assurance of solvency, transparency, and sound fiscal management and budgeting in the Department of Intercollegiate Athletics. This assurance is critical to demonstrating the integrity of the university as a whole.

The process for addressing concerns about the Department of Intercollegiate Athletics included commissioning two external consultant reports and an internal audit as well as engagement of multiple university units (the Dept. of Intercollegiate Athletics, Academic Affairs, the Budget Leadership Team, Human Resources, Office of the President, Internal Audit, and EVP for Administration). All reports and actions have been made public and transparent in regular communications to campus and postings on the website of the Office of the President (<https://president.unm.edu/documents/index.html>) as well as through postings of minutes of the meetings of the Board of Regents and the BoR Finance and Facilities Committee (<http://regents.unm.edu>). The ability of these central units to support Intercollegiate Athletics with timely problem assessment, targeted solutions, and sound administrative management procedures provides evidence in assurance of compliance with Criterion Two, Core Component 2.A.

Completion and approval of a realistic budget and deficit reduction plan for the Department of Intercollegiate Athletics is only one element of UNM's commitment to assure that the "institution's resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future," in compliance with Criterion Five, component 5A. On March 22, 2018, the UNM Board of Regents approved a 2.5% increase in tuition, a slight premium on upper division courses, and a 2.39% increase in student fees. This measure to address budget concerns resulted from careful collaboration between my 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. Like many flagship public institutions, UNM faces ongoing budgetary challenges and is devoting substantial institutional attention to addressing these challenges from multiple directions. Current tuition, state allocations, and other sources such as grants and contracts provide sufficient resources to maintain the strength and quality of the institution. For example, the New Mexico Higher Education Department requires institutions to maintain a minimum Instruction and General (I&G) reserve balance of 3%. For fiscal year 2018, UNM main campus maintained a total I&G reserve balance of approximately 10% (the 3% minimum resides in Academic Affairs; the other 7% in the indices of schools, colleges, and departments).

I have made a priority of coordinating with governance and administrative structures in a transparent effort to address university challenges and to enable the university to fulfill its mission. The collaboration between the Board of Regents, my 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 provides

strong evidence of compliance with 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).

I am happy to supply any further documentation in support of this Interim Report that may be necessary. Submission of UNM's HLC Assurance Argument and Compliance Report, as well as the upcoming March 2019 HLC site visit, will provide a further opportunity for UNM to demonstrate its accountability and integrity. I look forward to the opportunity to meet with HLC representatives during the site visit.



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

OFFICE OF THE STATE AUDITOR



University of New Mexico (Including Certain Component Units)

Special Audit

For the Period of July 1, 2014 through June 30, 2017

TABLE OF CONTENTS

| | |
|---|-----|
| OFFICIAL ROSTER | iii |
| I. EXECUTIVE SUMMARY | 4 |
| II. BACKGROUND | 8 |
| Overview of UNM Athletics and UNM Funding Sources..... | 9 |
| Overview of Related Entities..... | 10 |
| Overview of Relationships Among Entities | 11 |
| Inadequate internal controls have resulted in lost funds and other concerns..... | 13 |
| UNM has not always used the multiple-entity structure appropriately putting transactions at risk for Anti-Donation Clause violations..... | 14 |
| Donor benefits create an appearance of disproportionality | 16 |
| Misuse of designated funds can undermine donor confidence | 16 |
| III. SCHEDULE OF FINDINGS AND RESPONSES | 17 |
| Finding 2017-001 Dreamstyle (Pit) Suite Contracting, Billing and Collections Process | 17 |
| Finding 2017-002 Monitoring of Contract Compliance – Control Deficiency | 21 |
| Finding 2017-003 Use of Donated Funds Not in Accordance with Donor Intent | 23 |
| Finding 2017-004 Use of Public Funds for Donor Activities and Possible Anti-Donation Clause Issues | 25 |
| Finding 2017-005 Disproportionate Donor Benefit..... | 27 |
| Finding 2017-006 Overpayments to Coaches..... | 30 |
| Finding 2017-007 Expense Reimbursement and P-Card Transactions | 32 |
| Finding 2017-008 Cash Advance Transactions | 35 |
| Finding 2017-009 Employee Potential Conflict of Interest..... | 37 |
| Finding 2017-010 Segregation of Duties..... | 40 |
| IV. SCOPE AND PROCEDURES | 41 |
| V. ABOUT THE OFFICE OF THE STATE AUDITOR..... | 42 |
| EXIT CONFERENCE | 44 |
| LETTER CONCERNING ENGAGEMENT..... | 45 |
| Appendix 1: Key Athletics Department Employees and Compensation | 46 |
| Appendix 2: Budget Allocation of Student Activity Fees | 47 |

| | |
|---|----|
| Appendix 3: Summary of Flow of Funds Between Entities | 49 |
| Appendix 4: UNM Athletics Expenses Paid by the Foundation, Alumni Association, and Lobo Club..... | 51 |
| Appendix 5: UNM Officers, Regents and Employees Relevant to this Report as of June 30, 2017 | 52 |
| Appendix 6: Lobo Club Officers, Directors and Significant Employees as of June 30, 2017..... | 53 |
| Appendix 7: Foundation Officers, Trustees and Significant Employees as of June 30, 2017..... | 54 |
| Appendix 8: Alumni Association Officers, Directors and Significant Employees as of June 30, 2017..... | 55 |
| Appendix 9: Overviews of Memoranda of Agreement between UNM and Related Entities | 56 |

OFFICIAL ROSTER

BOARD OF REGENTS

Appointed Members

| | |
|---|---------------------|
| Robert M. Doughty III | Board President |
| Marron Lee | Vice President |
| Thomas Clifford | Secretary/Treasurer |
| Alex Romero | Regent |
| Lieutenant General Bradley C. Hosmer, USAF (Ret.) | Regent |
| Suzanne Quillen | Regent |
| Garrett Adcock | Student Regent |

Non-Voting, Ex Officio Members

| | |
|-------------------------------|-------------------------------------|
| The Honorable Susana Martinez | Governor of the State of New Mexico |
| Dr. Barbara Damron | Secretary of Higher Education |

UNM PRINCIPAL ADMINISTRATIVE/FINANCIAL OFFICIALS WITH AN EMPHASIS IN ATHLETICS

| | |
|-------------------|---|
| Chaouki Abdallah | Interim President |
| David W. Harris | Executive Vice President for Administration, COO and CFO |
| Paul Krebs | Former Vice President Athletics |
| Eddie Nuñez | Director of Athletics |
| Elizabeth Metzger | Controller |

I. EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) received multiple communications from concerned citizens related to the University of New Mexico and certain of its component units. After receiving this information and conducting fact-finding, the OSA determined that the matters raised were appropriate for more in-depth review.

Pursuant to NMSA 1978, Section 12-6-3(C) (Audit Act), the State Auditor “may cause the financial affairs and transactions of an agency to be audited in whole or in part.” Additionally, in accordance with 2.2.2.15 NMAC (Audit Rule), the State Auditor may initiate a special audit regarding the financial affairs and transactions of an agency or local public body based on information it receives. On May 31, 2017, the OSA formally designated University of New Mexico (“UNM” or “University”) and certain component units for a special audit. On June 28, 2017, the OSA entered into an agreement with UNM to provide services in accordance with American Institute of Certified Public Accountants (AICPA) consulting services standards. The purpose of the consulting services engagement was to address concerns regarding specific Athletics Department transactions, payments and compensation to specified individuals, and certain transactions between component units. The OSA is appreciative of UNM personnel for their cooperation and recognition of the importance of this work to the broader interests of the University, students and the State of New Mexico.

It is more important than ever to ensure that public universities, their athletics programs and their supporting fundraising operations are managed with the utmost financial transparency and accountability. Like most universities, UNM in general, and the Athletics Department specifically, rely on a steady stream of public support, received in part through charitable organizations such as the UNM Foundation and the UNM Lobo Club. Unfortunately, a recent poll revealed a lack of confidence in such charities. The study, conducted by the Chronicle of Philanthropy in 2015, revealed that one-third of respondents said charities do a “not too good” or “not at all good” job spending money wisely. Just 13% said that charities do a “very good” job of spending money wisely. Fifty percent of respondents said that low overhead spending is a factor that influences their giving decisions.

At the same time, college athletics programs are also under heightened scrutiny. The Knight Commission on Intercollegiate Athletics has highlighted the fact that athletic spending per athlete far exceeds academic spending per full-time student. In 2008, the Mountain West Conference schools reported \$69,000 in athletic spending per athlete versus just \$13,404 in academic spending per student. The Knight Commission stated:

[A]t a time when all of U.S. higher education is under unprecedented pressure to be more transparent to the public and more accountable for the results it achieves, intercollegiate athletics cannot expect to be immune to the same standards. Moreover, as with other parts of higher education, heightened scrutiny of college sports should not be viewed as a threat but as an opportunity. With the spotlight already on intercollegiate athletics, more effective disclosure of finances— and of

financial priorities—will enhance the long-term prospects of college athletics by ensuring that they remain part of, not apart from, the central mission of colleges and universities.

In this environment, New Mexico’s public universities must develop and enforce clear, written agreements and policies that address issues such as oversight, separation of duties, conflicts of interest, and fiscal management. The Higher Learning Commission has established as a core component of its accreditation criteria that a university must demonstrate that it “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.” Such policies allow external parties to audit for compliance. They also allow donors and the general public to evaluate whether the university has maintained an appropriate balance of accountability, transparency and efficiency.

Against this backdrop, the OSA’s review of UNM Athletics and its activities with related institutions like the Lobo Club and the UNM Foundation revealed the following observations, which are examined in more detail in the Findings:

- A stark lack of internal controls and guidance as to the division of responsibilities among staff and entities has resulted in the University and its related organizations losing money. Examples of these shortcomings include (1) over \$432,000 in uncollected revenue from luxury suites and club suites at Dreamstyle Arena (the Pit), for over half of which UNM had issued no contracts or invoices prior to discovery of the issue, (2) \$256,000 in uncollected revenue from a contract with Lobo Sports Properties, LLC, with whom UNM contracts for sports marketing, and (3) \$185,000 in overpayments to coaches which have since been recovered. As of September 1, 2017, \$238,791.70 remained uncollected for Pit suite and club seats. (Findings 2017-001, 2017-002 and 2017-006)
- Booster clubs and the Lobo Club raised money that went directly into UNM’s General Ledger and bank account, commingling with public funds. These funds were then used for meals and alcohol, hotels, golf outings, and other expenditures that may be appropriate perks to purchase with donor funds, but are not appropriate uses of public funds. The lack of clear policy and direction on the sources of funds led to an appearance of impropriety at best, and violations of the Anti-Donation Clause of the New Mexico constitution at worst. (Finding 2017-004)
- Within the higher educational fundraising community, it is common practice to offer certain benefits or “perks” to donors. Fundraising professionals use an informal rule of proportionality to avoid excessive benefit and to foster confidence among donors. This means that the benefits that a donor receives should be related to the amount the donor has given and has capacity to give, and the connections that the donor may have to other prospective large donors. Because of a lack of policies or comprehensive oversight on the topic, the report identified 23 recipients of “donor perks” who had not made any monetary contributions to UNM or its related entities. (Finding 2017-005)

- The audit identified certain donated funds that were not used in accordance with donor intent. For example, an endowment for ski team equipment was used for scholarships and an endowment for ski team scholarships was used for a scholarship to a women's basketball player. (Finding 2017-003)
- The audit identified a range of weaknesses in internal controls. While these findings may appear to be minor or isolated, they are indicative of a historical tone-at-the-top that resulted in failure to address findings and improve controls, creating an environment susceptible to fraud, waste, and abuse. In addition, these issues erode donor confidence over time. UNM and its related entities should each promptly implement consistent procedures that include reviewing all supporting documentation for appropriateness of expenses, compliance with P-card policies, and retention of appropriate documents to ensure compliance with relevant statutes, regulations, and policies. (Findings 2017-007 and 2017-008)

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. As the Higher Learning Commission accreditation criteria explain, the governing board must “make decisions in the best interest of the institution and to assure its integrity.” 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.”

Furthermore, it is also UNM's responsibility to make its dealings transparent to the general public. The Higher Learning Commission accreditation criteria require that, “Actions and decisions reflect an understanding that in its educational role the institution serves the public, not solely the institution, and thus entails a public obligation.” In examining the relationships among the university and its related charities, the University of Texas system recognized, “One thing is clear: to maintain the public's trust, a greater degree of transparency for public institutions and private foundations is required today than at any previous time.” In the absence of this transparency, expenditures and transactions that comply with all policies may still create the appearance of waste, conflict of interest

or private benefit.

The OSA observed the following UNM governance and structural concerns that contributed to the Findings in this Report:

- 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.
- Furthermore, the Lobo Club lacks a requirement for a treasurer position in its bylaws. In addition, booster clubs are not formally organized and also have no treasurers. Having a formally required treasurer is one of the long standing tenets of basic non-profit governance and would go a long way toward individual accountability.
- A lack of coordinated and consistent oversight has contributed to all of the Findings in this Report, and currently leaves individual accountability across various University component units nearly unachievable. The Athletics Department has not had a Financial Officer for the majority of the past five years. Many of the issues identified may have been prevented with proper oversight by a Financial Officer.
- Compounding the problems caused by vacancies in the Athletics Department is the structure of UNM executive financial oversight, which has combined into one position the roles of Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer (EVP/CFO/COO). The lack of a dedicated CFO position creates the potential for improper segregation of duties or conflicts of interest and diffusion of responsibility.
- Although the UNM Internal Audit Department (Internal Audit) is intended to report to the President of UNM and the Regents under the Regents' policies, in practice Internal Audit also reports to the University's EVP/CFO/COO. The EVP/CFO/COO plays a key role in directing the work that Internal Audit performs, including selecting which audits to perform and what findings to report. Given the broad authority that the EVP/CFO/COO has, this creates the potential to direct Internal Audit's focus away from high-risk areas like Athletics.

The effect of each of these conditions can be seen in situations throughout the Athletics Department. The Findings outline specific situations, such as the failure to collect revenue for the Pit luxury suites, in which multiple entities worked together informally to market, rent and administrate the boxes. This was arranged with inadequate formal documentation between UNM, the Lobo Club and Lobo Sports Properties (a private contractor that UNM engages to cultivate donor relations that occasionally sold suites and club seats as part of a package). The result was a set of transactions totaling nearly half a million dollars, much of which was not appropriately documented, making it difficult to enforce payment obligations and difficult to detect by current University financial oversight structures.

Recognizing the core accreditation principle that the Board of Regents must "provide oversight of the institution's financial and academic policies and practices and meet its legal and fiduciary

responsibilities,” the OSA recommends evaluating a number of approaches to increasing accountability and transparency among the UNM entities:

- The annual reporting between the Foundation, Alumni Association, Lobo Club and UNM should be expanded to include information on benefits or “perks” given to employees and donors and other material so that UNM can identify issues like excess donor benefit and conflicts of interest. Appropriate measures can be taken to ensure confidentiality without compromising oversight.
- While the structural overlap among UNM and the other entities is not inconsistent with other comparable universities, the mandate of those overlapping individuals should be expanded to more clearly discharge UNM’s fiduciary duty to establish high standards of transparency and ethical responsibility, especially for UNM Athletics. Key cross-entity individuals with roles on multiple entity boards have an enhanced responsibility to ensure consistent oversight.
- UNM Internal Audit’s mandate, which is set by the Regents, should be expanded to expressly cover the operations of the related entities, with a specific focus on the Athletics funding and programs. Internal Audit currently has the right to demand information from the related entities as part of various agreements, but the Regents’ Policy on Internal Auditing and Compliance does not address the related entities, such as the Foundation, Booster Clubs and Alumni Association. Furthermore, Internal Audit should report directly to the President and the Regents (in form and substance) as described in existing policy.
- Alternatively, UNM and its related entities may establish a centralized office of the ombudsman with the authority to address inter-component unit compliance and ethics concerns related to the dealings among the University, Foundation, Lobo Club and Alumni Association, especially with respect to Athletics. This can be accomplished without compromising the independent governance necessary in each entity.
- UNM should consider separating the Chief Financial Officer position from the Executive Vice President for Administration and Chief Operating Officer roles in order to achieve better segregation of duties. Lack of a dedicated CFO, whose sole purpose is financial management of University dollars, for a University system the size of UNM, dilutes lines of financial accountability and oversight and can cloud fiduciary duty.

UNM provided responses to each audit finding. The responses are included in the Schedule of Findings and Responses and have not been audited or edited.

II. BACKGROUND

This special audit, conducted in accordance with consulting services engagement standards, was performed to address concerns regarding certain Athletics Department transactions, payments and compensation to specified individuals of interest, and certain transactions between component units.

During the course of the engagement, OSA determined that providing additional information to the public would help address many of the concerns raised. The background information below has been compiled to assist readers in understanding the circumstances surrounding the structure of UNM and its transactions.

Overview of UNM Athletics and UNM Funding Sources

UNM was created as a state educational institution by Article XII, Section 11 of the Constitution of New Mexico. UNM is a part of the primary government of the State of New Mexico for accounting purposes, and is governed by a seven-member Board of Regents. The Governor of New Mexico appoints the Regents, with the consent of the Senate, for staggered terms of six years, except for the student regent who serves a two-year term. The Board of Regents has oversight responsibility and control over all activities related to UNM. The President of UNM is its Chief Executive Officer reports directly to the Board of Regents. The President is responsible for implementing the policies adopted by the Board of Regents. In addition to following the applicable administrative policies and procedures, the President shall inform the Board of Regents prior to appointing, dismissing, setting compensation, and amending or not renewing the contract of all executive vice presidents, vice presidents and UNM counsel. Appendix 5 contains list of UNM Officers, Regents and employees relevant to this Report as of June 30, 2017.

The UNM Athletics Department (Athletics) is a department of UNM. According to the UNM website, Athletics “is committed to student athlete success and competitive excellence by creating an inclusive environment, through recruiting, developing, and retaining quality people, providing a great fan experience, inspiring community engagement, and serving as a source of pride for New Mexico. Athletics aspires to be the premier institution in the Mountain West Conference and recognized as a national leader in intercollegiate athletics with an international reputation for excellence.” The Vice President of Athletics is responsible for the operations of Athletics and reports to the UNM President and the Executive Vice President for Administration/CFO/COO. Appendix 1 contains a list of key Athletics Department employees and their compensation.

Sources of operating revenue for UNM include tuition and fees, grants and contracts, other patient-related services, sales and services, and other clinical operations. In addition to tuition, there are three components of mandatory fees assessed to students: (1) the facility/information technology debt service fee, (2) the student activity fee and (3) the student government fee. The facility/information technology debt service fee is assessed to help UNM pay the outstanding principal on bonds sold by UNM and is set at the time bonds are issued. The student activity fee is assessed with tuition to all students registered on main campus, including the Health Sciences Center. Revenue generated by the student activity fee is used to support a variety of student activities that enhance the academic and intellectual environment at UNM. The student government fee is levied on each student. UNM assesses additional mandatory fees on graduate students. UNM utilizes a Student Fee Review Board to make recommendations to the Budget Leadership Team regarding student activity fee amounts and unit allocations of projected student activity fee revenue. Budget allocation of the student activity fees for is listed in Appendix 2. UNM approves final department budget plans on an annual basis.

Operating budgets are submitted for approval to the Board of Regents, the New Mexico Higher Education Department and the State Budget Division of the Department of Finance and Administration. Athletics is included in the Executive Vice President (EVP) for Administration's budget. Other departments in the EVP for Administration budget include Information Technologies, Financial Service and Human Resources. UNM provides approximately \$37 million in funding to Athletics as part of the UNM operating budget.

Revenue to support UNM and Athletics also comes from various sources including: fundraising efforts and events; sporting events and games; specialty ticket sales; grants and contracts; and sales and services. (In addition, the UNM Health Sciences Center has its own sources of revenue and financial procedures.)

Like most universities, UNM has a number of related entities that assist with fundraising. The entities relevant to this Report are the UNM Foundation, the Lobo Club, various booster clubs, and the Alumni Association. These entities work to maximize support for UNM and in return UNM provides various resources to them.

Overview of Related Entities

The UNM Lobo Club (Lobo Club) is a New Mexico nonprofit corporation and charitable organization under Internal Revenue Code Section 501(c)(3). The Lobo Club was formed in 1968 to raise funds necessary to provide financial support for student-athlete scholarships, facilities, programs that support student-athlete success and operational support to create an athletics program of excellence for UNM. According to its website, "The Lobo Club believes a successful athletics program is a source of pride for the community and the state of New Mexico and provides greater opportunities, as a whole, for UNM." The Lobo Club operates for the sole purpose of soliciting, managing and distributing private gifts and donations given for the benefit of Athletics. A Board of Directors governs the Lobo Club, and is elected annually by the membership. The Board of Directors may not exceed 40 members not including Chapter Presidents, Past Presidents and Honorary Lifetime Members. Voting members include no more than 24 elected directors, no more than three appointed by the President of Lobo Club, no more than 10 appointed by the Vice President for Athletics, one member of the annual membership drive, the VP of Athletics, the President of the UNM Alumni Lettermen's Association, Chapter Presidents or their appointees, Past Presidents of the Lobo Club and Honorary Lifetime Board Members. No more than 15 percent of the voting members may be employees, officers, or Regents of UNM or entities controlled by UNM. The Executive Director shall be the chief administrative officer of the Lobo Club. Appendix 6 contains a list of Lobo Club Officers, Directors and significant employees as of June 30, 2017.

Booster Clubs are an additional source of funds for the individual sport they are supporting, called Sport Enhancement Funds. Head coaches are responsible for fundraising for their team and have discretion over how to utilize the funds raised. The Sport Enhancement Funds fall under the purview and responsibility of the Lobo Club for accounting and administration, and are therefore tax-exempt. A variety of techniques are employed to raise funds. Examples of Booster Clubs are 6th Man Club (Men's Basketball), 3 Point Club (Women's Basketball), Black Diamond Club (Ski Team), 1st Team

(Football) and Dugout Club (Baseball). Each head coach is responsible for raising money for their respective team and has discretion as to how to utilize the Sports Enhancement Funds. Head coaches work with Athletics staff, volunteers and boosters to solicit donations and contributions to their individual sports through one-on-one meetings with the coaches, barbeques, raffles, luncheons, student athlete fundraising initiatives, etc. After successful solicitation, the head coach delivers to the Lobo Club Financial Coordinator cash, check or credit card information from the fundraising efforts. The Lobo Club Financial Coordinator enters the donation information into the Lobo Club donor/pledge system and deposits the check in the Lobo Club general operating bank account. A journal entry tracks the Booster Club donations. At the end of the month, the Lobo Club writes a check to UNM for the total amount of Booster Club donations and delivers the check to Athletics. Athletics deposits the funds into the UNM main operating account, and a journal entry indexes the amount to each individual sport. This process lacks segregation of duties as coaches are responsible for initiating and receiving each transaction, as described in Finding 2017-010.

The UNM Foundation (Foundation) is a New Mexico nonprofit corporation and charitable organization under Internal Revenue Code Section 501(c)(3), formed in 1979 to solicit, receive, distribute, invest, and manage private gifts and donations given for the benefit of UNM. According to its website, “By managing funds, identifying and developing new sources of private support, encouraging the adoption of common goals, and nurturing cooperation toward meeting those goals, the Foundation allows UNM to focus more clearly on its mission to engage in comprehensive educational, research, and service programs.” The Foundation Board of Trustees consists of at least fifteen but not more than twenty-five elected Trustees, the President of UNM, two academic Deans appointed by the President of UNM and a Regent from the Regents of UNM. The Foundation President is the Chief Executive Officer and an employee of the Foundation. The President has day-to-day responsibility for the Foundation, including carrying out the Foundation’s goals and Board policy. Appendix 7 contains a list of Foundation officers, Trustees and employees relevant to this Report as of June 30, 2017.

The UNM Alumni Association (Alumni Association) is a New Mexico nonprofit corporation and charitable organization under Internal Revenue Code Section 501(c)(3), formed in 1962. According to its website, the Alumni Association’s goal is “to establish a mutually beneficial relationship between UNM and its alumni and to promote in every way the best interests, development and growth of UNM. In carrying out such purposes, the Alumni Association seeks to create, foster, develop and encourage individual and community interest in and support of UNM.” The Alumni Association Board of Directors consists of a maximum of forty members. The President of the Alumni Association may appoint up to 3 members. In addition to the 40 board members, the President of UNM’s Board of Regents appoints 2 members to the Board. Ex-officio members have no vote and cannot hold office except for the Vice President of Alumni Relations (who is a UNM employee who serves as the Executive Director and Secretary of the Alumni Association). Appendix 8 contains a list of Alumni Association officers, Directors and employees relevant to this Report as of June 30, 2017.

Overview of Relationships Among Entities

UNM, Athletics, Lobo Club, Booster Clubs, the Foundation and the Alumni Association have overlapping objectives related to Athletic functions. Due to this overlap, various agreements outline responsibilities for the Lobo Club, the Foundation and the Alumni Association. Appendix 9 contains an overview of each memorandum of agreement.

Due to the interrelated mission, purpose and resources of UNM, Athletics, Lobo Club, Booster Clubs, Foundation and the Alumni Association, funding flows to and from various entities for a variety of purposes.

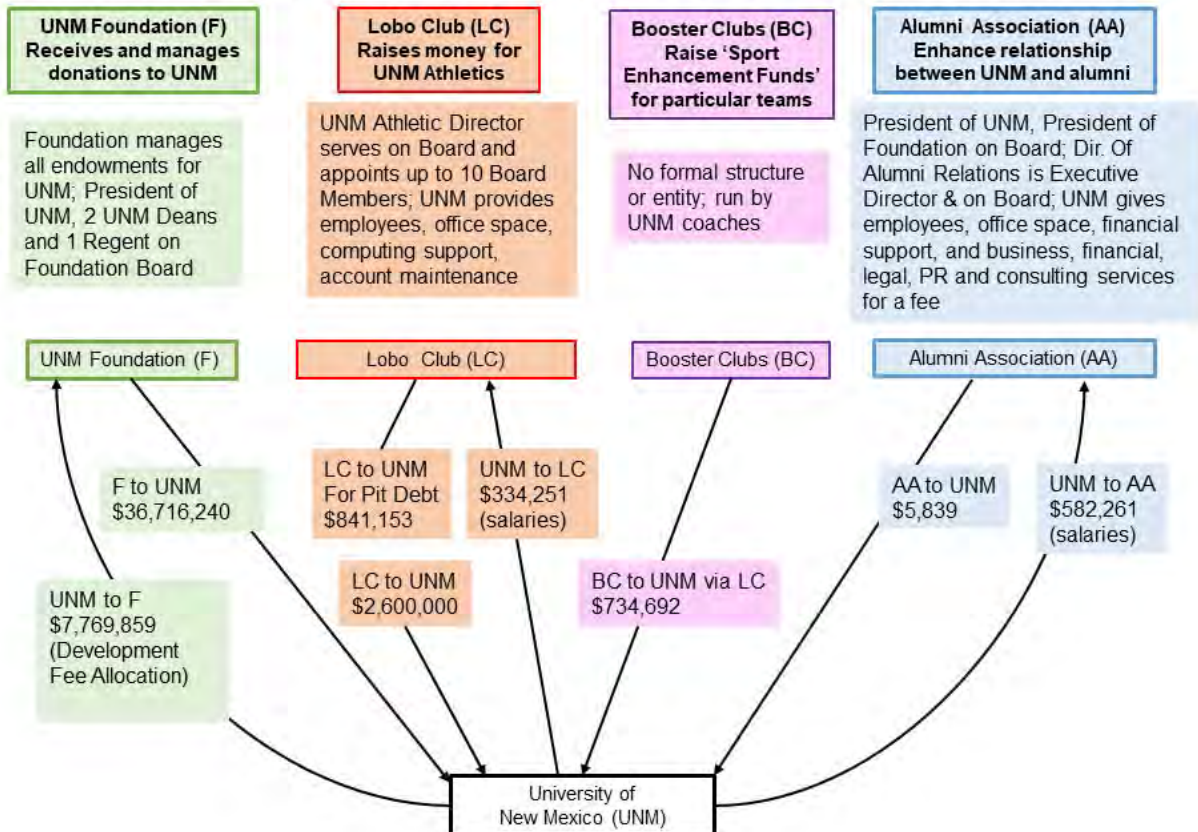
UNM provides approximately \$8 million in support to the Foundation to fund administrative and fundraising activities, while the Foundation provides UNM with investment management services and fundraising activities, and facilitates funding of scholarships, faculty, and program support through distributions to UNM. In fiscal year 2013, the UNM President's Office implemented a surcharge for the benefit of the Foundation, to broadly distribute the funding responsibility to all UNM entities that benefit from the Foundation's work. For fiscal year 2013, the surcharge was one quarter of one percent on all UNM current fund expenditures. In fiscal year 2014 and thereafter, the surcharge is one half of one percent. This annual surcharge is approximately \$5 million. The Foundation also receives a percentage of the market value of the Development Funding Allocation (DFA) - Consolidated Investment Fund on an annual basis for general support of its operations. The Foundation uses the allocation, totaling approximately \$3 million, to cover the salary and benefits of staff and other operating costs. The DFA rate was 1.6% for fiscal year 2016. The DFA rate was 1.6% for the fourth quarter of fiscal year 2015 and 1.4% for the first three quarters of fiscal year 2015 and 1.4% for fiscal year 2014. The Foundation raises funds for UNM and its various other departments and then distributes the funds to various departments in accordance with donor restrictions. The portion of the distribution that was designated for Athletics and Lobo Club in fiscal year 2017 is approximately \$150,000 and \$5,000, respectively. Foundation employees are embedded on campus to assist in raising funds for various departments throughout UNM. There are up to 24 Foundation employees utilizing office space and supplies on campus.

The Lobo Club receives staff, office facilities at the UNM Athletic Complex, equipment and certain other support at no charge from UNM and the Foundation. The Lobo Club authorizes final cash contributions for unrestricted donations to Athletics annually. As fiscal agent for Lobo Club, UNM will at times disburse funds to vendors and employees on behalf of Lobo Club. Lobo Club reimburses UNM for such disbursements. Lobo Club also collects revenue from Dreamstyle Arena (a.k.a. Pit) Suites for the benefit of UNM. Lobo Club distributes funds monthly to UNM for Pit Suite revenue.

The Alumni Association receives office space, personnel, supplies and utilities at no charge from UNM. The Alumni Association will incur certain expenditures that are at times paid through UNM. On a quarterly basis, the Alumni Association will reimburse UNM for those expenditures it has paid on behalf of the Association.

The following chart summarizes the relationships and flows of funds.

Structure of UNM Institutionally-Related Entities and FY17 Financial Information



*Figures do not include gift commitments, which are gifts that are not immediately transferred to UNM, such as endowment gifts, pledges, and estate commitments.

In summary, Lobo Club, the Foundation and Alumni Association work to maximize support for UNM and in return UNM provides various resources for all three entities. There are also several individuals that have multiple roles across UNM, Athletics, Lobo Club, Booster Clubs, the Foundation and the Alumni Association.

Appendix 3 contains a chart detailing flow of funds between organizations for Fiscal Years 2015, 2016 and 2017.

Inadequate internal controls have resulted in lost funds and other concerns

The Findings primarily detail weaknesses in the implementation of policies and procedures designed to provide financial integrity and transparency, which are referred to as “internal controls.” At the highest level, the Regents’ Policy Manual is “a guide for the Board of Regents in carrying out its constitutional responsibility for the control and management of the University of New Mexico and

as a source of information for others concerning the fundamental policies of the University and the operational procedures of the Board.” The University Administrative Policies and Procedures Manual (UAPPM) implements the Regents’ Policy Manual. The UAPPM “contains policies and descriptions of appropriate procedures, including forms, to help the user better understand the administrative processes of the University. Through the policies, the UNM Policy Office strives to clarify expectations and responsibilities, mitigate risk, enhance efficiency, and promote compliance with laws and regulations. Before new policies are issued or existing policies amended, they must be approved in writing by the President of the University.” The Executive Vice President for Administration endorses all policies in the UAPPM, and the University President approves them in writing.

The Findings in this Report identify both gaps in policy and shortcomings in implementing policy. An example of these problems is the uncollected revenue from sports marketing. Lobo Sports Properties, LLC (“Lobo Sports Properties”), is a Missouri limited liability company and wholly owned subsidiary of Learfield Communications. Learfield is listed as the Manager of Lobo Sports Properties. In January 2007, UNM entered into an agreement with Lobo Sports Properties, granting certain multi-media rights and sponsorship rights. The agreement gives Lobo Sports Properties the right to develop and market UNM athletics events, broadcast certain athletic events (television and radio), print game programs, and provide related services. In addition, Lobo Sports Properties can obtain sponsors for athletic events, teams, the Athletics website, and signage. For a fixed fee, Lobo Sports Properties has the exclusive right to the use of, and the revenues generated from, nine luxury suites in the football stadium per year. Lobo Sports Properties takes the risk that actual revenues are less than expected in exchange for also getting the benefit of any additional profits. Four Lobo Sports Properties employees work in UNM Athletics office space, for which Lobo Sports pays rent.

Because of a failure to monitor the contract, Lobo Sports Properties’ actual payments to UNM were \$256,000 less than the agreed upon amount, over the period of two fiscal years (2015-16 and 2016-17). This was compounded by a lack of oversight, because at no time did the supervisory structure that oversees Athletics notice this problem. This is discussed further in Finding 2017-002.

UNM has not always used the multiple-entity structure appropriately, putting transactions at risk for Anti-Donation Clause violations

The Foundation and the Lobo Club were established as independent nonprofits, in part, to create more flexibility to spend money for things like donor cultivation. However, once the Lobo Club transfers money to UNM Athletics, the Memorandum of Agreement between the two entities specifies that such funds “will be subject to all state laws and regulations governing the disbursement and administration of public funds and public property....” UNM used public funds to pay for donor benefits, raising issues of Anti-Donation Clause violations of the New Mexico Constitution, as discussed in Finding 2017-004. In contrast to the funds in the possession of the Lobo Club, UNM public funds are subject to the Anti-Donation Clause of the New Mexico Constitution which prohibits “any donation to or in aid of any person,” the Procurement Code, and UNM policies and procedures regarding expenditures. While University policies carve out an exception for Foundation funds to be used for donor development, no similar exception exists for Lobo Club funds; to the contrary, the

Lobo Club memorandum of agreement expressly describes funds transferred to UNM as public funds, in effect moving them under the auspice of the Anti-Donation Clause.

One instance that illustrates the problems that can arise in this context is the Athletics Department's trip to Scotland in 2015. This was offered as a benefit to donors and announced as such at Lobo events. UNM and Anthony Travel entered into an agreement in October 2014 for the UNM Scotland Golf Tour scheduled for June 2015. The agreement stated that Anthony Travel would coordinate, negotiate, and sell the event with a total of 24 golfer packages with price ranges of \$8,189 to \$10,299 based on occupancy. Although the contract was with UNM, the Lobo Club paid a deposit of \$49,500 on October of 2014 for the estimated cost of the event. UNM also paid directly for some expenses, like airfare for UNM employees who participated.

Eighteen participants paid for their own airfare and golf packages. The Lobo Club paid for three donors' golf packages and for airfare and golf packages for two UNM employees and one Foundation employee.

After the trip, in July 2015, Anthony Travel sent the Lobo Club a partial refund of \$35,875 due to a reduction of rooms, golfers, and tee times. After the refund, the Lobo Club had paid \$13,625 for the trip. The Director of Athletics instructed UNM Athletics to reimburse the Lobo Club for the entire amount of \$13,625 from the "contingency fund," which is generally for student athlete grant-in-aid and contingency expenses. In May of 2017, Athletics received an anonymous \$25,000 donation to support the development and stewardship efforts of Athletics, including covering the revenue shortfalls of the trip to Scotland.

| Attendee | Attendees paid by UNM: | Donations to UNM: |
|-----------------------|---|--|
| Donor 1 | Attendee paid airfare, UNM paid the golf package totaling \$8,189 | Prior to trip: \$153,766 Since trip: \$28,750 |
| Donor 2 | Attendee paid airfare, UNM paid the golf package totaling \$8,189 | Prior to trip: \$62,192 Since trip: \$11,208 |
| Donor 3 | Attendee paid airfare, UNM paid the golf package totaling \$8,189 | Prior to trip: \$13,510 Since trip: \$6,740 |
| Athletics Employee 1 | UNM paid for airfare and golf package | |
| Athletics Employee 2 | UNM paid for airfare and golf package | |
| Foundation Employee 1 | Foundation paid for airfare and reimbursed UNM for golf package | |

From a donor stewardship and cultivation perspective, the trip can be viewed as a having a positive return on investment. Since the trip, UNM has received a total of approximately \$417,000 from donors who went to Scotland including nearly \$47,000 from the three donors for whom UNM paid for the golf package. In addition, one of those three donors has established a large revocable gift to be paid out of the donor's estate upon passing.

However, from an internal controls perspective, the trip may have been a more appropriate expenditure of the Lobo Club. Because UNM paid for the trip, likely issues regarding Anti-Donation Clause violations and the propriety of the expenditures arise. Furthermore, all of the expenditures that UNM approved for the Scotland trip were duly approved in accordance with UNM policies and procedures. This suggests that those policies and procedures and the oversight structure they create are inadequate to identify this type of concern and to safeguard against violation of the Anti-Donation Clause. Finding 2017-004 discusses this in more detail.

Donor benefits create an appearance of disproportionality

Within the higher educational fundraising community, it is common practice to offer certain published and unpublished benefits to donors. Published benefits are made available to all donors who give at certain levels, and are often advertised as part of fundraising solicitations. Unpublished benefits are discretionary benefits that fundraising professionals may use to maintain good relationships with existing donors or cultivate additional giving from existing or new donors.

The rules governing tax-exempt charitable organizations like the Foundation and the Lobo Club require that an organization be operated exclusively for charitable purposes, which prohibits excessive private benefit. Fundraising professionals use an informal rule of proportionality to avoid excessive benefit and to foster confidence among donors. This means that the unpublished benefits that a donor receives should be related to the amount the donor has given and has capacity to give, and the connections that the donor may have to other prospective large donors.

OSA identified 1,014 donors or potential donors that received a benefit from UNM such as charter flights, meals, and hotel rooms. We compared each of these people to a list of approximately 680,000 donations received for the past 10 years to determine whether individuals were receiving benefits or perks that appeared to exceed the value of the donations. We identified 23 individuals who have not donated any money in the last 10 years but received benefits. Benefits included items such as charter flights, meals and certain paid expenses for Athletics related trips, as described in Finding 2016-005.

Deficiencies in internal controls also make it difficult to identify excess benefit to donors. For example, UNM purchased tickets to the Final Four Basketball tournament even when the basketball team did not qualify for the tournament. In fiscal year 2017, UNM purchased 20 tickets for \$6,941.50; in 2016, UNM purchased 12 tickets for \$4,681.00; and in 2015, UNM purchased 10 tickets for \$3,135.00, in each instance through a P-Card with UNM public funds. Supporting documentation did not state who used the tickets. Generally, the current procedures do require documentation of whom the expenditure will benefit, as described in Finding 2016-005.

Misuse of designated funds can undermine donor confidence

Under the Financial Accounting Standards Board standards that govern nonprofits like the Foundation and the Lobo Club:

A not-for-profit organization shall distinguish between contributions received with

permanent restrictions, those received with temporary restrictions, and those received without donor-imposed restrictions. A restriction on an organization's use of the assets contributed results either from a donor's explicit stipulation or from circumstances surrounding the receipt of the contribution that make clear the donor's implicit restriction on use.

Finding 2017-003 details problems that OSA identified in connection with funds that donors have restricted for a particular purpose. For example, an endowment was set up to provide scholarships to ski team student athletes. However, one of the scholarships went to a women's basketball player instead. Another endowment was to be used for ski team equipment. However, money from this fund was also used for scholarships.

The larger issues of lack of oversight and inadequate controls can have far-reaching effects. As *Nonprofit Quarterly* notes:

Trust is impaired by management's use of [restricted] funds for other purposes even if within the organization's mission. Thus, the more specific the purpose, the more trust depends upon the donor's confidence that the organization can and will meet the donor's request—i.e., trust that the organization will perform specifically as promised. This trust is forward looking and relies on foresight. It relies on the ability to anticipate and provide for contingencies. It is impaired by the inability to do so or by going contrary to the donor's stipulation even if within the mission of the organization or even if foresight was wrong.

III. SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-001 Dreamstyle (Pit) Suite Contracting, Billing and Collections Process

Condition

UNM renovated Dreamstyle Arena in early 2010 and the first sales of suites and club seats began in 2010. UNM owns the Dreamstyle Arena but Lobo Club manages the sale of suites and club seats. However, there is no formal documentation of this arrangement between UNM and the Lobo Club. Lobo Sports Properties (a private contractor that UNM engaged to cultivate donor relations and obtain sponsorships) has occasionally sold suites and club seats as part of a package. When Lobo Sports Properties sells a suite or club seat, Lobo Club bills Lobo Sports Properties for the amount sold. There are 40 suites and approximately 150 club seats. The UNM Board of Regents, UNM President's Office/Foundation (shared Suite) and UNM Medical Sciences Department each purchase one suite per year.

OSA evaluated processes and documentation for use of Dreamstyle Arena (the Pit) suites and club seats. During the evaluation, we noted that UNM Athletics and Lobo Club lacked policies and procedures related to the administration of the Suites and Club seats. We noted inconsistencies in the amounts charged, and the process for obtaining valid contracts and preparing invoices. Lobo Club

receives and distributes funds, if applicable, to UNM for the Suite and Club seats on a monthly basis. The Director of Premium Seating is responsible for collection of amounts due for the Suites and Club seats.

OSA evaluated the reported outstanding balance of 42 transactions totaling \$432,641 at June 30, 2017. We noted:

- Lobo Club is responsible for the sale and marketing of the Suites, however UNM signs the Suite contracts.
- Suite and Club seat tickets are distributed based on a list prepared by the Director of Premium Seating regardless of whether a payment has been received.
- 12 of the 25 accounts with uncollected balances did not have a signed contract in place with the Suite holder.
- 19 accounts of the 25 accounts with uncollected balances did not have documentation of invoices prior to July 1, 2017.

Of a total \$432,641 owed, \$329,502 was for suites for which UNM had no contract, and \$103,139 was for suites under contract or for club seats requiring no contract. As of September 1, 2017, \$238,791.70 remained uncollected.

Uncollected Revenue from Pit Suites and Club Seats

| Suite Holder | Contract – yes Invoice - yes | Contract - no Invoice - yes | Contract – yes or not applicable (club seats) Invoice – No | Contract – no Invoice - no | Status |
|-----------------|---------------------------------|--------------------------------|---|-------------------------------|-------------------------|
| Suite Holder 1 | | \$80,002 | | | Contested |
| Suite Holder 2 | | | | \$67,500 | Contested |
| Suite Holder 3 | | | | \$42,500 | Contested |
| Suite Holder 4 | | | | \$40,000 | Negotiated agreement |
| Suite Holder 5 | | | | \$30,000 | Paid |
| Suite Holder 6 | | | | \$21,250 | Agreed to pay |
| Suite Holder 7 | | | \$21,250 | | Paid |
| Suite Holder 8 | | | \$20,500 | | Contested |
| Suite Holder 9 | | | | \$14,250 | Partially paid |
| Suite Holder 10 | | | \$13,864 | | Paid |
| Suite Holder 11 | | \$12,750 | | | Contested |
| Suite Holder 12 | \$10,625 | | | | Paid in full |
| Suite Holder 13 | | | | \$9,000 | Contested |
| Suite Holder 14 | \$8,500 | | | | |

| Suite Holder | Contract – yes Invoice - yes | Contract - no Invoice - yes | Contract – yes or not applicable (club seats) Invoice – No | Contract – no Invoice - no | Status |
|-----------------|---------------------------------|--------------------------------|---|-------------------------------|--------|
| Suite Holder 15 | \$8,250 | | | | Paid |
| Suite Holder 16 | | | | \$7,500 | |
| Suite Holder 17 | | | \$7,400 | | |
| Suite Holder 18 | | | | \$4,500 | |
| Suite Holder 19 | | | \$ 4,125 | | |
| Suite Holder 20 | | | \$3,000 | | |
| Suite Holder 21 | | | \$2,500 | | Paid |
| Suite Holder 22 | | | \$1,500 | | |
| Suite Holder 23 | | | \$1,125 | | Paid |
| Suite Holder 24 | \$500 | | | | Paid |
| Suite Holder 25 | | | | \$250 | |
| Totals | \$27,875 | \$92,752 | \$75,264 | \$236,750 | |

Criteria

Effective internal controls assist Lobo Club in achieving its objective to raise funds necessary to provide financial support for Athletics. In addition, management is responsible for the design, implementation and maintenance of internal control to demonstrate Lobo Club's ability to record, process, summarize, and report transactions and support financial statement assertions of completeness, valuation, existence and occurrence. The COSO Internal Control – Integrated Framework outlines the components, principles, and factors necessary for an organization to effectively manage its risks through the implementation of internal control. Clear responsibilities must be defined so that each group understands their role in addressing risk and control, the aspects for which they are accountable and how they will coordinate their efforts with each other. Lack of processes increases the risk that revenues are not being collected and transactions could be inaccurately recorded and reported.

Cause

Suite and club seat tickets are generated and distributed without checking whether UNM has received payment. In addition, suite and club seats distributed are not recorded in an accounting system as amounts due to Lobo Club. The system lacks formalized processes for the sales and collection of revenue for the Suites and Club seats, and communication regarding processes or expectations for sale and collection of revenues from Suites and Club seats. In addition, there is no documentation for suites that are split among multiple parties, or for which there was an expectation of in-kind compensation.

Effect

As of September 1, 2017, \$238,791.70 remained uncollected for suite and club seats.

Recommendation

The current informal and diffused duties and delegation of responsibilities across the Lobo Club, UNM Athletics and contracted firms dilutes clear lines of accountability and oversight. Lobo Club should formalize a process for Suites and Club seats that specifies the amounts to charge, completion of contracts, invoicing for amounts due and collection of amounts due. Lobo Club should communicate the standard amount or range of amounts expected to be collected for suites and club seats and the process for documenting any variances from the standard range. Lobo Club should also ensure contracts and payments are completed before tickets are distributed. Invoices should be sent regularly and a collection process should be implemented to ensure that revenues are collected timely. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding and has devoted staff resources to collection efforts for the outstanding receivables for the Pit Suites and Club Seats (\$432,641 as of June 30, 2017). The current collection efforts by UNM's Athletics Department identified a \$45,000 reduction to the total amount owed attributable to incorrectly recorded receivables. Between June 30, 2017, and October 31, 2017, the Athletics Department collected \$186,864, leaving a balance owed of \$200,777. As of October 31, 2017, the University estimates an additional \$32,415 may be collectible. A remaining \$168,362 may not be collectible due to the absence of valid written suite sale agreements, insufficient records related to ticket disbursements, and/or Suite Holders who are no longer in business or who have left the area.

UNM has revised its standardized Suite Agreement to strengthen the contract between the Suite Holder and the University. The Athletics Department also has implemented a tracking process to manage suite receivables and ensure that Suite Holders with outstanding balances will not receive event tickets that would allow access to suites.

In addition, UNM is in the process of revising and updating the May 17, 2015 Memorandum of Agreement (MOA) between the Board of Regents, UNM Foundation, and the Lobo Club to clearly define the roles and responsibilities of all parties to the agreement. The goal is to put this MOA in place after the new President starts work. The revised MOA will include a designation of which organization will be responsible for fundraising activities and associated expenses; collection and accounting of funds owed and paid; and reporting obligations. The University will ensure that

contracts for suites are completed and payments are received before event tickets are distributed.

Finding 2017-002 Monitoring of Contract Compliance – Control Deficiency

Condition

As discussed above, in 2007, UNM entered into an agreement with Lobo Sports Properties, granting certain multi-media rights and sponsorship rights. The Agreement was renewed with an effective date of January 1, 2013 with a term that extends to June 30, 2020. The agreement gives Lobo Sports Properties the right to develop and market UNM athletics events, broadcast certain athletic events (television and radio), print game programs, and provide related services. In addition, Lobo Sports Properties can obtain sponsors for athletic events, teams, the Athletics website, and signage. For a fixed fee, Lobo Sports Properties has the exclusive right to the use of, and the revenues generated from, nine luxury suites in the football stadium per year. Lobo Sports Properties pays UNM \$4.5 million per year, and Lobo Sports Properties take the risk that actual revenues are less than that in exchange for also getting the benefit of any additional profits. Four Lobo Sports Properties employees work in UNM Athletics office space, for which Lobo Sports pays rent.

UNM Athletic Department entered into contracts with Lobo Sports Properties LLC, which required Lobo Sports Properties to pay the amount shown below. Actual payments to UNM were \$256,000 less than the agreed upon amount, over the period of two fiscal years.

| | 2015-16 | 2016-17 |
|----------------------------------|----------------|---------------------|
| Licensing and Rights | \$ 4,668,000 | \$ 4,768,000 |
| Suite Sales | \$ 158,000 | \$ 158,000 |
| Credits | \$ (17,500) | \$ (47,500) |
| NM Bowl | \$ 10,000 | \$ 10,000 |
| Office/Parking | \$ 20,000 | \$ 20,000 |
| Bonus Payment | \$ 250,000 | \$ 250,000 |
| Total Payments Due to UNM | \$ 5,088,500 | \$ 5,158,500 |
| Total Paid | \$ 5,020,500 | \$ 4,970,500 |
| Underpayment | \$ (68,000) | \$ (188,000) |
| Total Underpayment | | \$ (256,000) |

UNM Athletics has not effectively monitored contract compliance for executed contracts, which has led to an uncollected balance due to UNM.

UNM Athletics submitted a proposed modification to the Lobo Sports Properties contract which would have lowered the Licensing Fees due to UNM. However, that modification was never executed. The payments that UNM received in 2015-16 and 2016-17 were in compliance with this

unexecuted agreement, but absent a settlement with Lobo Sports Properties, this would not be appropriate.

Criteria

Administrative Policies and Procedures Manual - Policy 2015: Contract Monitoring states that the “contract monitor is responsible for monitoring that contract requirements are satisfied, goods and services are delivered in a timely manner, safety and risk issues are addressed, and required payments are approved.” Contracts should be monitored for performance to ensure goods and services conform to the contract requirements. The contract monitor should report the status on all open contracts at the close of each fiscal year and upon completion of the contract. At a minimum, the contract monitor should review each contractor’s invoices, reconcile and verify payments consistent with the contract terms, and maintain proper documentation. In addition, the contract monitor is responsible for reporting on a timely basis to the administrator who signed the contract any unresolved discrepancies and/or problems.

Cause

UNM Athletics Department did not follow University procedures on contract monitoring and enforcement. Oversight was inadequate to identify and correct the problem.

Effect

The University lost revenue because of inadequate contract monitoring and enforcement.

Recommendation

We recommend that additional policies and procedures be implemented related to controls over contract compliance in Athletics, including ensuring a responsible person is established within the department to ensure agreements are monitored and executed as appropriate. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding and the Athletics Department has implemented contract administration standards that require written execution of contract amendments prior to implementation of the amendments. The underpayment amount has been communicated to the third-party vendor by the Athletics Director, and an invoice for the amount owed will be generated and delivered.

The Athletics Department and other University units have taken corrective actions and implemented UNM's Internal Audit recommendations to strengthen internal controls and improve accountability. The senior leadership at UNM will carefully and thoroughly examine the suggested recommendations in the report and take appropriate corrective action to make additional improvements to the internal controls.

Finding 2017-003 Use of Donated Funds Not in Accordance with Donor Intent

Condition

During our testwork we noted that funds were not spent in accordance with donor intent. There were two instances where supporting documentation for endowment expenditures did not agree with the donor's intent or was insufficient to support a determination. One endowment was established to provide scholarships to ski team student athletes. However, one of the scholarships went to a women's basketball player instead. Athletics was unable to provide an explanation as to why this occurred. The other endowment was to be used for ski team equipment but was used for scholarships. Athletics was unable to provide an explanation as to why this occurred. These donations in question were given with the instruction that they be used for their designated purposes at the discretion of the ski coach. However, per discussion with the ski coach, Athletics used these funds without consulting him.

Criteria

Per the Memorandum of Agreement between the Regents of the University of New Mexico and the Foundation (MOA), the Foundation provides a corporate structure for managing private gifts and donations, including endowments, and provides added assurance to donors that their contributions will be distributed and utilized for the specified purposes. Section 8.1 of the MOA states that the *University* agrees to assume the responsibility of monitoring the expenditures or income disbursements from both non-endowed gift accounts and endowed spending accounts to ensure that any and all donor-imposed restrictions are honored.

Cause

UNM did not maintain proper financial oversight over their entrusted endowments to ensure they were spent according to the donors' wishes. This duty was further hindered by the informal nature in which many University organizations conduct financial transactions. As noted in other sections of this Report, the lack of centralized monitoring fostered an environment that made oversight challenging, and in some cases, impossible.

Effect

Donors can take their endowed funds away from UNM or from Athletics if the donor-imposed restrictions are not maintained.

Recommendation

The University awards over 22,000 scholarships per year. UNM should implement procedures to ensure compliance with donor-imposed restrictions when spending endowed funds. UNM should also ensure all supporting documentation for such expenditures is maintained so that management can demonstrate proper spending of the funds. Proper training of the staff responsible for utilization of these endowments should include system access and training to ensure these employees know where to find donor restrictions. Monitoring controls should also be put in place to detect if errors like this occur. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding. The Office of the State Auditor (OSA) noted two instances where supporting documentation for endowment expenditures did not agree with the Donor's intent or was insufficient to determine whether the donor's intent was satisfied. In the first instance, during the closure of the fiscal year and posting of Allocation Journal Entries, the Athletics Department made a clerical error whereby a scholarship for a member of the women's basketball team was inadvertently charged to the wrong Index/Account. In the second instance, a pre-existing donor agreement was amended on October 19, 2016, from allowing scholarships to only allowing the purchase of ski team equipment. This amendment regarding the use (intent) of funds was not communicated to the Athletics Department Business Office, which resulted in an expenditure that did not meet the donor's amended intent. During Fiscal Year 2018, the Athletics Department Business Office has corrected the incorrect entries from the prior fiscal year.

Going forward, the University will strengthen internal control whereby the Athletics Department Business Office staff will be required to prepare and post Journal Entries on a monthly basis rather than waiting until end of the fiscal year. The Athletics Department's Chief Financial Officer will be required to review all supporting documents prior to approving Journal Entries for posting in the financial accounting system to ensure compliance with the donor intent and with applicable University policies and procedures.

Finally, in conjunction with this fiscal year's internal audit of the administration of the Athletics Department, the University's Internal Audit Department will also audit compliance with donor intent for other disbursements of endowment funds.

Finding 2017-004 Use of Public Funds for Donor Activities and Possible Anti-Donation Clause Issues

Condition

During our testwork we noted several instances of individuals receiving private benefit from public funds, as listed below. While these expenditures may be appropriate for donor stewardship and cultivation, using public funds (rather than Foundation or Lobo Club funds) for these expenditures creates concern:

- UNM Athletics reimbursed the Lobo Club for \$13,625 in connection with a donor golf trip to Scotland. This is described in more detail in the narrative above. In addition, UNM Athletics paid the golf package fees of \$24,567 for three donors to attend the trip.
- UNM Athletics purchased ten Final Four tickets for \$3,135 in 2015, 12 Final Four tickets for \$4,681 in 2016 and 20 Final Four tickets for \$6,941.50 in 2017. UNM Athletics also purchased two football National Championship tickets for \$1,325 in 2016 and two National Championship tickets for \$1,375 in 2017. The expenditures did not list who would receive the tickets and the business purpose of the purchase.
- UNM Athletics spent \$780 for pendants given to Lobo Women's Society, a Booster club for all women's sports at UNM.
- UNM Athletics spent \$5,980 for a 2015 Alumni Letterman donor cultivation golf outing at UNM Golf Course.
- UNM Athletics spent \$5,184 for a 2016 Donor and Alumni cultivation golf trip to Isleta Eagle Golf Course.
- UNM Athletics spent \$7,449.45 for a 2014 Golf outing for baseball fundraising at Sandia Casino, including green fees, golf carts, and alcohol.
- UNM Athletics purchased meals and travel and gave away 19 Lobo football season passes to individuals. The documentation suggested that the expenditures were donor benefits.

In addition, we tested all Athletics expenditures paid by the Foundation during the fiscal years ended 2015, 2016 and 2017; 50 of the largest Athletics-related expenditures paid by the Alumni Association during the fiscal years ended 2015, 2016 and 2017; and travel expenditures over \$25, expense reimbursements of two employees and other P-Card and expense reimbursements over \$2,500 from the Lobo Club during the fiscal years ended 2015, 2016 and 2017. The OSA identified several expenditures that, while allowable, may raise concerns from the public about excessive spending. Appendix 4 contains a list of those expenditures.

Criteria

UNM funds must be used in accordance with laws, regulations and policies governing public funds. Even if funds originated with the Lobo Club, once the Lobo Club transfers money to UNM, the Memorandum of Agreement between the two entities specifies that such funds “will be subject to all state laws and regulations governing the disbursement and administration of public funds and public property....” UNM used public funds to pay for donor benefits, potentially violating the Anti-Donation Clause of the New Mexico Constitution. In contrast to the funds in the possession of the Lobo Club, UNM public funds are subject to the Anti-Donation Clause of the New Mexico Constitution which prohibits “any donation to or in aid of any person,” the Procurement Code, and UNM policies and procedures regarding expenditures. While University Administrative Policy 4000.13 carves out an exception for UNM to use Foundation funds for donor development, no similar exception exists for Lobo Club funds.

Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) sets forth the requirement that government entities not make any donation to or in aid of any person, association or public or private corporation.

Public funds must be expended in accordance with the Procurement Code, NMSA 1978, Section 13-1-28 et seq.

Cause

UNM did not consistently follow policies and procedures regarding public money when making expenditures for donor cultivation and stewardship. UNM did not segregate Lobo Club funds or document that the funds used for donor cultivation and stewardship were not public funds.

Effect

Public funds may have been used for donor development.

Recommendation

UNM should implement procedures that allow the tracking of non-public funds that may be used for purposes that public funds cannot. UNM should consider amending the Memorandum of Agreement with the Lobo Club to allow for transfers from the Lobo Club to UNM to be segregated and used for donor development, similar to the provision in the UNM Foundation agreement. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding, and is in the process of revising and updating the May 17, 2015 Memorandum of Agreement (MOA) between the Board of Regents, UNM Foundation, and the Lobo Club to clearly define roles and responsibilities of all parties in the agreement. The revised MOA will also articulate each entity's financial expectations and obligations.

The University President will send out a formal written communication to all Athletics areas mandating that fundraising activities must be planned and conducted through the UNM Foundation or Lobo Club, and that all associated fundraising expenses should be paid from the Foundation or Lobo Club accounts.

The University is in the process of transferring all developmental (enhancement accounts) to the UNM Foundation or Lobo Club, as appropriate. All benefits of value offered to donors, including NCAA tickets (with the exception of tickets provided to the Athletics Director as part of his employment contract with UNM) will be paid by the UNM Foundation or Lobo Club as appropriate.

Finding 2017-005 Disproportionate Donor Benefit

Condition

UNM Athletics, Lobo Club, and booster clubs build relationships with donors and prospective donors using a variety of published and unpublished benefits. Examples of unpublished discretionary benefits we noted include items such as flights on charter planes with UNM teams, participation in golf tournaments, attendance at hospitality events, free meals and use of Pit Suites.

The rules governing tax-exempt charitable organizations require that an organization be operated exclusively for charitable purposes, which prohibits excessive private benefit. Fundraising professionals use an informal rule of proportionality to avoid excessive benefit and to foster confidence among donors. This means that the unpublished benefits that a donor receives should be related to the amount the donor has given and has capacity to give, and the connections that the donor may have to other prospective large donors.

The OSA identified 23 recipients of “donor perks” from UNM Athletics who had not made any monetary contributions to UNM or its related entities. There was no documentation or oversight to ensure that the benefits were justified because of future donor potential or in-kind contributions.

| Beneficiary | Documented Donations in past 10 years | Charter flight | Inclusive Golf Trip | Lobo Football Season Passes | Hotel | Meal Drinks / |
|--------------------|--|-----------------------|----------------------------|------------------------------------|--------------|----------------------|
| Beneficiary 1 | \$0 | 1 | | | 1 | 2 |

| Beneficiary | Documented Donations in past 10 years | Charter flight | Inclusive Golf Trip | Lobo Football Season Passes | Hotel | Meal / Drinks |
|--------------------|--|-----------------------|----------------------------|------------------------------------|--------------|----------------------|
| Beneficiary 2 | \$0 | 1 | | | 1 | 1 |
| Beneficiary 3 | \$0 | 1 | | | 1 | |
| Beneficiary 4 | \$0** | 1 | | | 1 | |
| Beneficiary 5 | \$0 | 1 | | | | 1 |
| Beneficiary 6 | \$0 | 1 | | | | |
| Beneficiary 7 | \$0* | 1 | | | | |
| Beneficiary 8 | \$0 | 1 | | | | |
| Beneficiary 9 | \$0* | 1 | | | | |
| Beneficiary 10 | \$0 | 1 | | | | |
| Beneficiary 11 | \$0 | 1 | | | | |
| Beneficiary 12 | \$0 | 1 | | | | |
| Beneficiary 13 | \$0 | 1 | | | | |
| Beneficiary 14 | \$0 | 1 | | | | |
| Beneficiary 15 | \$0* | 1 | | | | |
| Beneficiary 16 | \$0* | 1 | | | | |
| Beneficiary 17 | \$0 | | 2 | | | |
| Beneficiary 18 | \$0 | | 2 | | | |
| Beneficiary 19 | \$0 | | 1 | | | |
| Beneficiary 20 | \$0** | | | 4 | | |
| Beneficiary 21 | \$0** | | | 4 | | |
| Beneficiary 22 | \$0** | | | 4 | | |
| Beneficiary 23 | \$0** | | | 3 | | |

* The Beneficiaries marked with one asterisk are people who OSA was able to identify as possibly being non-Athletics employees of UNM. In these instances, there may have been employment-related reasons for the benefits received, but nothing was documented.

** The Beneficiaries marked with two asterisks are related to businesses that OSA was able to identify as possibly having in-kind donation relationships that justified the benefits, but nothing was documented.

This list excludes persons who have received benefits and were not documented as donors but were (i) Athletics employees, (ii) documented owners of corporate donors, (iii) family members of donors or Athletics employees, or (iv) independent contractors with a University-wide scope.

Criteria

UNM Administrative Policy 4000.6. Personal Benefit reads:

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. Common examples of personal expenses that cannot be reimbursed with University funds are listed below:

Gifts. The purchase of personal gifts, including flowers and other gifts expressing sympathy, bereavement, or congratulations to faculty, staff, students, or their families is prohibited, unless approved by other University published policy (such as the employee service awards discussed in UAP 3745 (“Service Awards”).

Cause

A lack of transparency and oversight, including the lack of a policy for ensuring that the recipients of “donor perks” have contributed to the University. Lack of documentation as to other justifications for distributing perks, such as in-kind donations or donation potential.

Effect

Persons who have not donated to the University may be receiving perks intended for donors.

Recommendation

UNM should establish oversight and disclosure to ensure that persons who receive perks intended for donors are donors or donor prospects, and receive perks paid for with appropriate funds. UNM and its related entities should implement consistent procedures to document in-kind contributions like courtesy car arrangements with car dealerships and cross-promotional initiatives. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding. UNM is in the process of revising and updating the May 17, 2015 Memorandum of Agreement (MOA) between the Board of Regents, UNM Foundation, and the Lobo Club to clearly define the roles and responsibilities of all parties to the agreement. This revised MOA will require monthly expenditure tracking by the University, UNM Foundation, and the Lobo Club to ensure that benefits intended for donors or prospective donors are paid with appropriate funds. The monthly reporting will include tracking of any in-kind contributions from donors when

applicable.

Finding 2017-006 Overpayments to Coaches

Condition

During our testwork on compensation for coaches, OSA found overpayments in three out of nine Athletics positions, all of which were subsequently repaid. The OSA reviewed compensation files and noted the following:

- Coach 1 renegotiated a contract for a term of July 1, 2014, through June 30, 2018. Terms of the renegotiation included increasing deferred compensation. For the fiscal year ended June 30, 2014, the UNM Regents awarded all full-time UNM employees a 2.5% salary increase. Athletics sent a memorandum to Main Campus Human Resources listing all employees who should be excluded from the salary increase, and Coach 1 was included on the list. Despite being on the exclusion list, Coach 1 received a salary increase and was overpaid a total of \$1,185.65 between July 2014 to December 2014. Coach 1 discovered the error and notified Main Campus Human Resources. Coach 1 repaid the overpayment in full through payroll deductions from March 2015 to June 2015.
- Coach 2 was an Assistant Head Coach promoted to Head Coach on April 8, 2013. The contract as Assistant Head Coach had a term of April 1, 2013, through March 31, 2014 with extra compensation of \$12,250/month in non-standard payments (NSP). New NSP information was entered into the system when Coach 2 was promoted to Head Coach and the superseded NSP information was not deleted. The Main Campus Human Resources system automatically keeps NSP in place until the end of the contract. Between May 2013 and March 2014 Coach 2 was overpaid \$144,215.91 of gross wages. After adjusting for withholding of payroll taxes already remitted to taxing authorities, the amount that Coach 2 was required to repay equaled \$123,710.80. Coach 2 inquired why his salary decreased in April 2014 when the old NSP expired. Coach 2 repaid the overpayment in full through payroll deductions from July 2014 through June 2015.
- Coach 3 renegotiated his contract in June 2013 which included increases to his compensation. A new NSP form was submitted in June 2013 to reflect these changes, however the new NSP form did not state that the prior NSP needed to be cancelled. The superseded NSP remained in effect from July 1, 2013, until February 28, 2015 when Athletics discovered the error. The superseded NSP included \$2,341.67/month for media resulting in an overpayment to Coach 3 of \$39,601.26. Coach 3 repaid the overpayment in full by June 2017 through payroll deductions and payments.

Criteria

Good accounting practices require UNM to implement and follow sound accounting and internal control policies and procedures. Effective internal controls assist in demonstrating UNM's ability to record, process, summarize and report transactions and support financial statement assertions of existence and occurrence, rights and obligations, and accuracy and classification. The COSO Internal Control – Integrated Framework outlines the components, principles, and factors necessary for an organization to effectively manage its risks through the implementation of internal control. Clear responsibilities must be defined so that each group understands their role in addressing risk and control, the aspects for which they are accountable and how they will coordinate their efforts with each other. Insufficient control activities and/or monitoring and review increases the risk that transactions could occur and could be recorded and reported at inappropriate amounts.

Cause

New NSP amounts were entered into the payroll module without removing the amounts for the superseded NSP form. The current NSP form does not have a place for departments to state the end date for prior NSPs and effective date for new NSPs. Main Campus Human Resources can only end a NSP with notification from a department and Athletics does not have access to the information entered in Banner for the active NSP. Employees are unable to see the detail of the extra compensation on their paystubs, employee earnings are shown by earn code. For example, earn code 200 includes program promotion, media participation/cooperation, and endorsement agreements and are shown as one line item on the employee's paystub. This makes it difficult for the employee to determine if their extra compensation is correct.

Effect

Three coaches were overpaid a total amount of \$185,002.82.

Recommendation

Communication regarding NSPs could be improved. It was noted that Main Campus Human Resources is working on a report to provide departments with the information on active NSPs. Main Campus Human Resources and payroll should evaluate the NSP processes to determine if control procedures may be added to the process of entering data. Payroll should evaluate procedures to determine if a different process may be implemented for review of payroll amounts to identify possible overpayments. Main Campus Human Resources and payroll should evaluate procedures that may be implemented to show the detail of extra compensation on the employee's paystub.

Response

The University agrees with the finding and has implemented the following changes for processing Nonstandard Payments (NSP) to proactively avoid overpayments.

The Payroll Department worked very closely with the Athletics Department and the affected

employees to insure the overpayment mistakes were corrected and the overpaid amounts were paid back within the time periods stated in this review. Amounts owed and payback arrangements were communicated as soon as the overpayments were discovered. It should be noted that these overpayments occurred due to the complexity of the various payment streams to these coaches. The overpayments in this document occurred in calendar years 2014, 2015, and 2016. The total federal reportable wages paid by UNM for the same calendar years were: 2014 - \$580,282,216.21; 2015 - \$607,751,810.10; 2016 - \$614,497,560.73.

Effective FY18, the Athletics Department Human Resources Office will create a spreadsheet annually that includes all compensation-related details for coaches' contracts. If any changes occur in a contract during the fiscal year, Athletics HR staff will send the updated information to the UNM Division of Human Resources and the Athletics Department Chief Financial Officer, in order to monitor whether the proper amount has been paid on a monthly basis. This requirement will ensure payments made to coaches are consistent with the terms of each contract. Any errors will be identified in a timely manner to ensure prompt collection of overpayment. The UNM Division of Human Resources will review the NSP form upon receipt and prior to processing into UNM's Banner System. They will be responsible for verifying the accuracy of the data on the form and ensuring there is no duplication of NSP payments. They will also review existing NSP payments already in Banner, and terminate as needed. Finally, the UNM Division of Human Resources is working with the Office of University Counsel to modify the current employment contract/addendum amendment process. Currently, when a portion of a coach's contract is changed, an amendment to the addendum is issued addressing only the terms that have changed. Going forward, the Division of Human Resources recommends that a new addendum be created in its entirety whenever there is a change in the terms of employment beyond a change in salary or duration.

Finding 2017-007 Expense Reimbursement and P-Card Transactions

Condition

During our expense reimbursement testwork, OSA tested a total of 470 transactions. During testing of credit card transactions (P-Card), OSA tested 1,960 transactions. From both sets of testwork the OSA noted the following:

- 14 instances with insufficient business purpose documented to determine the propriety of the transaction, totaling \$37,280.31.
- One instance that the purchase should have gone through the procurement process, totaling \$37,603.13. The P-Card payment was made for a computer software and maintenance contract. The procurement department granted a one-time exception after the payment was made stating that similar purchases need to go through the purchasing manager in the procurement department.
- 9 instances of insufficient documentation supporting a P-Card transaction, totaling \$31,003.62.

- Five instances of spouses traveling with employees with no indication that the spouses' airfare was included as taxable income to the employee as required by the contracts, totaling \$1,402.90.
- Two instances had insufficient supporting documentation or no supporting documentation, totaling \$194.12.
- Six instances without documentation or insufficient documentation of the business purpose for per diem, totaling \$1,864.67.
- Two instances of a supervisor approving reimbursement to an employee for expenses related to the supervisor, totaling \$1,575.13.
- One instance that an employee was reimbursed for expenses previously paid for by UNM, totaling \$495.00.
- Two instances that a UNM P-Card paid airfare for a golf excursion to Las Vegas, NV for individuals outside of UNM, totaling \$716.00.
- One instance that per diem of \$68.00 was paid for the same day that expense reimbursements were paid for meals in the amount of \$74.20.

Criteria

Good accounting practices require UNM to implement and follow sound accounting and internal control policies and procedures. Effective internal controls assist in demonstrating UNM's ability to record, process, summarize and report transactions and support financial statement assertions of existence or occurrence and accuracy or classification. The COSO Internal Control – Integrated Framework outlines the components, principles, and factors necessary for an organization to effectively manage its risks through the implementation of internal control. Clear responsibilities must be defined so that each group understands their role in addressing risk and control, the aspects for which they are accountable and how they will coordinate their efforts with each other. Lack of consistent processes increases the risk that unauthorized transactions could occur and transactions could be inaccurately recorded and reported.

Section 10-8-5 NMSA 1978 states that public funds shall be paid out under the Per Diem and Mileage Act only upon vouchers duly presented with any required receipts attached thereto.

UNM Purchasing and Accounts Payable Policies and Procedures require proper documentation including original receipts or cancelled checks (if paid receipt is not available) for all reimbursements.

UNM P-Card Policies and Procedures require that Cardholders secure and retain appropriate documentation to support each purchase charged to the P-Card, enter index and account code, ensure that a valid business purpose exists for every transaction and attain a detailed receipt. Violations include purchases of prohibited items and travel purchased for unauthorized travelers.

UNM purchasing policies and procedures require that goods and/or services not be rendered or solicited until a Purchase Order is approved and disseminated by the Purchasing department.

Cause

Lack of oversight and inconsistent internal controls over expense reimbursements. UNM did not consistently follow policies and procedures to ensure that documentation is properly reviewed to ensure compliance with policies and State statutes. Insufficient supervision and/or employees' lack of understanding policy, laws, rules, and regulations. Unauthorized expenditures may be processed and paid without proper approval and supporting documentation. Noncompliance with statutes may subject officials and employees to penalties as defined by State statutes. Noncompliance with UNM policy and procedures.

Effect

Unauthorized expenditures may be processed and paid without proper approval and supporting documentation. Noncompliance with statutes may subject officials and employees to penalties as defined by State statutes. Noncompliance with UNM policy and procedures. Excessive expenses reduce the amount of funds available to support UNM operations.

Recommendation

UNM should implement procedures that include reviewing all supporting documentation and retaining appropriate documents to ensure compliance with relevant statutes, regulations and policies. Supporting documentation should contain a valid business purpose. Procedures should include evaluation of the supporting documentation to determine the validity and appropriateness of the business purpose; payment method utilized to pay for expenses where reimbursement is requested to ensure the charges were not originally paid for with a UNM P-Card; ensure per diem is not claimed for the same dates that actual expenses are reimbursed; proper approval was obtained, and the approver should not have been involved in incurring the charges. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding. The University's Athletics Director will review all P-Card (purchase card) transactions initiated by the executive assistant to ensure that all documentation in support of transactions are for valid University business purpose, and that expenditures are in compliance with University policies and are allowable uses of public funds. The Athletics Department Business Office will be required to follow similar standard in their review and approval of all transactions processed for other Athletics Department units. The University implemented Chrome River business management software in December of 2016. This system update allows for

improved timeliness of P-Card transaction reviews, including required approval for appropriateness, adequate supporting documentation, and compliance and adherence with the University policies.

The Athletics Department will be required to work with the University Information Technology Services (ITS) to either obtain technology consulting, proactive technology management, network administration, etc., services from ITS or issue a formal request for proposal no later than March 31, 2018, for these services. The University Controller will work with the Athletics Director to develop and implement a documentation form for spousal expenses by March 31, 2018, to track taxable income for employees. Finally, the Athletics Department is in the process of creating a written Business Office Procedures Manual with an anticipated completion date in March 2018, which will guide the department to ensure compliance with the University Policies in disbursing public funds.

Finding 2017-008 Cash Advance Transactions

Condition

During our cash advance testwork we tested 435 transactions and noted the following:

- 67 transactions did not follow specific cash advance procedures (e.g. did not obtain proper approvals, did not reconcile cash used, etc.; single transactions are listed under multiple bullets), totaling \$81,572.50. Among these transactions:
 - 17 instances that the required email was not sent to the appropriate athletics and business office personnel or prior authorization was not obtained, totaling \$16,188.40.
 - 11 instances that cash reconciliation was not completed timely upon the end of the trip, totaling \$9,577.90.
 - 13 instances of insufficient supporting documentation to validate the cash withdrawn and/or spent, totaling \$9,915.40.
 - One instance that the deposit of unused funds was not coded to the same account as the initial withdrawal, totaling \$21,780.
 - 21 instances without student or staff acknowledgement signatures to indicate they received the cash allocated to them, totaling \$17,871.90.
- Four instances of cash advances for team per diems that the team member signature sheet, indicating students received cash, appears to be signed by one person signing multiple names, totaling \$6,238.90.

Criteria

Good accounting practices require UNM to implement and follow sound accounting and internal control policies and procedures. Effective internal controls assist in demonstrating UNM's ability to record, process, summarize and report transactions and support financial statement assertions of existence and occurrence, and accuracy and classification. The COSO Internal Control – Integrated Framework outlines the components, principles, and factors necessary for an organization to

effectively manage its risks through the implementation of internal control. Clear responsibilities must be defined so that each group understands their role in addressing risk and control, the aspects for which they are accountable and how they will coordinate their efforts with each other. Lack of consistent processes increases the risk that unauthorized transactions could occur and transactions could be inaccurately recorded and reported.

UNM Cash Advance Guidelines restrict the uses for cash advances to situations in which cash is the only acceptable means of payment. The P-Card holder is responsible for obtaining a receipt or other documentation to support all cash purchases. Any unspent cash must be deposited immediately upon return from travel, and the deposit should be coded to the expense account code to which the expense was charged.

Per Section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source must be deposited before the close of the next business day after the receipt of money.

Cause

Lack of oversight and inconsistent internal controls over Cash Advances. UNM did not consistently follow policies and procedures to ensure that documentation is properly reviewed to ensure compliance with policies and State statutes. Insufficient supervision and/or employees' failure to understand policy, laws, rules, and regulations.

Effect

Increased risk of misappropriation of cash. Noncompliance with statutes may subject officials and employees to penalties as defined by State statutes. Noncompliance with UNM policy and procedures.

Recommendation

UNM should implement procedures that include reviewing all supporting documentation and retaining all documents to ensure compliance with relevant statutes, regulations and policies. UNM should provide regular training regarding the P-Card Cash Advance policies and procedures. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding and has implemented the following changes. The Athletics Department now issues prepaid debit cards to student-athletes for allowed amounts for meals while

on travel status and/or when school is on break in compliance with the NCAA and Mountain West Conference rules to minimize cash withdrawals at ATMs. When a cash advance may be necessary for meal money, signatures of each individual who receives cash for meals will be required. The Athletics Department is also in the process of rebuilding the staffing levels within the Athletics Department Business Office to ensure adequate staffing to better track cash advance transactions. Finally, in conjunction with this fiscal year internal audit of the administration of the Athletics Department, UNM's Internal Audit Department will audit Chrome River transactions and prepaid debit card transactions to ensure compliance with University policies.

Finding 2017-009 Employee Potential Conflict of Interest

Condition

OSA received allegations that the separation of a former UNM employee was structured to allow the former employee to earn a certain number of NM Education Retirement Board (ERB) service credits. The employee had been with UNM's Athletics Department for nine years. In contemplating plans for separation, the employee sent an email to the VP of Athletics stating, "In fighting for service time or compensation, please keep in mind the extra service put forth in the areas of interim women's tennis coach, lobo club director and fundraiser over the last 4 years." The VP of Athletics responded, stating, "I now find myself in the very uncomfortable and awkward position of trying to be helpful to you while representing the interest of the University in these discussions, most of which are out of my hands."

The VP of Athletics submitted a memorandum to the VP of Human Resources dated November 24, 2015, requesting a Term Position for the individual. The memorandum lists the primary duties for this individual are to assist in the transition of their duties and responsibilities to other staff, continue involvement in UNM's petition for a Professional Tennis Management graduate program, assist with securing and scheduling certain events, work with other UNM employees to transition and develop relationships with major university donors and assist with other special projects as assigned. The individual's formal offer of employment was dated January 25, 2016 with a start date of January 24, 2016 and an end date of January 23, 2018.

The plan then appears to have changed. The employee submitted his resignation with a last day of employment of January 23, 2016, with a request to reduce his full-time equivalency from 1.0 to 0.5 beginning December 1, 2015. The employee accepted a full-time position as the General Manager of the United States Tennis Association (USTA) effective January 4, 2016 and relocated to Florida for that position. However, he remains a part-time employee of UNM with a position through January 23, 2018, and his job duties for UNM include working with the USTA to develop and implement a Professional Tennis Management Program at the University. In other words, it appears that he continued to serve as a UNM employee to be able to earn ERB service credits, while also working full-time for an outside organization engaged on overlapping job duties.

In consideration of this transaction we also evaluated compliance with UNM's conflicts of interest policy.

We noted that the employee in question appears to have a conflict of interest that was not evaluated and disclosed per UNM policy. A part-time UNM employee is also a full-time employee of another organization working on overlapping issues.

Criteria

UNM Administrative Procedure 3720.1: Employee Code of Conduct and Conflicts of Interest, which covers all University employees, states:

Employees are expected to perform their duties faithfully and efficiently and never to give rise to suspicion of improper conflict with interest of the University. Subject to specific University administrative policies, employees *must avoid any conflict of interest that may affect their independent judgment in the impartial performance of their duties* and may not use their positions to enhance their direct or indirect financial interest or use confidential information learned as employees for anyone's private gain. University employees as well as individuals and firms proposing business transactions with the University shall disclose in advance and in writing any direct or indirect financial interest employees may have in a transaction with the University. (Emphasis added.)

UNM Administrative Procedure 3720.3 also requires employees to disclose business transactions with the University in advance and in writing where a University employee is also an employee of the business entity.

Section four of the above policy describes an arm's length transactions as one in which "the employee with a financial interest must not be in a position to exert influence over the transaction because of his or her employment with the University. Moreover, the employee must not have participated directly nor indirectly in the University's decision with respect to the transaction (such as by influencing the decision to enter into the transaction, helping to prepare the specifications, or having input or influence in deciding to whom the contract is awarded.)" The policy goes on to say "As a matter of policy, transactions will not be considered "arm's length" where a University employee has a financial interest in the proposed transaction and that employee reports to the same dean or director as the University unit proposing the transaction." Transactions not qualifying as arm's length transactions are not permissible unless approved by the University President in limited circumstances and under specific conditions, as outlined in the policy.

Cause

In order to facilitate an employee's desire to work elsewhere but also continue to earn ERB service credits, UNM entered into an employment agreement with an employee who was also a full-time employee of an organization assisting with the development of a new Masters degree program at the

University, without assessing the conflicts of interest that the arrangement presented and disclosing to appropriate UNM personnel.

Effect

Failure to properly evaluate the conflict of interest and disclose the conflict to someone independent of the business relationship caused non-compliance with UNM's employee conflict of interest policy.

Recommendation

UNM should review the circumstances related to the employee and evaluate potential conflicts of interest. UNM should ensure that documentation related to compliance with the Employee Code of Conduct and Conflicts of Interest policy is maintained. Structural improvements could include an office of ombudsman for ethics and compliance, as well as broader responsibility and duties for the Internal Audit department.

Response

The University does not have a professional services contract with the United States Tennis Association (USTA) nor a professional services contract with this employee which would create a conflict of interest in violation of the University Policy. However, the University will implement the following steps to avoid any future appearance of conflict of interest:

- The Athletics Department Human Resources Office will be required to prepare written documentation of compliance with the University policies and procedures related the Employee Code of Conduct and Conflicts of Interest policy. This documentation will demonstrate that the hire and/or transfer of the employee is indeed an arm's length transaction.
- Such documentation will be provided to the UNM Division of Human Resources and University Counsel Office for review to determine compliance with University policies.
- Going forward, the University President will work with the Athletics Director on changing reporting structures for the Athletics Department Human Resources Office to coordinate and report to the UNM Division of Human Resources.

With regards to the specific issue, the employee referenced in the special audit report is working as a .36 percent Full Time Equivalent (FTE). As required by the New Mexico Education Retirement Board (ERB) and University policies, this employee is required to participate in the Educational Retirement System. UNM completed the NMERB Independent Contractor Determination Application and NMERB determined that this employment relationship was not an independent contractor.

The employee has significant experience in UNM Athletics, has significant experience with a number of key initiatives involving the Athletics Department, and has long-standing relationships with UNM donors and other community members. He converted from a full-time position to a part-time exempt

position to ensure projects that he was actively involved in would be finalized with minimum disruption. He was asked to work on a part-time status to assist with the transition of his responsibilities to another staff member; the continuation and development of the Professional Tennis Master's Program for UNM; and to work with certain UNM major donors. This exempt part-time employee has consistently submitted monthly logs to his department to demonstrate his work effort relative to his FTE status.

The employee recently provided a high-level overview of his major accomplishments since transferring into his new part-time position:

- The employee provided monthly logs for cultivation and fundraising contacts.
- In addition to consistent communication with UNM supporters, he was integral in raising approximately \$500k over the last 21 months. These gifts were made up of several small gifts to UNM Tennis, one court naming gift at the McKinnon Tennis Stadium for \$50k, and the 2-year renewal of another gift of approximately \$425k.

The employee's work on the Professional Tennis Sports Management Degree is estimated to be 90% complete with expected program implementation by the College of Education in August 2018.

Finding 2017-010 Segregation of Duties

Condition

During our testwork, OSA noted that head coaches are responsible for raising funds for their respective teams. Head coaches solicit and deliver cash, check or credit card information from the fundraising efforts to the Lobo Club. This process lacks segregation of duties as coaches are responsible for both initiating and receiving transactions, which results in a lack of checks and balances.

Criteria

Good accounting practices require UNM to implement and follow sound accounting and internal control policies and procedures including segregation of duties over significant transaction cycles. Effective internal controls assist in demonstrating UNM's ability to record, process, summarize and report transactions and support financial statement assertions of completeness. The COSO Internal Control – Integrated Framework outlines the components, principles, and factors necessary for an organization to effectively manage its risks through the implementation of internal control. Clear responsibilities must be defined so that each group understands their role in addressing risk and control, the aspects for which they are accountable and how they will coordinate their efforts with each other. Insufficient control activities increase the risk of misappropriation of assets.

Cause

Lack of formal process that segregates duties of initiating and receiving transactions.

Effect

Lack of segregation of duties or other compensating internal controls may cause misappropriation of assets.

Recommendation

UNM should develop a formal written policy for soliciting donations for sports teams. The policy should include segregation of duties for solicitation and collection of donations. We recommend segregating the duties of collecting pledge sheets and collecting funds. On a broader level, the University needs to improve its governance structure for donations and related expenditures to enable transparency and accountability by both the University and its component units. Structural improvements could include an office of ombudsman for ethics and compliance, broader responsibility and duties for the Internal Audit department, a dedicated University-wide CFO position, clearer guidance on fiduciary duties and expectations for individuals who play multiple roles at UNM and its related entities, and a treasurer for the Lobo Club.

Response

The University agrees with the finding and recommendation for Lobo Club to develop formal written procedures for soliciting donations (through the Sport Enhancement Fund) for sports teams and other fundraising activities. The University has detailed policies involving gifts and fundraising - UAP 1030-Gifts to the University and UAP 1040-Fundraising. The UNM Foundation oversees and coordinates the University's charitable giving activities. Any charitable gift received by the Athletics Department, including gifts received by coaches, must be reported and deposited with the UNM Foundation or Lobo Club, in order to issue the type of receipt required by the Internal Revenue Service.

IV. SCOPE AND PROCEDURES

UNM engaged the Office of the State Auditor to perform certain procedures to assess UNM's compliance with applicable laws, regulations, policies and procedures in various areas. The following procedures were performed:

1. The Office of the State Auditor examined documentation, including relevant policies and procedures, related to specific selectively sampled transactions between July 1, 2014 and June, 2017.
2. The Office of the State Auditor performed additional procedures, as deemed necessary, related to the sampled transactions.

OSA created a scope of work that focused on various citizen concerns. As part of the scope of work, OSA staff performed procedures related to the topics listed below:

- Payments made on behalf of Athletics by the UNM Lobo Club, UNM Foundation and UNM Alumni Association
- Compensation related to key Athletics individuals
- Key Athletics individuals out-of-state travel
- Disbursements made directly to key Athletics individuals
- Cash advances utilized on P-cards
- Benefits received by Donors
- Pit Suite sales and collections
- Championship tickets
- Booster clubs/Sports Enhancement Funds
- Ski team

The OSA developed this report based on information from interviews, observations, and our review of selected documentation and records. Based on the samples tested and the limited procedures performed, the OSA was not able to determine if the findings and issues of non-compliance were the result of intentional wrongdoing. However, had additional procedures been performed, other matters may have become known that would have been reported.

V. ABOUT THE OFFICE OF THE STATE AUDITOR

The New Mexico Office of the State Auditor is a constitutionally established, separately elected office in the executive branch of state government. The State Auditor maintains independence from both the Governor and the Legislature while examining and auditing the financial affairs of state and local entities. When the State's leaders prepared the New Mexico Constitution in 1911 for impending statehood the following year, they created a strong, independent Office of the State Auditor to oversee how government officials spend taxpayers' hard-earned dollars. As the New Mexico Supreme Court stated in 1968, "the office of state auditor was created and exists for the basic purpose of having a completely independent representative of the people, accountable to no one else, with the power, duty and authority to examine and pass upon the activities of state officers and agencies who, by law, receive and expend public moneys." *Thompson v. Legislative Audit Comm'n*, 79 NM. 693, 448 P.2d 779 (1968).

Included in the OSA's statutory mandate is the requirement that the financial affairs of every agency be thoroughly examined and audited each year by the State Auditor, personnel of the State Auditor's Office designated by the State Auditor, or Independent Public Accountants approved by the State Auditor. The OSA also has the authority to cause the financial affairs and transactions of an agency to be audited in whole or in part. These two statutory provisions grant the State Auditor the authority to conduct both annual financial audits and special audits. The Audit Act, New Mexico Statutes Annotated 1978, Sections 12-6-1 to 12-6-14, and the Audit Rule, NMAC 2.2.2, are the laws and regulations under which the OSA operates. The Audit Rule, NMAC 2.2.2.15.B, encompasses special audits, attestation engagements, performance audit and forensic audit, which include, without limitation, agreed-upon procedures, consulting, and contract close-out (results-based award) engagements that address financial fraud, waste or abuse in government.

EXIT CONFERENCE

On October 31, 2017 the OSA held an exit conference with the following individuals to discuss the results of the consulting service engagement and the findings.

University of New Mexico

Dr. Chaouki Abdallah, UNM Interim President
Alex Romero, UNM Board of Regents

Office of the State Auditor

Timothy M. Keller, State Auditor
Sanjay Bhakta, CPA, CGFM, CFE, CGMA, Deputy State Auditor
Sunalei Stewart, JD, CFE, Chief of Staff
Sarita Nair, JD, MCRP, Chief Government Accountability Officer & General Counsel
Lynette Kennard, CPA, CGFM, Financial Audit Division Director
Shannon Sanders, CPA, CFE, Audit Manager

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

November 10, 2017

Chaouki T. Abdallah
Interim President
University of New Mexico
MSC05 3300
1 University of New Mexico
Albuquerque, NM 87131

Dear President Abdallah:

We have performed consulting services on accounting and financial records related to the University of New Mexico ("UNM", "University") and its component units for the period of July 1, 2014, through June 30, 2017. This engagement is solely to assist UNM in addressing various concerns regarding the Athletics Department.

On behalf of UNM, the Interim President agreed to the services. UNM's management is responsible for its accounting and financial records. This consulting services engagement was conducted in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants.

UNM management is responsible for maintaining the accounting records and for establishing and maintaining effective internal control over compliance with applicable laws, regulations, and procurement policies of the University. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. In addition, our consulting procedures do not provide an ultimate legal determination of UNM's compliance with applicable laws and regulations.

This report is intended solely for the information and use of management of the University of New Mexico and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Please do not hesitate to contact us at (505) 476-3800 if you have any questions regarding this report.

Sincerely,

Office of the State Auditor
Office of the State Auditor

Appendix 1: Key Athletics Department Employees and Compensation

| Employee | Base Salary | Contracted Benefits | Other fringe benefits (taxable) | Total |
|-------------------|-------------|---------------------|---------------------------------|--------------|
| Robert Davie | \$ 422,690 | \$ 764,100 | \$ 21,466 | \$ 1,208,256 |
| Craig Neal | \$ 300,000 | \$ 864,100 | \$ 4,805 | \$ 1,168,905 |
| Paul Weir | \$ 300,000 | \$ 556,100 | \$ - | \$ 856,100 |
| Paul Krebs | \$ 319,262 | \$ 291,300 | \$ 2,455 | \$ 613,017 |
| J. Ray Birmingham | \$ 155,572 | \$ 58,104 | \$ 23,425 | \$ 237,101 |
| Tim Cass | \$ 210,000 | \$ 14,100 | \$ 70 | \$ 224,170 |
| Janice Ruggiero | \$ 165,000 | \$ 18,720 | \$ 3,299 | \$ 187,019 |
| Brad Hutchins | \$ 140,000 | \$ 11,904 | \$ 736 | \$ 152,640 |
| Kole McKamey* | \$ 110,000 | \$ - | \$ - | \$ 110,000 |
| Ed Manzanares | \$ 83,200 | \$ 11,904 | \$ 477 | \$ 95,581 |
| Scott Dotson | \$ 91,865 | \$ - | \$ 3,367 | \$ 95,232 |
| Brian DeSpain | \$ 83,000 | \$ - | \$ 9,559 | \$ 92,559 |
| Kaley Espindola | \$ 79,650 | \$ - | \$ - | \$ 79,650 |
| Yvonne Otts | \$ 76,875 | \$ - | \$ 1,337 | \$ 78,212 |
| Cody Hopkins | \$ 76,500 | \$ - | \$ - | \$ 76,500 |
| Ryan Berryman | \$ 65,000 | \$ - | \$ - | \$ 65,000 |
| Frank Mercogliano | \$ 61,450 | \$ - | \$ 868 | \$ 62,318 |
| Vera Jo Bustos | \$ 55,037 | \$ - | \$ 1,340 | \$ 56,377 |
| Valerie Arbogast | \$ 50,003 | \$ - | \$ 1,113 | \$ 51,116 |
| Evan Barker | \$ 35,000 | \$ - | \$ 1,550 | \$ 36,550 |

*Employee of the Foundation, works with Lobo Club, housed in Athletics Department

Note: Base salary and contracted benefits are from 2017 when applicable, otherwise it is the latest year the person was employed.

Procedure: Base pay and contracted benefits are determined from the contracts (when applicable) or payroll information. The contracted benefits amount includes all possible incentive payments, regardless of whether they were actually earned or paid. Other fringe benefits could come from the contract/employment agreement as well as from our testwork on Reimbursements and P-Card transactions, or from payroll reports.

Appendix 2: Budget Allocation of Student Activity Fees Fiscal Year 2017

| Student Activity Fees: | Amount | Percentage |
|--|------------|------------|
| Student Health and Counseling | 4,542,737 | 13.11% |
| Athletics | 3,968,694 | 11.45% |
| New Mexico Union (SUB) | 2,340,498 | 6.75% |
| Information Technology Initiatives | 1,885,130 | 5.44% |
| Recreational Services | 831,148 | 2.40% |
| University Library Acquisitions | 793,739 | 2.29% |
| UNM Children's Campus | 375,800 | 1.08% |
| Center of Academic Support | 330,359 | 0.95% |
| UNM Public Events (Popejoy) | 178,591 | 0.52% |
| Student Government Accounting Office | 178,401 | 0.51% |
| El Centro De La Raza | 173,004 | 0.50% |
| LGBTQ Resource Center | 130,728 | 0.38% |
| Community Learning & Public Service | 111,123 | 0.32% |
| Women's Center | 106,163 | 0.31% |
| American Indian Student Services | 95,001 | 0.27% |
| African American Student Services | 91,050 | 0.26% |
| Graduate Resource Center | 89,296 | 0.26% |
| Music Bands | 72,429 | 0.21% |
| KUNM | 61,735 | 0.18% |
| Project for NM Graduates of Color | 49,767 | 0.14% |
| Global Education Office | 48,732 | 0.14% |
| College Assistant Migrant Program | 34,726 | 0.10% |
| Career Services | 32,601 | 0.09% |
| Theatre and Dance | 31,403 | 0.09% |
| Student Activity Center | 30,876 | 0.09% |
| College Enrichment Program | 24,804 | 0.07% |
| Center on Alcoholism, Substance Abuse and Addictions | 19,083 | 0.06% |
| Medicine Bow - HSC Campus | 9,571 | 0.03% |
| Subtotal - Student Activity Fees | 16,637,189 | 48.01% |
| Associated Students of UNM: | | |
| Associated Students of UNM | 843,347 | 2.43% |
| Associated Students of UNM - Accounting office | 39,848 | 0.11% |
| Subtotal - Associated Students of UNM | 883,195 | 2.55% |
| Debt Service: | | |
| Debt Service - Facility Fee | 14,574,350 | 42.06% |
| Debt Service - ERP Project Fee | 2,333,770 | 6.73% |
| Subtotal - Debt Service | 16,908,120 | 48.79% |

| Student Activity Fees: | Amount | Percentage |
|--|------------|------------|
| Total - MC/HSC Current Funds | 33,545,309 | 96.80% |
| Student Fee Review Board (SFRB) - One Time Funding | | |
| Libraries | 75,000 | 0.22% |
| Parking & Transportation Services | 50,000 | 0.14% |
| Center of Academic Support | 37,500 | 0.11% |
| Information Technologies | 20,000 | 0.06% |
| Community Learning & Public Service | 19,201 | 0.06% |
| Medicine Bow - HSC Campus | 17,000 | 0.05% |
| LGBT Resource Center | 7,500 | 0.02% |
| Total SFRB - One Time Funding | 226,201 | 0.65% |
| Total Main Campus | 34,654,705 | 100.00% |

Note: Nearly half of Student Activity Fee revenue goes toward debt service. While permissible, this is not what the name “Student Activity Fee” connotes.

Appendix 3: Summary of Flow of Funds Between Entities

| From | To | Purpose | Amount | | |
|-----------------------|--|---|---|---|---|
| | | | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| UNM | Foundation | Surcharge of 0.5% of operating budget from each department plus DFA | \$7,769,859 | \$8,078,389 | \$8,825,395 |
| UNM | Each department, including Athletics | Operating Budget | Total: \$860,269,618 Athletics: \$37,360,167 | Total: \$875,768,653 Athletics: \$35,972,688 | Total: \$866,290,865 Athletics: \$34,702,380 |
| UNM | Student activities, debt service and other | Student Activity Fees and Other Mandatory Fees | \$34,654,705* | \$32,548,910* | \$32,634,914* |
| Foundation | UNM | Contributions** | \$36,716,240 | \$28,292,544 | \$26,224,604 |
| Foundation | Athletics (A), Lobo Club (L) | Endowment spending distribution designation | A: \$156,286 L: \$5,162 | A: \$172,318 L: \$5,645 | A: \$152,421 L: \$5,539 |
| Foundation, Athletics | Lobo Club | Employee salaries | \$334,251 | \$392,076 | \$330,787 |
| Athletics | Lobo Club | Free space and supplies | Approximately 1,600 square feet office space on UNM campus, supplies are not tracked | Approximately 1,600 square feet office space on UNM campus, supplies are not tracked | Approximately 1,600 square feet office space on UNM campus, supplies are not tracked |
| UNM | Alumni Association | Employee salaries | \$582,261 | \$895,705 | \$685,459 |
| UNM | Alumni Association | Free space and supplies | Approximately 15,000 square feet office space on UNM campus, supplies are not tracked | Approximately 15,000 square feet office space on UNM campus, supplies are not tracked | Approximately 15,000 square feet office space on UNM campus, supplies are not tracked |

| From | To | Purpose | Amount | | |
|---------------|------------------------|-------------------|------------------|------------------|------------------|
| | | | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| Public | Foundation | Donations | \$35,933,599 | \$30,171,913 | \$28,506,911 |
| Public | Lobo Club | Donations | \$4,654,614 | \$5,965,333 | \$5,850,675 |
| Public | Alumni Association | Donations | \$5,839 | \$7,661 | \$24,362 |
| Public | Booster Clubs | Donations | \$734,692 | \$736,087 | \$724,927 |
| Booster Clubs | Athletics | Donations | \$734,692 | \$736,087 | \$724,927 |
| Lobo Club | Athletics | Donations | \$2,600,000 | \$2,900,000 | \$3,051,000 |
| Lobo Club | UNM for Pit Renovation | Pit Suite revenue | \$841,153 | \$1,260,618 | \$1,447,452 |

*Based on final budgeted amounts

** Figures do not include gift commitments, which are gifts that are not immediately transferred to UNM, such as endowment gifts, pledges, and estate commitments.

Appendix 4: UNM Athletics Expenses Paid by the Foundation, Alumni Association, and Lobo Club

The OSA tested all UNM Athletics expenditures paid by the Foundation during the fiscal years ended 2015, 2016 and 2017. The OSA identified several expenditures that, while allowable, were documented in such a way that they may raise concerns from the public about excessive spending, as follows:

- An Athletics employee and spouse went out to dinner with a UNM administrator and spouse, who are also donors. The dinner was classified as donor stewardship/cultivation. The dinner cost \$827.83 for four diners, and included alcohol in the amount of \$312.00.
- An Athletics employee turned in a mileage reimbursement request beyond the 60 day IRS guidelines, and this amount was not included as taxable income for the employee, totaling \$211.75.

As part of our scope, OSA tested 50 of the largest Athletics-related expenditures paid by the Alumni Association during the fiscal years ended 2015, 2016 and 2017. We noted the following:

- \$3,266 for four football tickets. The purchase does not describe the purpose or who was receiving the tickets. In addition, in the total sample, over \$30,000 of tickets to various UNM sporting events were purchased over the three year period, and we did not note a business purpose or list of attendees for these purchases.

As part of our scope, OSA tested travel expenditures over \$25, expense reimbursements of two employees and other P-Card and expense reimbursements over \$2,500 from the Lobo Club during the fiscal years ended 2015, 2016 and 2017. We noted the following:

- Six instances of events with expenditures in excess of \$100 per person:
 - Breakfast for 27 people totaling \$5,649.20 (average cost of \$209 per person).
 - Dinner for 15 people totaling \$2,522.21 (average cost of \$168 per person).
 - Dinner for 10 people totaling \$1,422.82 (average cost of \$142 per person).
 - Dinner for 17 people totaling \$1,995.55 (average cost of \$117 per person).
 - Dinner for 74 people totaling \$7,894.79, including \$1,878 in alcohol (average cost of \$107 per person).

Appendix 5: UNM Officers, Regents and Employees Relevant to this Report as of June 30, 2017

Board of Regents

Officers

Robert M. Doughty III
Marron Lee

Board President
Vice President

Appointed Members

Alex Romero
Dr. Thomas Clifford
Lieutenant General Bradley C. Hosmer, USAF (Ret.)
Suzanne Quillen
Garrett Adcock

Regent
Regent
Regent
Regent
Student Regent

Non-Voting, Ex-Officio Members

The Honorable Susana Martinez
Dr. Barbara Damron

Governor of the State of New
Mexico
Secretary of Higher Education

Significant Employees with an Emphasis on Athletics

Dr. Chaouki Abdallah
David W. Harris

Interim President
Executive Vice President for
Administration, CFO and COO
Vice President Athletics
Controller

Paul Krebs
Elizabeth Metzger

Appendix 6: Lobo Club Officers, Directors and Significant Employees as of June 30, 2017

Board of Directors

Officers

| | |
|----------------|--------------------------|
| Chris Cates | Board President |
| Kyle Beasley | President Elect |
| Patrick Dee | Immediate Past President |
| Bart Kinney | Vice President |
| Neal Piltch | Vice President |
| Wryan Capps | Vice President |
| Dee Dennis | Vice President |
| Susie Singer | Vice President |
| Arvind Raichur | Vice President |

Members

| | |
|---|-------------------|
| Dale Armstrong | Mary Beth Maloy |
| Stu Aldredge | Beverly McMillan |
| Lucy Barabe | Kevin O’Hea |
| Noel Behne | Lawrence Peterson |
| R. J. Berry | Rick Siegel |
| Wryan Capps | David Smoak |
| Cliff Gramer | Adam Thornton |
| Rocky Hughes | Vince Ward |
| Larry Jehle | Chris Youngblood |
| Paul Krebs | |
| JJ Griego - <i>Membership Drive Appointment</i> | |
| Norman Burns – <i>Sandoval County Chapter President</i> | |
| Fred Montoya – <i>Pajarito Chapter President</i> | |
| John Brooks - <i>Honorary Lifetime Member</i> | |
| Yvonne Moise - <i>Honorary Lifetime Member</i> | |
| Lynn Mosher - <i>Honorary Lifetime Member</i> | |

Significant Employees

| | |
|-------------------|--|
| Kole McKamey | Senior Associate Athletics Director for Development, Executive Director UNM Foundation |
| Valerie Arbogast | Financial Coordinator |
| Jessica Philbrook | Director of Annual Giving UNM Foundation |
| Sean Ferrara | Director of Development, Premium Seating UNM Foundation |

Appendix 7: Foundation Officers, Trustees and Significant Employees as of June 30, 2017

Board of Trustees

Officers

Michelle Coons
Henry Nemcik
Laurie Moye
Randy Velarde
Rodney Harder

Chair
UNM Foundation President and CEO
Vice Chair/Chair Elect
National Vice Chair
Treasurer

Trustees

Chaouki Abdallah
Carolyn Abeita
Carl Alongi
Gary Dushane
Greg Foltz
Geraldine Forbes-Isais
Cheryl Fossum-Graham
Gus Foster
Bill Lang
William Lang
Marron Lee
James Lewis
Lameck Lukanga

Ryan Mummert
Anthony Pachelli
Sherry Parsons
Kimberly Pena
Don Power
Dorothy Rainosek
Nancy Ridenour
Tommy Roberts
Kurt Roth
David Salazar
Linda Warning
Judy Zanotti

Significant Employees

Henry Nemcik
William Uher
Larry Ryan

Rodney Harder
Curtis Helsel
Wendy Stires

Raquel LeCesne

President and CEO
Vice President of Development
Vice President of University
Development
Chief Financial Officer and Treasurer
Chief Operations Officer
Associate Vice President of Principal
Giving and Regional Development
Director of Trustee Relations &
Development

Appendix 8: Alumni Association Officers, Directors and Significant Employees as of June 30, 2017

Board of Directors

Officers

James Lewis
Harold Lavender
Tom Daulton
Dana Allen

President
President-Elect
Treasurer
Alumni Relations Office Vice
President, Alumni Association
Executive Director, Secretary

Directors

Sandra K. Begay
Brenda Bova
John Brown
Bill Dolan
Robert Doughty
Mike Dunworth
Veronica Garcia
Julia Gilroy
Leslie Hoffman
James King
James Lewis
Ryan Lindquist
Kendra Merritt-Doyel
Danny Milo
Karen Moses

Judy K. Nakamura
Rosalyn Nguyen
Tim Nisly
Mary O'Hara
Michael Padilla
Olivia Padilla-Jackson
Lorii Rabinowitz
Ann Rhoades
Henry Rivera
Terri Salazar
Peter Sanchez
Alexis Tappan
Daniel Trujillo
Apollonia Trujillo Gallegos
Jake Wellman
Cate Wisdom

Significant Employee

Dana Allen

Alumni Relations Office Vice
President, Alumni Association
Executive Director, Secretary

Appendix 9: Overviews of Memoranda of Agreement between UNM and Related Entities

Lobo Club has a Memorandum of Agreement (MOA) in place with the Regents of UNM and the Foundation, which includes the following:

- Lobo Club is to provide solicitation, consultation and other related services in efforts to maximize private gifts and donations for the benefit of UNM athletics programs. All funds contributed for UNM athletics programs are to be used for the benefit of athletics programs and administered in accordance with UNM's Administrative Policies and Procedures Manual.
- Lobo Club is to deposit all funds received that are not retained for operating expenses in agency accounts established by UNM for the Lobo Club. UNM Athletics is responsible for oversight of the funds.
- Lobo Club staff members will be employees of UNM or the Foundation. UNM and the Foundation mutually agree to pay for the appropriate staff support required by the Lobo Club to fulfill its role and responsibilities.
- UNM is to provide suitable office and meeting space and pay for utilities, maintenance and repairs, property insurance, and other physical facility support at no cost to the Lobo Club.
- UNM agrees to provide the Lobo Club with certain services without charge, including, but not necessarily limited to business, financial, legal, public relations, and consulting services.
- UNM agrees to provide the necessary computing support, including acquisition of appropriate hardware and software (with the exception of the donor database software) required by the Lobo Club to record and maintain the required membership and donor records.
- All funds or property transferred to UNM by the Lobo Club will be subject to all state laws and regulations governing the disbursement and administration of public funds and public property, except to the extent of any specific conditions acceptable to UNM.
- The Foundation, in coordination with UNM, takes primary responsibility for raising funds to support the general needs of UNM. Such fundraising efforts may benefit the Lobo Club.
- Endowed gifts to benefit UNM athletics programs are to be referred to the Foundation. The Foundation has been charged by the University with the ownership, management, investment and distribution of all endowments for the benefit of the University as part of the Consolidated Investment Fund.

The Foundation has a Memorandum of Agreement (MOA) in place with the Regents of UNM. MOA highlights are listed below.

- The President of the Foundation shall report primarily to the President of the University and then to the Executive Committee of the Foundation.
- The UNM Board of Regents designated an Investment Committee as the investment advisory committee required by state statute. UNM delegates to the Foundation, acting through its Investment Committee, the authority to manage the investments of both the UNM funds and Foundation funds placed in the Consolidated Investment Fund. The UNM President and UNM Chief Financial Officer (or CFO designee) are members of the Investment Committee. In addition, the Foundation Board Chair appoints at least seven Foundation Trustees and the Foundation's Executive Committee can recommend up to five additional at large members for the Foundation Board to approve.
- The expenditure of gift funds for the benefit of any unit of UNM or UNM-affiliated organization will be disbursed through UNM's general ledger system.
- All funds that are transferred from the Foundation to a UNM spending account are subject to all state laws and regulations governing the disbursement and administration of public funds.
- UNM assumes responsibility for monitoring expenditures and income disbursements from both non-endowed gift accounts and endowed spending accounts to ensure that any and all donor-imposed restrictions are maintained.

The Alumni Association has a Memorandum of Understanding (MOU) in place with the Regents of UNM, MOU highlights are listed below.

- The Alumni Association is to collaborate with the Foundation to assist UNM in maximizing support, including financial support, for UNM by its alumni, sponsoring programs for alumni engagement, organizing alumni chapters, keeping alumni informed about UNM, marketing UNM, maintaining a corporate alumni program and otherwise promoting alumni interest and engagement at UNM. The Alumni Association activities are to be conducted for the benefit of UNM alumni in accordance with UNM's programs and policies.
- Gifts and/or donations of cash or real or personal property given to the Alumni Association shall be reported to the Foundation in accordance with applicable University policy, and shall be deposited in and managed as part of the Foundation's Consolidated Investment Fund, unless otherwise directed by the donor.
- UNM shall provide and pay for staff to support the Alumni Association's role, obligations, and responsibilities through the University's Alumni Relations Office.
- UNM shall provide at no cost to the Alumni Association the use of Hodgin Hall Alumni Center offices, including maintenance and repairs, property insurance, and other physical facility support, subject to availability of University funds.

- UNM agrees to provide the Alumni Association with certain services, including, but not necessarily limited to business, financial, legal, public relations, and consulting services at its discretion, including remittance of negotiated fees for services provided.
- UNM may provide financial support to the Alumni Association for its stewardship and University support efforts to the extent that such support is not inconsistent with the Alumni Associations' status as an independent, separate legal entity.
- Expenditures of Alumni Association funds to any UNM employee or for the benefit of any UNM unit will be disbursed through UNM's general ledger system.
- The Alumni Association shall establish policies and procedures based on best practices to ensure that the uses of its resources are consistent with UNM policies.
- Any funds or property transferred to UNM and the UNM Foundation's Consolidated Investment Fund by the Alumni Association will be subject to all state laws and regulations governing the disbursement and administration of public property, except to the extent of any specific conditions of the transfer that are acceptable to UNM and do not require actions that are prohibited under state law.
- Investment accounts or funds held or managed by the Foundation will be subject to reasonable management fees to be paid by the Alumni Association.
- The Board of Regents' approves the Board of Directors of the Alumni Association.



August 15, 2017

VIA ELECTRONIC MAIL

Dr. Chaouki Abdallah, President
University of New Mexico
1 University of New Mexico
MSC05 3300
Albuquerque, NM 87131

Dear President Abdallah:

The New Mexico Department of Higher Education recently notified the Higher Learning Commission (“HLC” or “the Commission”) of an ongoing comprehensive audit of the University of New Mexico (“the University”) by the New Mexico State Auditor. Based on the information HLC received, this audit appears to have been initiated due to concerns related to the University’s oversight of its Athletics Department. Based on media reports, however, the State Auditor has recently announced more general concerns regarding financial management practices at the University.

The information received from the New Mexico Department of Higher Education and the information reported in the media raise concerns regarding the University’s financial oversight; and therefore, concerns regarding the University’s compliance with the Criteria for Accreditation. Under HLC policy COMM.C.10.040, Relations with State Higher Education Agencies and Other State Offices, the Commission considers the reports, findings, and actions taken by state offices in determining compliance with the Criteria for Accreditation.

Because this audit remains ongoing, with an expectation of completion in the Fall, the University should prepare a brief report that provides the following information: a summary of the basis for the audit, the actions taken by the State Auditor, an overview of any actions that have been taken or will be taken by other state offices, and a summary of the audit’s impact on the University. The University should clearly articulate any corrective actions that have been taken in response to this audit and concerns regarding its financial management.

I ask that you provide this information within thirty days of this letter, or no later than **September 14, 2017**. Please submit documentation in accordance with the enclosed *Document and Submission Guidelines*. The Commission will review this report with the expectation that the University will submit the completed audit report as soon as possible.

Thank you for your cooperation. Please contact me if you have any questions regarding this request.

Sincerely,



Robert Rucker
Research and Advocacy Coordinator for Legal and Governmental Affairs

Enc: Document and Submission Guidelines

Cc: Joseph Suilmann, Accreditation Program Manager, University of New Mexico
Mary Vanis, Vice President for Accreditation Relations, Higher Learning Commission
Zach Waymer, Manager for Legal and Governmental Affairs, State Relations and
Institutional Complaints, Higher Learning Commission
Karen Peterson Solinski, Executive Vice President for Legal and Governmental Affairs,
Higher Learning Commission

Thursday, September 14, 2017

Mr. Robert Rucker
Research and Advocacy Coordinator for Legal and Governmental Affairs
Higher Learning Commission
230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411

Dear Mr. Rucker:

This is in response to your letter dated August 15, 2017, regarding the New Mexico Office of the State Auditor's (OSA) review of the athletics department and component units at The University of New Mexico (UNM).

Summary of Basis for Audit

In May 2017, a local reporter released a media story about a 2015 overseas trip for potential university donors that included UNM Athletics Department employees. On May 31, 2017, it was discovered that a select group of local businessmen's travel expenses for this same overseas trip were also paid for by the university. Shortly after this mistake was discovered, the university confirmed that two coaches' salaries had been overpaid. Both have since paid all the money back to the university. In addition, in early July 2017, another media story circulated regarding uncollected fees for the use of basketball suites.

Actions Taken by the New Mexico State Auditor & New Mexico Attorney General

Pursuant to the New Mexico State Audit Act, Section 12-6-3 (C), NMSA 1978 as amended, the financial affairs of every agency in New Mexico shall be thoroughly examined and audited each year by OSA. The State Auditor may also cause the financial affairs and transactions of an agency to be audited in whole or in part. Additionally, in accordance with 2.2.2.15 NMAC ("Audit Rule"), the State Auditor may initiate a special audit regarding financial affairs and transactions of an agency or local body, based on information it receives.

On May 31, 2017, the State Auditor informed Interim President Chaouki Abdallah that OSA received information raising concerns related to athletics department fundraising activities and expenses of UNM and its component units. Pursuant to Section 12-6-3 (C), NMSA 1978 as amended, the State Auditor designated UNM and its component units for a special audit or examination, in order to evaluate these concerns. See Attachment 1 – OSA Notification Letter Designating The University of New Mexico for Special Audit dated May 31, 2017.

On June 28, 2017, UNM and OSA entered into a Memorandum of Understanding (MOU) to examine documentation, including relevant policies and procedures related to specific selectively-sampled transactions between July 1, 2014 and June 30, 2017. See Attachment 2 - MOU between UNM and OSA dated June 28, 2017. In the MOU, the State Auditor noted that OSA will also perform additional procedures, as deemed necessary, related to the sampled transactions. The MOU states that the State Auditor “shall deliver an organized and bound consulting engagement report to UNM no later than August 31, 2017...” The State Auditor’s team, comprised of three staff members, started their special audit fieldwork on June 12, 2017. They added an additional three staff members on July 18, 2017, to help complete the fieldwork. The OSA staff appears to have completed their audit fieldwork as of September 1, 2017, and is now in the report-writing phase of this engagement. Publicly, on August 4, 2017, as covered in numerous local media outlets, the State Auditor stated that the special audit report will be forthcoming in early fall.

On May 25, 2017, the New Mexico Attorney General sent a letter to Interim President Abdallah stating that pursuant to the Government Conduct Act (GCA), he was initiating a formal inquiry into the actions of (now former) UNM Vice President of Athletics Paul Krebs, when he used public funds for fundraising. See Attachment 3 - New Mexico Attorney General Letter dated May 25, 2017. The GCA requires all public officials to conduct themselves in an ethical manner in advancement of the public trust. The Attorney General stated in his letter that upon the findings from the audit conducted by OSA, he will act quickly and in a manner that reflects his continued commitment to the interests, not only of UNM and its students, but of New Mexico taxpayers. On July 11, 2017, the Attorney General requested records from Interim President Abdallah regarding the uncollected payments for basketball suites. Attachment 4 – New Mexico Attorney General Letter dated July 11, 2017. As of September 13, 2017, UNM has not received any substantive information or the draft special audit report from the State Auditor, to determine what actions the Attorney General will take.

Actions Taken in Response to Audit & Concerns Regarding Financial Management

UNM’s response to both the State Auditor’s and Attorney General’s audits has been immediate and cooperative – providing the staff, resources, documents and space needed to conduct a thorough investigation. On June 1, 2017, Krebs stepped down from director of athletics and on June 5, 2017, Janice Ruggiero, former deputy athletics director in charge of internal operations and administration, was appointed acting director of athletics. Immediately following the appointment of Ruggiero, the

university began a search for the new athletics director. On August 31, 2017, former Louisiana State University Deputy Athletics Director Eddie Nunez was named as the new director of athletics at UNM.

Upon receipt, UNM management will review OSA's draft special audit report, provide feedback, and swiftly address any audit issues identified by the OSA, by providing written responses detailing the corrective actions to be taken by the university.

Summary of Audit's Impact on the University

Since the university has not received the draft special audit report from the State Auditor, it is difficult to quantify any impact on the university. However, based on verbal feedback we have received from OSA during the fieldwork phase, the special audit may not materially impact the university's annual financial statements audit currently being conducted by Moss Adams and KPMG (independent auditors approved by the State Auditor). UNM's annual financial statements audit for fiscal year ending June 30, 2016, conducted by KPMG and reviewed and approved by the State Auditor, did not identify any major internal control weakness nor any financial mismanagement by the athletics department. See Attachment 5 - FY2016 audit report issued by KPMG on November 22, 2016.

In addition, UNM engaged KPMG to perform "agreed-upon procedures" to assist the university in evaluating: (1) whether the statement of revenue and expenses of the UNM Athletics Department is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.15 for years 2014, 2015 and 2016; and, (2) the effectiveness of the department's internal controls over financial reporting for 2014, 2015 and 2016. These agreed-upon procedures did not identify weakness in the effectiveness of the internal controls over financial reporting. See Attachment 6 - FY2014, Attachment 7 - FY2015, and Attachment 8 - FY2016 Agreed-Upon Procedures Reports issued by KPMG.

It is anticipated that the special audit by the State Auditor will most likely identify breakdowns in the university's internal control structure and non-compliance with UNM policies and procedures, in processing financial transactions by the athletics department. The UNM Internal Audit Department has conducted the following internal audits of the athletics department in the past:

- Men's Basketball Audit of Undeposited Cash. This internal audit identified seven main issues (findings) and provided recommendations for athletics department management to implement. The athletics department concurred with the audit findings and recommendations and took appropriate corrective

actions. See Attachment 9 - UNM Internal Audit Report Number 2011-02.

- Audit of Men's Basketball Purchasing Card Use. This internal audit identified 12 issues (findings) and provided recommendations for the athletics department to implement. The athletics department concurred with the audit findings and recommendations and has taken appropriate corrective actions. This report has been referred to the Second Judiciary District Attorney for criminal actions, if any. See Attachment 10 - UNM Internal Audit Report Number 2016-07.

The above internal audits have identified non-compliance by the university's athletics department, within the internal control structure and UNM policies and procedures. The athletics department and other university units, has taken corrective actions and implemented the internal audit recommendations, to strengthen internal controls and provide better accountability in disbursing public funds. Upon receipt of the special audit report from the State Auditor, the university will take appropriate corrective actions to implement suggested recommendations in the report.

UNM will continue to look at processes to improve internal controls and expects to comply fully with the recommendations that are a result of the audit.

Corrective Actions Taken in Response to Audit and Concerns Regarding Financial Management

On July 10, 2017, Interim President Abdallah appointed Chris Vallejos, associate vice president for institutional support services, to temporarily oversee finances in the athletics department. This was in an effort "to assure that it is operating efficiently and responsibly" and to institute stronger internal controls and more thorough oversight. Vallejos and Janice Ruggiero are working closely with the State Auditor to provide whatever is needed. They are also reviewing internal practices and taking measures to correct and improve them.

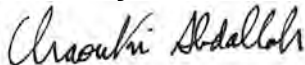
The following corrective actions have already been put in place:

- Implementation of a new monthly process where the athletics director reviews Rita Chavez's (executive assistant to the athletics director) P-Card statements.
- Review of all department P-Card limits, to ensure appropriate controls are on each employee's P-Card.
- Creating an Athletics Department Business Office Policy Manual – estimated completion 11/30/17.

- In the process of changing all developmental (enhancement accounts) to be transferred/managed by the Lobo Club.
- All NCAA tickets, except for the athletics director's tickets, will be paid by the Lobo Club, the fundraising arm of the athletics department.
- Complimentary tickets list will now be tied into policies or contracts.
- Revised standardized Suite Agreement, to strengthen the contract between the suite holder and the university.
- Issued debit cards to players, to minimize cash withdrawals at ATMs.
- In the process of rebuilding the athletics department business office (staffing).
- Implemented internal controls, in regards to ticket distribution to athletics events.
- Implemented tracking reports, to manage suite receivables.
- Revising Memorandum of Agreement between Lobo Club and the athletics department, to define and clarify roles and responsibilities.
- Implemented internal controls for Human Resources (HR) personnel contracts and reconciliation between HR and The University of New Mexico financial system.
- Implemented Chrome River business management software, to notify administrators regarding P-Card transactions and reconciliations.

The university plans to comply fully and immediately with any corrective actions recommended in the State Auditor's special audit report. As soon as we receive the special audit findings and the university implements corrective actions above and beyond what we have already implemented, we will send an amended letter to HLC.

Sincerely,



Chaouki Abdallah
Interim President

Referenced Attachments:

1. OSA Notification Letter Designating The University of New Mexico for Special Audit notification letter dated May 31, 2017
2. MOU between OSA and UNM dated June 28, 2017
3. New Mexico Attorney General Letter dated May 25, 2017
4. New Mexico Attorney General Letter dated July 11, 2017
5. FY2016 audit report issued by KPMG on November 22, 2016
6. FY2014 Agreed-Upon Procedures Reports issued by KPMG
7. FY2015 Agreed-Upon Procedures Reports issued by KPMG
8. FY2016 Agreed-Upon Procedures Reports issued by KPMG
9. UNM Internal Audit Report Number 2011-02
10. UNM Internal Audit Report Number 2016-07

Additional Attachments:

11. UNM Budget Documents Information
12. New Mexico Higher Education Department Financial Reporting Exhibits
13. UNM Audit Report FY2015
14. UNM Continuing Disclosure Undertaking 2016
15. UNM Main Campus Report of Actuals FY2016
16. UNM Moody Credit Quality Specific Issue 2017
17. UNM Moody Overall Credit Worthiness 2017
18. UNM Operating Capital Budget Plans 2018
19. UNM Standard Poor Credit Rating Specific Issue 2017
20. UNM Standard Poor Overall Credit Worthiness 2017
21. OSA & UNM MOU – First Amendment

AUDIT OF ATHLETICS ADMINISTRATION

THE UNIVERSITY OF NEW MEXICO

**Report 2017-15
May 16, 2018**



Audit and Compliance Committee Members

Thomas Clifford, Chair
Garrett Adcock, Vice Chair
Lt. Gen. Bradley Hosmer

Audit Staff

Manu Patel, UNM Internal Audit Director
Chien-chih Yeh, Audit Manager
Victor Griego, Internal Auditor III
Gonzalo Olivas, Student Intern

CONTENTS

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 3 |
| BUSINESS PROCESSES..... | 3 |
| FINANCIAL ANALYSIS | 4 |
| CASH DISBURSEMENTS | 6 |
| CONTRACTS AND AGREEMENTS | 7 |
| ENDOWED FUNDS | 8 |
| OTHER | 9 |
| CONCLUSION..... | 10 |
| INTRODUCTION..... | 17 |
| BACKGROUND | 17 |
| PURPOSE AND OBJECTIVES | 18 |
| SCOPE AND PROCEDURES PERFORMED | 19 |
| OBSERVATIONS, RECOMMENDATIONS AND RESPONSES..... | 20 |
| BUSINESS PROCESSES..... | 20 |
| FINANCIAL ANALYSIS | 22 |
| CASH DISBURSEMENTS | 37 |
| CONTRACTS AND AGREEMENTS | 48 |
| ENDOWED FUNDS | 54 |
| OTHER | 58 |
| APPROVALS | 64 |

ABBREVIATIONS

| | |
|---------------------|--|
| Department..... | University of New Mexico Athletic Department |
| DPEZ..... | Direct Pay Request |
| FLSA..... | Fair Labor Standards Act |
| FY | Fiscal Year |
| GAAP..... | Generally Accepted Accounting Principles |
| GPA..... | Grade Point Average |
| HR..... | Human Resources |
| I&G | Instructional and General Funding |
| Internal Audit..... | University of New Mexico Internal Audit Department |
| IPRA | Inspection of Public Records Act |
| IT..... | Information Technology |
| MWC..... | Mountain West Conference |
| NSP | Non-Standard Payment |
| OSA..... | New Mexico Office of the State Auditor |
| P-Card | Purchasing Card |
| UAP..... | University Administrative Policies and Procedures |
| University..... | The University of New Mexico |
| UNM | The University of New Mexico |

Lack of a comprehensive business manual has contributed to Athletics conducting financial and operational activities in an informal manner, increasing the risk of inaccurate financial reporting, unallowable activities and transactions, lack of supporting documentation for financial transactions, etc.

It is common practice for Athletics to reconcile certain accounts at fiscal year-end, instead of monthly.

Adjusting journal vouchers were required to be posted by Unrestricted Accounting to true up Athletics receivable balances, which were misstated due to incorrect revenue accruals.

EXECUTIVE SUMMARY

The scope of the Athletics Administration audit was for fiscal years 2016 and 2017. Issues in certain areas within the audit have been addressed, and corrective action was implemented by Athletics prior to the date of this report.

BUSINESS PROCESSES

Comprehensive Business Manual

Athletics does not have a comprehensive business operations manual that covers the key operational processes. The processes that lack documentation include, but are not limited to: journal vouchers, accounts payable, purchasing card usage, cashiering operations, payroll, financial award processes, ensuring compliance with endowment restrictions, fundraising, etc.

Account Reconciliation

Strong internal controls for accurate financial reporting include timely reconciliation of accounts. Certain revenue accounts are not monitored or reconciled throughout the year, and are adjusted to actual revenues at year-end. Original budgeted expenses are based on projected revenues and accruals, and are not closely monitored or adjusted throughout the year to reflect projected revenue shortfalls.

Athletics' practice of untimely account reconciliation increases the risk of over-expended budgets, misstatement of revenues for financial reporting, and year-end deficits.

| Financial Analysis, by Funding Source - FY 2017 | | | |
|---|-----------------------------|-----------------------------|--------------------------------------|
| | Revenues | Expenses | Revenues Over/(Under) Expenses |
| Unrestricted | | | |
| Athletics Activities | \$ 34,030,226 | \$ 34,401,803 | \$ (371,577) |
| Instruction and General | 699,875 | 663,004 | 36,871 |
| Other | 93,904 | 95,018 | \$ (1,114) |
| Subtotal | <u>\$ 34,824,005</u> | <u>\$ 35,159,825</u> | <u>\$ (335,820)</u> |
| Unrestricted, designated | | | |
| Public Service | 2,712,357 | 2,314,464 | \$ 397,893 |
| Endowed Spending | 271,913 | 316,013 | (44,100) |
| Subtotal | <u>\$ 2,984,270</u> | <u>\$ 2,630,477</u> | <u>\$ 353,793</u> |
| Total Unrestricted | <u>\$ 37,808,275</u> | <u>\$ 37,790,302</u> | <u>\$ 17,973</u> |
| Restricted | | | |
| Endowments | \$ 481,061 | \$ 224,397 | \$ 256,664 |
| Agency (Lobo Club) | 341,476 | 94,195 | 247,281 |
| Unexpended Plant | 734,047 | 622,558 | 111,489 |
| Total Restricted | <u>\$ 1,556,584</u> | <u>\$ 941,150</u> | <u>\$ 615,434</u> |
| Grand Total | <u>\$ 39,364,859</u> | <u>\$ 38,731,452</u> | <u>\$ 633,407</u> |

Source: Banner Accounting System

The Athletics department is not closely monitoring actual revenues and adjusting budgeted expenses to reflect reductions in available resources.

FINANCIAL ANALYSIS

During FY 2017, the Athletics department generated approximately \$37.8 million in revenues through unrestricted funding sources and approximately \$1.6 million, net of transfers, through restricted funding sources. Athletics reports a deficit of approximately \$4.7 million for unrestricted funding sources.

Athletics also generates other unrestricted revenues, which are “designated” for specific purposes. Athletics received approximately \$3.0 in these unrestricted funds and had approximately \$2.6 million in reserves at June 30, 2017. The schedule presents revenues by funding source and related expenses for FY 2017. Reserves by funding source are presented in the body of the report.

Athletic Activities Financial Management

General Athletics Activities account for over 90% of unrestricted financial activity for Athletics.

Athletics has experienced significant shortfalls in budgeted ticket sales and fundraising efforts over the past two years. Although ticket sales have been significantly under budget for three major programs (men's basketball, football, and women's basketball), the expense budgets were not reduced to reflect actual resources available, significantly contributing to expenses exceeding revenues during FYs 2016 and 2017, and the general activities deficit increasing from \$2.8 million to \$4.7 million at the end of this two-year time period.

The Agency fund transferred \$2,861,594 on September 29, 2016 for its FY 2016 commitment. In addition to this transfer, the following were also transferred to Athletics unrestricted funds.

- *Pit Renovation Debt Service:*
\$899,265
- *Sports Enhancement Funds:*
\$750,973
- *Other:* \$377,550

There is no written documentation for the establishment, intended purpose, or procedures for the use of the Agency Fund.

| UNM Athletics Restricted Funds - FY 2017 | | | | |
|--|--------------|--------------|------------|--------------|
| | Agency | Endowments | Plant | Total |
| Revenues | | | | |
| Transfers from Lobo Club | \$ 2,813,385 | \$ - | \$ - | \$ 2,813,385 |
| Transfers to Athletics Unrestricted | (4,881,269) | - | - | (4,881,269) |
| Unrealized Gains on Investments | - | 498,308 | - | 498,308 |
| Gifts | 2,360,905 | - | - | 2,360,905 |
| STB Revenue | - | - | 505,547 | 505,547 |
| Miscellaneous | 47,955 | - | - | 47,955 |
| Other Transfers and Allocations | 500 | (17,247) | 228,500 | 211,753 |
| Total Revenues | \$ 341,476 | \$ 481,061 | \$ 734,047 | \$ 1,556,584 |
| Expenses | | | | |
| Services and Fees | \$ 58,295 | \$ 222,684 | \$ 9,828 | \$ 290,807 |
| Equipment and Supplies | 2,508 | - | 401,878 | 404,386 |
| Other | 33,392 | 1,713 | 210,852 | 245,957 |
| Total Expenses | \$ 94,195 | \$ 224,397 | \$ 622,558 | \$ 941,150 |
| Revenues over/(under) expenses | \$ 247,281 | \$ 256,664 | \$ 111,489 | \$ 615,434 |
| Reserves, beginning of year | \$ 2,980,068 | \$ - | \$ 8,508 | \$ 2,988,576 |
| Adjustments | \$ - | \$ (256,664) | \$ - | \$ (256,664) |
| Reserves, end of year | \$ 3,227,349 | \$ - | \$ 119,997 | \$ 3,347,346 |

Source: Banner Accounting System

Deficit Reduction Plan

The deficit increased by \$371,577 to \$4,714,000 at the end of FY 2017.

Subsequently, a ten-year deficit reduction plan (FY2020-FY2029) was approved by the UNM Board of Regents.

Restricted Funding

Restricted funding primarily consists of donations and contributions collected by the Lobo Club, and subsequently transferred to an Athletics Agency fund. This Agency fund is intended to act as a holding account for funds used for scholarships, Pit Renovation debt services payments, and sports enhancement funds.

The Agency fund is also utilized to record gifts to UNM Athletics received through credit card payments. Athletics received \$2.3 million in gifts by credit card, which were recorded directly to the Agency fund accounts.

At the beginning of each year, Athletics makes a financial commitment from the Agency fund to Unrestricted Athletics accounts for funding financial awards.

The Agency fund had a reserve balance of \$3,227,348 at June 30, 2017. However, these reserves are committed for the FY 2017 transfer of \$2.6 million for financial awards and deferred gifts received for the 2017-2018 Athletic year. These reserves are not available for unrestricted use. The table at left presents Athletics restricted funding for FY 2017.

The ability to generate a financial report in Banner that captures payroll costs by Athletics program is not available. Thus, the full picture of financial activity for each Athletics program is not available for management to monitor and assess financial performance of each Athletics program.

Excess cash for 20 cash advances tested totaling \$2,357 was not deposited in a timely manner.

Internal controls are adequate for the use of prepaid debit cards for student cash per diem and housing allowances.

Financial Reporting by Athletics Program

Adequate financial reporting in Banner should allow Athletics to run financial reports that present a full picture of budget and actual revenues and expenses by sports program.

Internal Audit performed a financial analysis of the financial reporting structure set up in Banner for Athletics and noted misreporting, by Athletics program, for Labor and Financial Awards accounts.

Although these are significant expense accounts, management does not have the ability to generate operating ledger reports in Banner to review and perform an assessment of these accounts by Athletics program. As a result, Management's ability to analyze and control the financial performance of the Athletics department as a whole is significantly affected.

CASH DISBURSEMENTS

Cash Advances

Athletics P-Cardholders have the ability to obtain cash advances using the P-Card, primarily needed for tips and incidentals during team travel, and various costs related to coaches' recruitment trips.

Due to instances of misuse and identified risks related to cash advances during FYs 2015 and 2016, the UNM P-Card office implemented tighter restrictions and strengthened internal controls for cash advances.

In December of 2016, Athletics also implemented prepaid debit cards used for student athletes and student managers' cash

Although the Athletics department had 34 P-Cardholders generating approximately 4,500 P-Card transactions, and approximately 1,100 travel reimbursements from January 1, 2017 to June 30, 2017, there are only three assigned Chrome River approvers for the Athletics department.

During the month of June 2017, one courtesy car user reported 610 of 673 miles, or 91%, of use as business miles, which is not reasonable for the Athletics employment position.

allowances for per diem, housing allowances, etc., significantly reducing the need for cash advances.

Chrome River Approvers

The review and approval process for P-Card and employee reimbursement transactions in Chrome River is a key internal control to ensure transactions are allowable, have appropriate supporting documentation, and are recorded to the correct account code.

Payroll and Employee Benefits

Courtesy Car Program

The Athletics Department provides courtesy cars to selected employees at the discretion of the Director of Intercollegiate Athletics. The Athletics department had 36 employees with courtesy cars at the end of FY 2017. The taxable portion of the courtesy car benefit is added to the employee's earnings.

During FYs 2016 and 2017, Athletics did not have a signed agreement for all courtesy car recipients, nor a written policy for courtesy car use.

Athletics has currently improved internal controls over the courtesy car program by requiring all recipients to sign a courtesy car agreement and drafting a policy for courtesy car use.

CONTRACTS AND AGREEMENTS

Learfield Communications d.b.a. Lobo Sports Properties

Marketing and Media Rights

UNM executed an agreement with Lobo Sports Properties on March 7, 2013,

Payments made by Lobo Sports Properties in accordance with an unsigned amended agreement have, and will, result in underpayments as illustrated below.

| Learfield Payments Received vs. Contracted Payments | | | |
|---|---------------------|---------------------|---------------------|
| | 2015-16 | 2016-17 | 2017-18 |
| | \$2,405,500 | \$2,136,500 | \$2,161,500 |
| | 2,065,000 | 2,134,000 | 2,179,000 |
| | 550,000 | 700,000 | 250,000 |
| Total Payments Received | \$ 5,020,500 | \$4,970,500 | \$4,590,500 |
| Contracted Payments | \$ 5,088,500 | \$ 5,158,500 | \$ 5,028,500 |
| Underpayment | \$ (68,000) | \$ (188,000) | \$ (438,000) |
| Accumulated Cash Underpayment | | | \$ (694,000) |
| Less: Benefits Returned | | | \$ 666,000 |
| Net Underpayment | | | \$ (28,000) |

Source: Athletics

Athletics worked with UNM Legal Counsel and Learfield in amending the 2013 Marketing and Media Rights agreement with Learfield Communications to resolve this issue.

Expenses of \$45,677 were charged to endowment funds are recorded via journal voucher by transferring a portion of recorded expenses from the Athletics index 925374 to endowments based on their funds available.

Ten disbursements totaling \$47,853 from endowment funds tested did not comply with donor intent.

granting multi-media rights to: inventory, including print; media; sponsor; existing or new signage not already contracted to other parties; and, other promotional and sponsorship rights for football, men's and women's basketball games, men's baseball games, and other intercollegiate sports.

Lobo Sports Properties made underpayments to UNM during FYs 2016 and 2017, which were due to an unsigned and undated amended agreement with Lobo Sports Properties, reducing the Licensing Fee due to UNM from \$4,668,000 to \$4,300,000 in 2015-2016 and \$4,768,000 to \$4,130,000 in 2016-2017.

Pepsi Sponsorship

Athletics makes annual payments of \$450,000 to Learfield Communications, Inc. for a "Pepsi" contract. However, per the contract, this amount should have been deducted from Learfield's payments to UNM, rather than paid to Learfield by UNM without a signed purchase order/contract.

ENDOWED FUNDS

Compliance with Donor Intent

Athletics is responsible for ensuring that adequate processes are in place for disbursements from endowed spending accounts, and that the disbursements comply with donor intent.

Financial award and disbursement activity for endowments is not a separate process from financial award and disbursement activity from the Athletics index (925374), which is primarily used for recording financial awards.

| Pit Suite and Club Seats Accounts Receivable | | | | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| Fiscal Year | Balance | Adjustments | Collected | Collectable | Uncollectable |
| 2010 | \$ 27,334 | \$ - | \$ - | \$ - | \$ 27,334 |
| 2011 | 32,834 | - | 11,666 | - | 21,168 |
| 2012 | 70,334 | - | 49,585 | - | 20,750 |
| 2013 | 11,525 | - | - | - | 11,525 |
| 2014 | 194,489 | 47,500 | 36,739 | 10,000 | 100,250 |
| 2015 | 90,200 | - | 87,200 | - | 3,000 |
| 2016 | 5,925 | - | 5,924 | - | - |
| Total | \$ 432,641 | \$ 47,500 | \$ 191,114 | \$ 10,000 | \$ 184,027 |

Source: Lobo Club

Without an executed contract or formal sales invoice, it is difficult for UNM to pursue legal avenues to collect disputed receivables.

There is not an executed agreement in place that clearly defines the roles and responsibilities pertaining to UNM and the Lobo Club for the sale and collection of Pit Suites and Club Seats.

| NCAA Final Four Costs to UNM | | | | | |
|---|--------------|---------------------|---------------------|----------|------------------------------|
| Year | # of Tickets | Amount | Lodging | # Rooms | Total Cost |
| 2011 | 18 | \$ 3,427.00 | \$ 2,056.00 | 2 | \$ 5,483.00 |
| 2012 | 16 | 3,542.50 | 2,864.00 | 2 | 6,406.50 |
| 2013 | 16 | 3,825.00 | - | N/A | 3,825.00 |
| 2014 | 13 | 3,371.25 | 2,904.00 | 3 | 6,275.25 |
| 2015 | 10 | 3,135.00 | 1,638.00 | 1 | 4,773.00 * |
| 2016 | 12 | 4,681.00 | 1,728.00 | 1 | 6,409.00 |
| 2017 | 28 | 13,119.50 | - | N/A | 13,119.50 |
| Total | 113 | \$ 35,101.25 | \$ 11,190.00 | 9 | \$ 46,291.25 |
| | | | | | Reimbursements \$(16,426.00) |
| * \$1,460.00 for private donors - 1 room. | | | | | Net \$ 29,865.25 |

Source: Banner Accounting System

The purchase of NCAA and MWC tickets, and lodging for private individuals from UNM funds may violate the Anti-Donation Clause of the New Mexico Constitution.

OTHER

Pit Suite and Club Seat Sales

On July 14, 2017, a news article was reported by a media outlet regarding unpaid Pit Suite and Club Seats sales. According to the article, there were uncollected receivables of \$432,641 from Pit Suite and Club Seat sales dating back to FY 2010.

The schedule presents a summary of Pit Suite and Club Seat receivables, by fiscal year.

Receivables deemed uncollectable are due to a lack of contract, sales invoice, or other supporting documentation indicating a valid sale.

The Lobo Club is responsible for the sale and collection of suites and club seats, and for recording the financial activity related to the sales and collections.

Beginning with the 2017-18 season, the Lobo Club improved processes for the sales and collection of Pit Suites and Club Seats.

NCAA and Mountain West Conference Tournament Tickets

Athletics does not have a formal process for the purchase and distribution of NCAA and MWC tickets. The former Director of Intercollegiate Athletics distributed tickets to employees who reimbursed UNM for the ticket costs, and others were distributed to private donors and individuals without reimbursement to UNM. In addition, unreimbursed lodging was purchased for private donors during the 2015 NCAA Final Four tournament.

Parking fees of \$11,545 collected for a football game on November 5, 2016 were not deposited until November 18, 2016.

The Events Planner receives parking fee collections from the parking cashiers, prepares the cash reconciliation, and makes the deposit at the UNM Cashier's office. Subsequent reviews of cash collection and deposit activity is not performed.

Athletics' current practice for processing part-time and on-call timesheets for Events Management does not comply with the Department of Labor Fair Labor Standards Act.

Athletics has implemented processes and internal controls for the following areas addressed in this audit report:

- *Development of a deficit reduction plan*
- *Fundraising activities*
- *Accounting for Enhancement and Agency funds*
- *Cash advances and P-Card transactions*
- *Monitoring of courtesy cars*

The table presents NCAA tickets and lodging costs for the NCAA Final Four tournament from 2011-2017.

Events Management Parking Collection and Payroll Processing

Parking Fee Collections

The Athletics department, through its Events Management division, charges parking fees for Athletics and special event activities.

Cash collections from four of seven events tested were not deposited in a timely manner. In addition, current processes do not segregate duties for the reconciliation and deposit of cash receipts.

Payroll Processing

It is common practice for Events Management to pay its part-time and on-call employees the following pay period if they work an event on Thursday or Friday of the pay period.

CONCLUSION

The UNM Athletics Department does not always document or follow procedures for key operational processes to ensure it operates in an effective and efficient manner, and that it complies with UNM policies and procedures and State laws.

During the audit, Internal Audit noted findings of internal control deficiencies in business processes, account reconciliation, financial reporting, and non-compliance with UNM policies and procedures and State laws.

- *Contractual agreement amendment with Learfield Communications*
- *Pit suites and club seats sale and collection processes*
- *Purchase and distribution of NCAA and MWC tickets*
- *Improved payroll processes to prevent overpayments*

Internal Audit will conduct a follow-up audit for selected areas to determine if implemented processes and internal controls are followed.

The following is a summary of recommendations made in the report.

1. The Athletics Chief Financial Officer should:
 - a. Develop and implement a comprehensive business operations manual that outlines policies and procedures for specific business functions and consider adding resources to the business office, such as an additional full-time employee.
 - b. Perform account reconciliations on a regular basis throughout the year. Revenue accruals should be adjusted on a quarterly basis to recognize actual revenues earned for the period.
 - c. Amortize the \$500,000 additional investment received from Levy Restaurants over the remaining term of the contract.
 - d. Record funds intended for specific purposes and their corresponding expenses in their own index.
2. The Athletics Chief Financial Officer should conduct a thorough review of expenses throughout the year to ensure expenses, by budgeted line item, are within budget. Budgeted expenses should be adjusted at least quarterly to reflect actual revenues.
3. The Director for Intercollegiate Athletics should review revenues and expenses quarterly to ensure the approved deficit reduction plan is implemented.



4. The Director of Intercollegiate Athletics should consult with the University of New Mexico Board of Regents and University Counsel to revise and update the May 17, 2015 Memorandum of Agreement between the Board of Regents, UNM Foundation, and the UNM Lobo Club to clearly define roles and responsibilities of all parties in the agreement.
5. The Athletics Chief Financial Officer should ensure that sports enhancement fundraising and donor cultivation activity is charged to the enhancement funds within Lobo Club.
6. The Athletics Chief Financial Officer should develop formal fund establishment documentation for the Agency fund that outlines the purpose and use of the fund.
7. The Athletics Chief Financial Officer should complete a thorough assessment of financial reporting in the Banner Accounting System and determine which transactions are not being recorded correctly by Athletics program.
8. The Athletics Chief Financial Officer should ensure P-Card reviewers are conducting thorough reviews of P-Card activity to ensure P-Card transactions are recorded to the appropriate expense account.
9. The Athletics Chief Financial Officer should ensure that supporting documentation submitted for cash advances clearly supports



the business purpose, and identifies how cash advance needs are calculated.

10. The Athletics Chief Financial Officer should require all Athletics P-Cardholders to take the Cash Management training and enforce cash management policies and procedures requiring timely deposit of excess cash not used from cash advances.
11. The Athletics department should have sufficient Chrome River reviewers and approvers
12. The Vice President for Human Resources should: address identified payroll weaknesses; make sure extra compensation payments are not duplicated in the future; and, review the data entry process for Non-Standard Payments to avoid overpayments.

The Senior Associate Athletics Director for Administration should: ensure that Non-Standard Pay (NSP) forms accurately reflect contract terms; provide the Payroll Department copies of both the NSP forms and the coaches' contracts, including all addendums; and, monitor payments to coaches for three (3) months after contracts are initially executed, changed, or renegotiated.

13. The Director of Intercollegiate Athletics should continue strengthening internal controls to ensure the courtesy car program



complies with IRS requirements, and provides overall benefit to the Athletics department.

14. Contracts entered into by the Athletics department should be closely monitored to ensure compliance with provisions agreed between Athletics and the Contractor. The Director for Intercollegiate Athletics should:

- a. Work with UNM Legal Counsel and Learfield Communications to determine a path forward to payment from Lobo Sports Properties, which may take the form of an amended or new contract.
- b. Work with Learfield Communications and Pepsi to ensure that credits due Learfield pursuant to the contract are properly transacted.

15. The Director for Intercollegiate Athletics should:

- a. Ensure all Athletics contracts are reviewed by a designated Contract Review Officer.
- b. Ensure contracts/agreements are not entered by an Athletics employee who is not authorized to enter contracts/agreements.

16. Strong internal controls should be in place for expenses charged to endowed funds to ensure compliance with donor intent. Financial awards



disbursed from endowed funds should be a separate process from other financial awards. The Athletics Chief Financial Officer should:

- a. Develop a formal process for the awarding and disbursement of financial awards from endowment funds.
- b. Implement a scholarship committee.
- c. Perform a detailed review of disbursements from endowed funds to ensure activity charged to endowments are in compliance with donor intent.
- d. Reimburse endowments that were incorrectly charged for disbursements that did not meet donor restrictions.

17. The Interim Executive Director of the Lobo Club should:

- a. Enforce implemented sales and collection procedures for Pit Suite and Club Seats.
- b. Work with UNM's Legal Counsel and/or the Director of Intercollegiate Athletics to develop a formal agreement that clearly defines the roles and responsibilities pertaining to UNM and the Lobo Club for the sale and collection of Pit Suites and Club Seats.

18. The Director of Intercollegiate Athletics should require NCAA and MWC tournament tickets to be purchased through the Lobo Club,



which may then sell or distribute tickets as it deems necessary.

19. The Assistant Athletics Director for Event should:

- a. Ensure that cash deposits from parking fee collections are made by the next working day.
- b. Separate cash reconciliation and deposit duties.

20. The Director of Intercollegiate Athletics should implement processes to ensure compliance with the Department of Labor Fair Labor Standards Act for payroll process of part-time and on-call Events Management employees.

INTRODUCTION

BACKGROUND

The University of New Mexico Athletic Department (Department) is a department of the University of New Mexico (University) under the control of the Board of Regents of the University, which administers the Intercollegiate Athletic Programs. Athletics offers 10 men's and 12 women's sports programs, committed to student athlete success and competitive excellence by creating an inclusive environment through recruiting, developing, and retaining quality people, providing a great fan experience, inspiring community engagement, and serving as a source of pride for New Mexico.

Funding for UNM Athletics is primarily generated from unrestricted general athletics activities and public service sources. General activities revenues are mostly generated from ticket sales, membership and fees, and fundraising, while Public Service funding is generated by non-endowed gifts donated to Athletics' programs. Total revenues generated from these sources make up 93.34% of Athletics' total revenue of approximately \$39.4 million during FY 2017.

Athletics also receives restricted funding through donations and contributions collected by the Lobo Club, realized and unrealized gains from endowment investments, and Plant funds. Athletics received approximately \$1.6 million in restricted funds during FY 2017. Revenues by funding source and related expenses for FY 2017 are presented below.

| FY 2017 Financial Analysis, by Funding Source | | | | | | |
|---|-----------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------|------------------------------|
| | Revenues | Expenses | Revenues Over/(Under) Expenses | Reserves, beginning of year | Adjustments ¹ | Reserves, end of year |
| Unrestricted | | | | | | |
| Athletics Activities | \$ 34,030,226 | \$ 34,401,803 | \$ (371,577) | \$ (4,342,423) | \$ - | \$ (4,714,000) |
| Instruction and General | 699,875 | 663,004 | 36,871 | (3,269) | - | 33,602 |
| Other | 93,904 | 95,018 | \$ (1,114) | 16,544 | - | 15,430 |
| Subtotal | <u>\$ 34,824,005</u> | <u>\$ 35,159,825</u> | <u>\$ (335,820)</u> | <u>\$ (4,329,148)</u> | <u>\$ -</u> | <u>\$ (4,664,968)</u> |
| Unrestricted, designated | | | | | | |
| Public Service | 2,712,357 | 2,314,464 | \$ 397,893 | 1,937,537 | - | 2,335,430 |
| Endowed Spending | 271,913 | 316,013 | (44,100) | 320,557 | - | 276,457 |
| Subtotal | <u>\$ 2,984,270</u> | <u>\$ 2,630,477</u> | <u>\$ 353,793</u> | <u>\$ 2,258,094</u> | <u>\$ -</u> | <u>\$ 2,611,887</u> |
| Total Unrestricted | <u>\$ 37,808,275</u> | <u>\$ 37,790,302</u> | <u>\$ 17,973</u> | <u>\$ (2,071,054)</u> | <u>\$ -</u> | <u>\$ (2,053,081)</u> |
| Restricted | | | | | | |
| Endowments | \$ 481,061 | \$ 224,397 | \$ 256,664 | \$ - | \$ (256,664) | \$ - |
| Agency (Lobo Club) | 341,476 | 94,195 | 247,281 | 2,980,068 | - | 3,227,349 |
| Unexpended Plant | 734,047 | 622,558 | 111,489 | 8,508 | - | 119,997 |
| Total Restricted | <u>\$ 1,556,584</u> | <u>\$ 941,150</u> | <u>\$ 615,434</u> | <u>\$ 2,988,576</u> | <u>\$ (256,664)</u> | <u>\$ 3,347,346</u> |
| Grand Total | <u>\$ 39,364,859</u> | <u>\$ 38,731,452</u> | <u>\$ 633,407</u> | <u>\$ 917,522</u> | <u>\$ (256,664)</u> | <u>\$ 1,294,265</u> |

Source: Banner Accounting System

¹ Reserve adjustments represent adjustments to eliminate net revenues/loss related to restricted True and Quasi Endowments. Net revenues from these restricted funds are not closed to unrestricted reserves in Banner and must be eliminated for reserves recorded in Banner to roll from year to year.

On May 31, 2017, the New Mexico Office of the State Auditor (OSA) formally designated the University of New Mexico for a special audit. The purpose of the engagement was to address concerns regarding specific Athletic Department transactions, payments and compensation to specified individuals, and certain transactions between component units.

The UNM Internal Audit department also conducted two investigations that were initiated by management requests. The first was a Scotland Golf Tour fundraising event that took place from June 19, 2015 through June 25, 2015, and was primarily funded by Athletics' unrestricted funds. The second investigation was for payroll overpayments made to head coaches for men's basketball, baseball, and soccer. These Internal Audit formal investigation memorandums were provided to, and incorporated into, the OSA's special audit report. The final investigation memorandums were finalized August 16, 2017 (Coaches Overpayments) and August 18, 2017 (Scotland Golf Tour), and are attached as [Appendix I](#) and [Appendix II](#).

The Athletics department has implemented processes and internal controls for areas addressed in this audit report including: fundraising, enhancement funds, cash advances, courtesy cars, and the sale and collection of Pit Suite and Club Seats.

PURPOSE AND OBJECTIVES

The audit was selected as part of the Internal Audit annual audit plan. The purpose of our audit was to review the business processes, perform a financial analysis, determine whether adequate internal controls are in place, and determine if Athletics complies with UNM policies and procedures and state law.

The objectives of this audit were to: perform a financial analysis of unrestricted and restricted revenues, expenses, and reserves, by funding source and by Athletics program; and, to evaluate and/or test the following Athletics processes and transactions:

- Cash disbursements, including accounts payable and purchasing, P-card, cash advances, prepaid debit cards, payroll and benefits, and employee reimbursements
- Contracts and agreements
- Endowed funds
- NCAA and Mountain West Conference Tournament tickets
- Events Management parking collection and payroll processing

The audit of Athletics Administration was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

SCOPE AND PROCEDURES PERFORMED

Our audit focused on the business operations and financial transactions for FYs 2016 and 2017. Procedures performed are as follows:

- **Interviews:** In order to gain an understanding of processes and controls, Internal Audit read written policies and procedures and interviewed Athletics management and staff.
- **Financial Analysis:** Internal Audit performed a financial analysis of unrestricted and restricted revenues, expenses, and reserves, by funding source and by Athletics program.
- **Transaction Sample Selection and Compliance Testing:** To test internal controls and compliance with UNM policies and procedures for purchasing and accounts payable, P-Card, cash advances, payroll, and employee reimbursements, and cash receipts from parking fees, Internal Audit selected samples of transactions occurring during FYs 2016 and 2017. Compliance test work was also performed on a sample basis for endowment spending distribution disbursements.
- **Contract and Agreements:** Internal Audit reviewed significant contracts and agreements and performed test work to determine compliance with key provisions.
- **NCAA and MWC Tournament Tickets:** Internal Audit determined the number of tickets purchased, distribution of tickets, and compliance with the New Mexico Constitution Anti-Donation Clause.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

BUSINESS PROCESSES

Comprehensive Business Manual

UNM Athletics adheres to University policies and procedures and has established internal controls in place. However, established internal controls are not always followed, resulting in inaccurate reporting of financial transactions and non-compliance with University policies and procedures.

A written comprehensive business manual is an important tool to provide training and also guidance during employee turnover. Athletics does not have a comprehensive business operations manual that covers the key operational processes. The processes that lack documentation include, but are not limited to: journal vouchers, accounts payable, purchasing card usage, cashiering operations, payroll, financial award processes, ensuring compliance with endowment restrictions, fundraising, etc. This has resulted in Athletics conducting financial and operational activities in an informal manner, increasing the risk of inaccurate financial reporting, unallowable activities and transactions, lack of supporting documentation for financial transactions, etc.

Account Reconciliation

The Revenue Recognition principle indicate that revenues are recognized in the period they are realized or realizable, and are earned, no matter when cash is received.

Strong internal controls for accurate financial reporting include timely reconciliation of accounts. It is common practice for Athletics to reconcile certain accounts at fiscal year-end, instead of monthly. Certain revenue accounts are not monitored or reconciled throughout the year, and are adjusted to actual revenues at year-end. Original budgeted expenses are based on projected revenues and accruals, and are not closely monitored or adjusted throughout the year to reflect projected revenue shortfalls. This increases the likelihood of over-expended budgets, misstatement of revenues for financial reporting, and year-end deficits.

Adjusting journal vouchers were required to be posted by Unrestricted Accounting to true up Athletics receivable balances, which were misstated due to incorrect revenue accruals. In one instance, Athletics recorded revenues in FY 2017 for a portion of a capital investment of \$500,000, received for an amended Athletics Food Concession and Catering Contract with Levy Restaurants that was effective for FY 2018. The amendment was signed by Levy Premium Food Services Limited Partnership on August 8, 2017 and \$500,000 payment was received on August 11, 2017. Furthermore, the contract agreement states, *“The additional investment shall be amortized on a straight-line basis, with amortization commencing on the date such investment amount is made and continuing to be amortized through the end of the Term.”* The cash payment of \$500,000 was fully recognized in FYs 2017 and 2018, instead of being amortized as required by the amended agreement. This resulted in an over-accrual of revenue of \$250,000 in FY 2017, and an over-accrual of \$178,571.43 in FY 2018. The amount of \$71,428.57 should be amortized each year from July 1, 2017 through June 30, 2024, which is the remaining term of the contract.

In addition, funds received for specific purposes are not always recorded in a separate index to allow adequate tracking of corresponding expenses from those funds. This can make it difficult for management to provide assurance that such funds are expended as intended.

Recommendation 1:

The Athletics Chief Financial Officer should:

- a.) Develop and implement a comprehensive business operations manual that outlines policies and procedures for specific business functions, including, but not limited to: journal vouchers, accounts payable, purchasing, cashiering, payroll, financial award processes, compliance with endowment restrictions, etc. The Chief Financial Officer should also consider adding resources to the business office, such as an additional full-time employee, to strengthen internal controls within the accounting function.
- b.) Perform account reconciliations on a regular basis throughout the year. Revenue accruals should be adjusted on a quarterly basis to recognize actual revenues earned for the period. Budgeted expenses should also be closely monitored on a regular basis and adjusted to reflect actual revenues generated. This will decrease the risk of inaccurate revenue accruals, over-expended budgets, and year-end deficits.
- c.) Amortize the \$500,000 additional investment received from Levy Restaurants over the remaining term of the contract.
- d.) Record funds intended for specific purposes and their corresponding expenses in their own index.

Response from the Athletics Chief Financial Officer:

| Action Items |
|--|
| <i>Targeted Completion Date: September 1, 2018</i> |
| <i>Assigned to: Senior Associate Athletics Director – Chief Financial Officer</i> |
| <i>Corrective Action Planned:</i> <p>a.) A comprehensive business operations manual detailing policies and procedures for specific business functions, including, but not limited to: journal vouchers, accounts payable, purchasing, cashiering, payroll, financial award processes, compliance with endowment restrictions, etc., will be developed and implemented. In addition, a comprehensive assessment of the business operations within Athletics will be completed in order for a determination to be made as to the most efficient use of the current resources within the office and whether additional resources are necessary in order for the best practices outlined in the comprehensive business operations manual to be implemented.</p> |

- b.) Moving forward, account reconciliations will be performed on a regular basis throughout the year. In addition, revenue accruals will be adjusted on a quarterly basis to recognize actual revenues earned for the period. Further, budgeted expenses will also closely monitored on a regular basis and adjusted to reflect actual revenues generated, thereby addressing and minimizing the risk of inaccurate revenue accruals, over-expended budgets, and year-end deficits.*
- c.) Moving forward, the additional investments received from Levy Restaurants will be amortized over the term of the contract.*
- d.) Moving forward, funds intended for a specific purpose (as well as the corresponding expenses) will be recorded in its own index.*

FINANCIAL ANALYSIS

During FY 2017, the Athletics department generated approximately \$37.8 million in revenues through unrestricted funding sources and approximately \$1.6 million, net of transfers, through restricted funding sources. Unrestricted revenues are primarily generated through “General Athletic Activities” and Instructional and General (I&G) funding, and may be used for any Athletic activity. Athletics reports a deficit of approximately \$4.7 million for these unrestricted funding sources.

Athletics also generates other unrestricted revenues, which are “designated” for specific purposes. Such funds are received by endowed and non-endowed gifts (public service), which are intended for purposes specified by the donor. Athletics received approximately \$3.0 million in these unrestricted funds and had approximately \$2.6 million in reserves at June 30, 2017.

Revenues by funding source and related expenses for FY 2017 are presented below.

| FY 2017 Financial Analysis, by Funding Source | | | | | | |
|---|----------------------|----------------------|--------------------------------------|-----------------------------------|-----------------------------|--------------------------|
| | Revenues | Expenses | Revenues Over/(Under) Expenses | Reserves, beginning of year | Adjustments ¹ | Reserves, end of year |
| Unrestricted | | | | | | |
| Athletics Activities | \$ 34,030,226 | \$ 34,401,803 | \$ (371,577) | \$ (4,342,423) | \$ - | \$ (4,714,000) |
| Instruction and General | 699,875 | 663,004 | 36,871 | (3,269) | - | 33,602 |
| Other | 93,904 | 95,018 | \$ (1,114) | 16,544 | - | 15,430 |
| Subtotal | \$ 34,824,005 | \$ 35,159,825 | \$ (335,820) | \$ (4,329,148) | \$ - | \$ (4,664,968) |
| Unrestricted, designated | | | | | | |
| Public Service | 2,712,357 | 2,314,464 | \$ 397,893 | 1,937,537 | - | 2,335,430 |
| Endowed Spending | 271,913 | 316,013 | (44,100) | 320,557 | - | 276,457 |
| Subtotal | \$ 2,984,270 | \$ 2,630,477 | \$ 353,793 | \$ 2,258,094 | \$ - | \$ 2,611,887 |
| Total Unrestricted | \$ 37,808,275 | \$ 37,790,302 | \$ 17,973 | \$ (2,071,054) | \$ - | \$ (2,053,081) |
| Restricted | | | | | | |
| Endowments | \$ 481,061 | \$ 224,397 | \$ 256,664 | \$ - | \$ (256,664) | \$ - |
| Agency (Lobo Club) | 341,476 | 94,195 | 247,281 | 2,980,068 | - | 3,227,349 |
| Unexpended Plant | 734,047 | 622,558 | 111,489 | 8,508 | - | 119,997 |
| Total Restricted | \$ 1,556,584 | \$ 941,150 | \$ 615,434 | \$ 2,988,576 | \$ (256,664) | \$ 3,347,346 |
| Grand Total | \$ 39,364,859 | \$ 38,731,452 | \$ 633,407 | \$ 917,522 | \$ (256,664) | \$ 1,294,265 |

Source: Banner Accounting System

¹ Reserve adjustments represent adjustments to eliminate net revenues/loss related to restricted True and Quasi Endowments. Net revenues from these restricted funds are not closed to unrestricted reserves in Banner and must be eliminated for reserves recorded in Banner to roll from year to year.

Unrestricted Funding and Expenses

The majority of Athletics' revenues are from unrestricted funding sources, which make up 96%, or \$37.8 million of \$39.4 million, of its total funding. Unrestricted revenue during FY 2017 was primarily received from:

- Memberships and fees – 28.6%
- Ticket sales – 21.1%
- Non-endowed gifts and endowment spending distribution – 13.6%
- Advertising – 13.2%

Together these revenues make up \$28.8 million of Athletics' total revenues during FY 2017.

Athletics' expenses primarily consisted of the following during FY 2017:

- Salaries and Benefits - 40.6%
- Scholarships and awards - 14.7%
- Travel - 10.01%
- Services and Fees – 9.9%

Together these expenses make up \$28.4 million of Athletics total expenses for FY 2017.

Unrestricted revenues and expenses are primarily recorded as Athletics "General Activities".
Unrestricted revenues and expenses by funding source for FY 2017 are presented below.

| Unrestricted Funds - FY 2017 | | | | | | |
|--------------------------------------|---|-------------|--|---------|-------|-------------------------------------|
| | /-----Unrestricted-----\ Athletics I&G and Activities Other | | /-Unrestricted, designated-\ Public Endowed Service Spending | | Total | |
| Revenues | | | | | | |
| Memberships and Fees | \$ | 10,769,318 | \$ | 15,017 | \$ | - \$ 10,784,335 |
| Ticket Sales and Other | | 7,870,118 | | 2,606 | | - 7,945,579 |
| Endowment and Gifts | | 12,812 | | - | | 4,652,927 454,766 5,120,505 |
| Advertising | | 4,960,500 | | - | | - 4,960,500 |
| State Appropriations | | 2,643,800 | | - | | - 2,643,800 |
| Fundraising | | 2,561,594 | | - | | - 2,561,594 |
| Rental and Events | | 1,490,235 | | - | | 199,930 1,690,165 |
| I&G | | - | | 423,399 | | - 423,399 |
| Miscellaneous | | 2,621,462 | | 145,607 | | 745,734 - 3,512,803 |
| Transfers and Allocations | | 1,100,387 | | 207,150 | | (2,959,089) (182,853) (1,834,405) |
| Total Revenues | \$ | 34,030,226 | \$ | 793,779 | \$ | 2,712,357 \$ 271,913 \$ 37,808,275 |
| Expenses | | | | | | |
| Salary and Benefits | \$ | 14,745,277 | \$ | 542,975 | \$ | 38,990 \$ 53 \$ 15,327,295 |
| Scholarships and Awards | | 5,287,661 | | - | | 45,897 210,688 5,544,246 |
| Travel | | 3,107,724 | | - | | 648,368 25,000 3,781,092 |
| Services and Fees | | 3,559,009 | | 33,537 | | 76,901 39,870 3,709,317 |
| Professional Services | | 2,101,097 | | 43,754 | | 64,675 22,940 2,232,466 |
| Equipment and Supplies | | 622,616 | | 22,369 | | 249,500 13,419 907,904 |
| Recruiting | | 673,689 | | - | | 24,433 1,470 699,592 |
| Taxes | | 650,221 | | 6,808 | | 21,459 894 679,382 |
| Meals | | 652,456 | | - | | 68,705 - 721,161 |
| Repairs and Maintenance | | 148,383 | | 83,016 | | 21,065 1,679 254,143 |
| Dues | | 501,667 | | 520 | | 16,067 - 518,254 |
| Communication | | 106,118 | | 11,248 | | 16,382 - 133,748 |
| Other | | 2,245,885 | | 13,795 | | 1,022,022 - 3,281,702 |
| Total Expenses | \$ | 34,401,803 | \$ | 758,022 | \$ | 2,314,464 \$ 316,013 \$ 37,790,302 |
| Revenues Over (Under) Expenses | \$ | (371,577) | \$ | 35,757 | \$ | 397,893 \$ (44,100) \$ 17,973 |
| Reserve (Deficit), beginning of year | \$ | (4,342,423) | \$ | 13,275 | \$ | 1,937,537 \$ 320,557 \$ (2,071,054) |
| Reserve (Deficit), end of year | \$ | (4,714,000) | \$ | 49,032 | \$ | 2,335,430 \$ 276,457 \$ (2,053,081) |

Source: Banner Accounting System

Unrestricted funds carry a net deficit of \$2.1 million at the end of FY 2017, which is due to the deficit in the Athletics Activities fund of \$4.7 million. Although all other unrestricted funding

sources carry a reserve of \$2.7 million at the end of FY 2017, the deficit of \$4.7 million reported in the Athletics Activities fund results in the unrestricted fund's net deficit.

Athletic Activities Financial Management

The unrestricted revenues and expenses recorded as "General Activities" account for over 90% of unrestricted financial activity for Athletics. Therefore, financial management of these funds is critical for the financial health of the Athletics department. The following presents a budget vs. actual analysis of general activities revenues and expenses for FYs 2016-2017.

| General Athletics Activities Fund | | | | | | |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|---------------------|
| Budget vs. Actual Analysis - FY's 2016-2017 | | | | | | |
| | FY 2016 | | | FY 2017 | | |
| | Budget | Actual | Over/(Under) | Budget | Actual | Over/(Under) |
| Revenues | | | | | | |
| Memberships and Fees | \$ 8,621,000 | \$ 8,934,891 | \$ 313,891 | \$ 9,309,694 | \$ 10,769,317 | \$ 1,459,623 |
| Ticket Sales and Other | 10,096,160 | 9,417,098 | (679,062) | 9,777,160 | 7,870,118 | (1,907,042) |
| Advertising | 5,096,000 | 5,010,500 | (85,500) | 5,158,000 | 4,960,500 | (197,500) |
| State Appropriations | 2,835,100 | 2,835,100 | - | 2,643,800 | 2,643,800 | - |
| Miscellaneous | 2,995,820 | 1,789,743 | (1,206,077) | 3,446,242 | 2,621,462 | (824,780) |
| Fundraising | 3,100,000 | 2,900,000 | (200,000) | 3,000,000 | 2,561,594 | (438,406) |
| Rental and Events | 170,000 | 563,726 | 393,726 | 975,000 | 1,490,236 | 515,236 |
| Transfers and Allocations | 9,897 | 225,971 | 216,074 | 122,322 | 1,100,387 | 978,065 |
| Endowments and Gifts | 23,000 | 166,163 | 143,163 | 23,000 | 12,812 | (10,188) |
| Budgeted Use of Reserves | - | - | - | (90,302) | - | 90,302 |
| Total Revenues | \$ 32,946,977 | \$ 31,843,191 | \$ (1,103,786) | \$ 34,364,916 | \$ 34,030,226 | \$ (334,690) |
| Expenses | | | | | | |
| Labor | \$ 14,205,123 | \$ 14,686,661 | \$ 481,538 | \$ 14,399,979 | \$ 14,745,277 | \$ 345,298 |
| Scholarships and Awards | 4,904,532 | 5,314,346 | 409,814 | 5,263,470 | 5,287,661 | 24,191 |
| Services and Fees | 2,528,571 | 2,876,118 | 347,547 | 2,916,720 | 3,559,009 | 642,289 |
| Travel | 2,881,712 | 3,129,638 | 247,926 | 3,167,712 | 3,107,724 | (59,988) |
| Other | 3,397,430 | 2,015,860 | (1,381,570) | 3,419,884 | 2,245,885 | (1,173,999) |
| Professional Services | 2,275,356 | 2,304,380 | 29,024 | 2,254,822 | 2,101,096 | (153,726) |
| Recruiting | 696,823 | 701,079 | 4,256 | 696,823 | 673,689 | (23,134) |
| Meals | 391,544 | 579,432 | 187,888 | 396,544 | 652,456 | 255,912 |
| Taxes | 644,083 | 612,526 | (31,557) | 643,983 | 650,222 | 6,239 |
| Equipment and Supplies | 478,022 | 626,369 | 148,347 | 583,827 | 622,616 | 38,789 |
| Dues | 412,398 | 267,808 | (144,590) | 488,569 | 501,667 | 13,098 |
| Repairs and Maintenance | 67,750 | 182,618 | 114,868 | 67,750 | 148,383 | 80,633 |
| Communication | 63,633 | 130,609 | 66,976 | 64,833 | 106,118 | 41,285 |
| Total Expenses | \$ 32,946,977 | \$ 33,427,447 | \$ 480,470 | \$ 34,364,916 | \$ 34,401,803 | \$ 36,887 |
| Revenues over/(under) expenses | | \$ (1,584,255) | | | \$ (371,577) | |
| Deficit, beginning of year | | \$ (2,758,168) | | | \$ (4,342,423) | |
| Deficit, end of year | | \$ (4,342,423) | | | \$ (4,714,000) | |

Source: Banner Accounting System

During FY 2016, actual revenues were below budget by approximately \$1.1 million, primarily due to ticket sales being \$680K less than projected, and receipt of miscellaneous in-kind revenues of \$500K when \$2 million was projected. Major sports ticket sales including men's basketball, football, and women's basketball were below budget by \$667K, \$489K, and \$157K.

FY 2016 expenses exceeded budgeted amounts in total by \$480K, due to Athletics exceeding budget by over \$100,000 in seven areas. Labor exceeded budgeted amounts by \$481K, financial awards by \$410K, and services and fees by \$348K. These three areas constitute over-budgeted expenses of \$1.2 million. The shortfalls in ticket sales and gift in-kind contributions, combined with over-expended budgets, resulted in a net revenue under expenses of \$1.5 million during FY 2016; the deficit in general athletic activities increased from \$2.8 million to \$4.3 million.

During FY 2017, revenues were below projections by approximately \$335K, which was primarily due to ticket sales and fundraising being significantly less than expected. Although membership and fee revenue exceeded budget by \$1.5 million, once again ticket sales for men's basketball, football, and women's basketball were well under budget by \$971K, \$853K, and \$135K, respectively. In addition, Athletics received \$1.2 million in miscellaneous in-kind gifts, although \$2.1 million was projected.

Athletics nearly stayed within budgeted expenses in total; however, it significantly exceeded budget for services and fees, student salaries, and meals. Over-expended budget in services and fees is primarily due to \$614K in expenses for a professional bull rider event that was not budgeted for in Banner.

Athletics has experienced significant shortfalls in budgeted ticket sales and fundraising efforts over the past two years. These shortfalls may be attributable to performance by men's basketball and football. However, the Athletics department is not closely monitoring actual revenues and adjusting budgeted expenses to reflect reductions in available resources. Budgeted expenses such as financial awards, labor, meals, etc. are within management's control, and could be monitored to ensure they do not exceed budget. Although ticket sales have been significantly under budget for three major programs (men's basketball, football, and women's basketball), the expense budgets were not reduced to reflect actual resources available, significantly contributing to expenses exceeding revenues during FYs 2016 and 2017, and the general activities deficit increasing from \$2.8 million to \$4.7 million at the end of this two-year time period.

Recommendation 2:

Expenses should be monitored throughout the year to ensure expenses are within budget at year end. The Athletics Chief Financial Officer should conduct a thorough review of expenses throughout the year to ensure expenses, by budgeted line item, are within budget. Budgeted expenses should be adjusted at least quarterly to reflect actual revenues. The Chief Financial Officer should also conduct a cost savings analysis to determine where management-controlled expenses can be reduced.

Response from the Athletics Chief Financial Officer:

| Action Items |
|---|
| <i>Targeted Completion Date:</i> September 1, 2018 |
| <i>Assigned to:</i> Senior Associate Athletics Director – Chief Financial Officer |
| <i>Corrective Action Planned:</i> All budgets will be closely monitored throughout the year to ensure expenses are within budget at year end. This process will include: (1) a thorough review of expenses throughout the year to ensure expenses, by budgeted line item, are within budget; (2) budgeted expenses will be adjusted at least quarterly to reflect adjustments to actual revenues; and (3) a cost savings analysis will be conducted on a quarterly basis to determine where management-controlled expenses can be reduced. |

Deficit Reduction Plan

UAP 7000: Budgets and Reserves states, “If departments anticipate a year-end deficit, the department heads must notify their dean or director of the estimated deficit as soon as they are aware of the projected deficit. The dean or director must identify funds to cover the deficit or the department's next fiscal year budget will be reduced by an amount sufficient to cover the prior year's deficit; in the event of a large departmental deficit, a multi-year deficit payoff plan may be implemented with the approval of an executive vice president. The department head must also submit a plan for resolving the causes of the deficit”

Although Athletics reported a deficit of \$4,342,423 at the end of FY 2016, a deficit reduction plan was not developed. Thus, the deficit increased by \$371,577 to \$4,714,000 at the end of FY 2017. Subsequently, a ten-year deficit reduction plan (FY20-FY29) was approved by the UNM Board of Regents.

Recommendation 3:

The Director for Intercollegiate Athletics should review revenues and expenses quarterly to ensure the approved deficit reduction plan is implemented.

Response from the Director for Intercollegiate Athletics:

| Action Items |
|---|
| Targeted Completion Date: Completed |
| Assigned to: Director of Intercollegiate Athletics |
| Corrective Action Planned: The Athletics Department will work in conjunction with the Office of Planning, Budget and Analysis in implementing the approved deficit reduction plan. |

Fundraising

UAP 1040: Fundraising, Section 1, General states, “...*Individual units may engage in fundraising to further the University’s mission. Fundraising by units should be coordinated with the UNM Foundation and, in the case of academic units, with their development officers.*”

In addition, a Memorandum of Agreement signed on May 17, 2015 between the UNM Board of Regents, UNM Foundation, and UNM Lobo Club states, “*The Lobo Club agrees to provide solicitations, consultation, and other related services consistent with the University’s plans, programs, and policies in efforts to maximize private gifts and donations from various sources for the benefit of University athletics programs. To that end, the Lobo Club shall plan, direct, coordinate, and conduct activities for raising funds from private sources to provide financial support to the University for the following purposes: (a) student athlete scholarships; (b) upgrading University Athletics facilities; and (c) current and long-term budgetary requirements of the athletics department. The Lobo Club will conduct fundraising programs, special events and any other programs initiated by the Vice President of Athletics/Director of Athletics and Lobo Club Board of Directors and approved by both parties to support such purposes.*”

Although fundraising activities should be planned, directed, and coordinated through the UNM Lobo Club, UNM Athletics also conducts fundraising activities using its unrestricted public funds. For example, Athletics conducted a Scotland Golf Tour fundraising event which should have been charged to the UNM Lobo Club; however, the UNM Athletics Department paid for \$63,949 of the total costs of the Event which included:

- Golf packages totaling \$49,134 paid on a UNM P-Card for the Former Vice President for Intercollegiate Athletics, Former Head Basketball Coach, former Senior Associate Athletic Director for Development, and three private donors.
- Roundtrip airfare of \$1,190 from Newark, New Jersey to Edinburgh, Scotland paid on a UNM P-Card for the Former Vice President for Intercollegiate Athletics.
- Transfer of funds to UNM Lobo Club for:

- Reduction in tee times (golfers) from 24 to 16 for \$11,600
- Two unrecoverable unused rooms at The Lodges at Turnberry Resort for \$2,025

Of the 23 participants for the Scotland Golf Tour, the University Athletics department purchased and paid \$8,189 each for one UNM Foundation employee (non-UNM employee), and three non-UNM individuals (Donors). The total costs for four (4) non-UNM individuals for this Golf Tour Event was \$32,756.

In May 2017, the UNM Foundation received an anonymous gift in the amount of \$25,000. The UNM Foundation transferred \$25,000 on May 22, 2017 to the UNM Athletics department, and it was deposited in the same index (925011) used to pay for \$23,567 of the private donors' golf packages for the event. The anonymous donor clarified to the University Foundation that when he gave the \$25,000 gift, he did so wanting to support the development and stewardship efforts of the Athletics department, including the revenue shortfalls of the trip to Scotland.

The N.M. Constitution, Article IX, Section 14 (Anti-Donation Clause) states: "Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation..."

The payment of costs for private individuals from UNM funds may violate the Anti-Donation Clause of the New Mexico Constitution. The Deputy Athletic Director for Internal Operations sent an e-mail to all Athletic areas on December 12, 2017 requiring all fundraising and donor cultivation activities to be paid or reimbursed by the UNM Lobo Club.

Recommendation 4:

The Director of Intercollegiate Athletics should consult with the University of New Mexico Board of Regents and University Counsel to revise and update the May 17, 2015 Memorandum of Agreement between the Board of Regents, UNM Foundation, and the UNM Lobo Club to clearly define roles and responsibilities of all parties in the agreement, including which organization will be responsible for paying for fundraising expenses, collections of funds, accounting for funds, reporting structure (line) for staff, etc.

Response from the Director of Intercollegiate Athletics:

| Action Items |
|---|
| <i>Targeted Completion Date:</i> August 1, 2018 |
| <i>Assigned to:</i> Director of Intercollegiate Athletics |
| <i>Corrective Action Planned:</i> Athletics is in the process of developing and executing a Memorandum of Agreement, which will clearly define the roles and responsibilities of the all parties in the agreement. |

Public Service - Enhancement Funds

The Athletics Public Service funds consist of non-endowed gift funds. Non-Endowed gifts are not invested on a long-term basis by the Foundation, and the entire amount of the gift may be spent as long as it is in accordance with the donor's intent.

Within the Public Service fund, Athletics has sixteen (16) enhancement indices for the purpose of enhancing the Athletics program for which gifts are received. Enhancement funds primarily generate monies through fundraising events and donor cultivation. The following is the list of enhancement indices, and their revenues, expenses, and reserves for FY 2017:

| FY 2017 Public Services Funds (Non-Endowed Gifts) | | | | |
|--|--|--------------------|--------------------|----------------------------------|
| Enhancement Funds | Reserves, beginning of year | Revenues | Expenses | Reserves, end of year |
| Men's Soccer | \$ 199,864 | \$ 126,749 | \$ 84,297 | \$ 242,316 |
| Women's Golf | 119,183 | 33,265 | 67,902 | 84,546 |
| Women's Swimming | 98,929 | 31,197 | 6,007 | 124,119 |
| Baseball | 91,863 | 248,868 | 254,544 | 86,187 |
| Football (1st Team) | 86,838 | 48,805 | 131,159 | 4,484 |
| Men's Golf | 82,158 | 112,406 | 99,317 | 95,247 |
| Men's Basketball (Sixth Man) | 54,382 | 91,476 | 126,833 | 19,026 |
| Ski Team | 38,930 | 137,282 | 69,005 | 107,207 |
| Women's Tennis | 11,722 | 20,950 | 12,161 | 20,511 |
| Women's Track | 10,576 | 235,346 | 128,048 | 117,875 |
| Women's Soccer | 5,691 | 52,695 | 19,350 | 39,036 |
| Volleyball | 3,610 | 28,104 | 27,557 | 4,156 |
| Women's Basketball | 3,403 | 37,712 | 11,416 | 29,699 |
| Spirit Squad | 2,734 | 101,853 | 90,007 | 14,580 |
| Men's Tennis | 1,864 | 35,280 | 21,238 | 15,906 |
| Softball | (221) | 2,100 | 1,546 | 333 |
| Sub-Total | \$ 811,525 | \$1,344,089 | \$1,150,386 | \$ 1,005,229 |
| Other Non-Endowed Gift Funds | \$ 1,126,012 | \$1,368,268 | \$1,164,078 | \$ 1,330,202 |
| Total Public Service Funds | \$ 1,937,537 | \$2,712,357 | \$2,314,464 | \$ 2,335,430 |

Source: Banner Accounting System

Enhancement funds make up approximately 50% of non-endowment gift revenue recorded in the Public Service fund. Enhancement funds and other non-endowed gifts funds recorded in the Public Service funds have reserves of \$2,335,431 at the end of FY 2017. However, reserves in these funds are committed for the enhancement of each sports program receiving the gift.

Although monies recorded in the Sports Enhancement Funds are generated through private support, these funds are part of Athletics unrestricted funds and considered public money. UNM has a memorandum of agreement with the Lobo Club that explains that funds transferred to UNM become public funds, which makes them subject to the New Mexico Constitution's Anti-Donation Clause.

Internal Audit tested FY 2017 disbursements from the Sports Enhancement funds and determined the majority of the activity is for the purchase of equipment, uniforms, facility improvements, competition/event fees, etc. However, four (4) disbursements tested were related to two golf tournament fundraising events, one ski program fundraising event, and one meal for donor cultivation. Fundraising events typically consist of event fees, food, and beverages for

UNM employees and donors. Such fundraising activities are an inappropriate use of public funds and may violate the Anti-Donation Clause of the New Mexico Constitution.

On September 1, 2017, the enhancement funds were designated to the Lobo Club. All sports enhancement activities including fundraising and donor cultivation are now conducted through the enhancement funds at the Lobo Club. No funds have been transferred from the Lobo Club accounts to Banner accounts as of March 31, 2018.

The enhancement fund accounts recorded in the UNM Banner Accounting system are no longer used to record Athletics financial activity. However, these accounts still have reserves that have not been fully expended.

Recommendation 5:

The Athletics Chief Financial Officer should ensure that sports enhancement fundraising and donor cultivation activity is charged to the enhancement funds within Lobo Club. At the conclusion of fundraising events, the net profits raised may be transferred from the Lobo Club to Athletics unrestricted accounts for public use.

Reserves remaining in the Sports Enhancement Funds recorded in Banner should be expended on goods or services that is not a fundraising or donor cultivation activity.

Response from the Athletics Chief Financial Officer:

| Action Items |
|--|
| <i>Targeted Completion Date: Completed</i> |
| <i>Assigned to: Senior Associate Athletics Director – Chief Financial Officer</i> |
| <i>Corrective Action Planned: All sports enhancement fundraising and donor cultivation activity is currently charged to the enhancement funds within Lobo Club. Following the conclusion of each fundraising event, the net profits raised will only be transferred from the Lobo Club to Athletics for public use as funds are needed. Otherwise, monies generated from fundraising events will remain at the Lobo Club.</i> |

Restricted Funding

Restricted funding primarily consists of donations and contributions collected by the Lobo Club, and subsequently transferred to an Athletics Agency fund. This Agency fund is intended to act as a holding account for funds used for scholarships, Pit Renovation debt services payments, and sports enhancement funds. The following presents Athletics restricted funding for FY 2017.

| UNM Athletics Restricted Funds - FY 2017 | | | | |
|--|----------------|--------------|------------|----------------|
| | Agency | Endowments | Plant | Total |
| Revenues | | | | |
| Transfers from Lobo Club | \$ 2,813,385 | \$ - | \$ - | \$ 2,813,385 |
| Transfers to Athletics Unrestricted | \$ (4,881,269) | \$ - | \$ - | \$ (4,881,269) |
| Unrealized Gains on Investments | - | 498,308 | - | 498,308 |
| Gifts | 2,360,905 | - | - | 2,360,905 |
| STB Revenue | - | - | 505,547 | 505,547 |
| Miscellaneous | 47,955 | - | - | 47,955 |
| Other Transfers and Allocations | 500 | (17,247) | 228,500 | 211,753 |
| Total Revenues | \$ 341,476 | \$ 481,061 | \$ 734,047 | \$ 1,556,584 |
| Expenses | | | | |
| Services and Fees | \$ 58,295 | \$ 222,684 | \$ 9,828 | \$ 290,807 |
| Equipment and Supplies | 2,508 | - | 401,878 | 404,386 |
| Other | 33,392 | 1,713 | 210,852 | 245,957 |
| Total Expenses | \$ 94,195 | \$ 224,397 | \$ 622,558 | \$ 941,150 |
| Revenues over/(under) expenses | \$ 247,281 | \$ 256,664 | \$ 111,489 | \$ 615,434 |
| Reserves, beginning of year | \$ 2,980,068 | \$ - | \$ 8,508 | \$ 2,988,576 |
| Adjustments ¹ | \$ - | \$ (256,664) | \$ - | \$ (256,664) |
| Reserves, end of year | \$ 3,227,349 | \$ - | \$ 119,997 | \$ 3,347,346 |

Source: Banner Accounting System

¹ Reserve adjustments represent adjustments to eliminate net revenues/loss related to restricted True and Quasi Endowments. Net revenues from these restricted funds are not closed to unrestricted reserves in Banner and must be eliminated for reserves recorded in Banner to roll from year to year.

Agency Fund

Private funds raised by the Lobo Club are drawn down from the Lobo Club private bank account each month and transferred to UNM's Agency fund, while leaving approximately \$50,000 in the Lobo club account for operating expenses. Approximately \$2.8 million were transferred from the Lobo Club to the Agency fund during FY 2017.

The Agency fund is also utilized to record gifts to UNM Athletics received through credit card payments. Athletics received \$2.3 million in gifts by credit card, which were recorded directly to the Agency fund accounts.

At the beginning of each year, Athletics makes a financial commitment from the Agency fund to Unrestricted Athletics accounts for funding financial awards. The Agency fund transferred \$2,861,594 on September 29, 2016 for its FY 2016 commitment. In addition to this transfer, the following were also transferred to Athletics unrestricted funds.

- Pit Renovation Debt Service: \$891,152
- Sports Enhancement Funds: \$750,973
- Other: \$377,550

The Agency fund had a reserve balance of \$3,227,349 at June 30, 2017. However, these reserves are committed for the FY 2017 transfer of \$2.6 million for financial awards and deferred gifts received for the 2017-2018 Athletic year. These reserves are not available for unrestricted use.

Although the Agency fund has existed for many years, there is no written documentation for the establishment, intended purpose, or procedures for the use of the Agency Fund. Although the Agency fund is primarily used as a holding account for scholarship funding, it is unclear why it is used for activity related to sports enhancement funds, Pit Renovation debt service, and various “Other” activity, such as transfers for baseball and football renovations, gifts and non-gift revenue, etc.

Recommendation 6:

The Athletics Chief Financial Officer should develop formal fund establishment documentation for the Agency fund that outlines the purpose and use of the fund. In addition, written procedures should be developed that clearly explain and support the financial activity that flows between the Lobo Club, Agency fund, and unrestricted athletics accounts.

Response from the Athletics Chief Financial Officer:

| Action Items |
|---|
| <i>Targeted Completion Date:</i> September 1, 2018 |
| <i>Assigned to:</i> Senior Associate Athletics Director – Chief Financial Officer |
| <i>Corrective Action Planned:</i> Formal fund establishment documentation for the Agency fund outlining the purpose and use of the fund will be developed and implemented. In addition, written procedures will be developed to clearly explain and support the financial activity that flows between the Lobo Club, Agency fund, and unrestricted athletics accounts. |

Financial Reporting by Athletics Program

Organized financial reporting structure in the Banner Accounting System is critical for allowing management to track and monitor financial activity by Athletic program. Adequate financial reporting in Banner should allow Athletics to run financial reports that present a full picture of budget and actual revenues and expenses by sports program. The current Athletics financial reporting structure in Banner is set up in a manner that the majority of financial activity is recorded as “General Activities” within the Level 6 Organization in Banner. Approximately 76% of unrestricted revenues and 74% of expenses were recorded to this organizational area during FY 2017.

Internal Audit performed a financial analysis of the financial reporting structure set up in Banner for Athletics and noted significant misreporting, by Athletics program, in the following key accounts.

Revenues

- Fundraising: Fundraising revenues are completely recorded in “General Activities.” This does not allow Banner reporting for fundraising revenues generated by each sports program.

Expenses

- Labor: Approximately 91% of Athletics’ salaries and benefits are recorded as “General Activities.” Head and Assistant Coach’s salaries for sports programs such as men’s and women’s basketball, football, baseball, etc. are not recorded in accounts within their sports program.
- Scholarships and Awards: Approximately 95% of financial awards disbursed to student athletes are primarily recorded as a “General Activity,” instead of within each sports program for which the financial award was disbursed.

Without the ability to generate financial reports in Banner that reflect actual financial activity for each Athletics program, it is difficult for management to monitor and assess financial performance of each Athletics program. For example, salaries and benefits make up \$15.3 million, or 40.5% of total expenses, while scholarships and awards make up another \$5.5 million, or 14.7%, of total expenses.

The ability to generate a financial report in Banner that captures payroll costs by Athletics program is not available. Thus, the full picture of financial activity for each Athletics program is not available for review and analysis. In addition, Financial Aid has the ability to generate award and scholarship disbursement reports through the financial aid module in Banner, but they do not correspond to financial aid expenses recorded in the operating ledger.

Although these are significant expense accounts, management does not have the ability to generate operating ledger reports in Banner to review and perform an assessment of these accounts by Athletics program. As a result, Management’s ability to analyze and control the financial performance of the Athletics department as a whole is significantly affected. The following is a presentation of the current set-up for financial reporting, by Athletics program, within the Banner Accounting System.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

| FY 2017 Revenues by Athletics Programs (Unrestricted Funds) | | | | | | | | | |
|---|----------------|--------------|------------------|--------------|----------------|-------------------------------|--------------------|----------------|--|
| Athletic Director (General Activities) | | Football | Men's Basketball | Men's Sports | Women's Sports | Athletics Events ¹ | Other ² | Total | |
| Revenues | | | | | | | | | |
| Memberships and Fees | \$ 10,782,309 | \$ - | \$ - | \$ - | \$ - | \$ 2,023 | \$ - | \$ 10,784,332 | |
| Ticket Sales and Other | 1,882,392 | 625 | 5,000 | (206) | 29,147 | 6,028,621 | - | 7,945,579 | |
| Endowments and Gifts | 4,084,043 | 351,705 | 67,262 | 440,684 | 341,557 | - | 36,394 | 5,321,645 | |
| Advertising | 4,960,500 | - | - | - | - | - | - | 4,960,500 | |
| Miscellaneous | 2,908,876 | (187,379) | 7,146 | 31,125 | 136,999 | 343,155 | 72,880 | 3,312,803 | |
| State Appropriations | 2,643,800 | - | - | - | - | - | - | 2,643,800 | |
| Fundraising | 2,561,594 | - | - | - | - | - | - | 2,561,594 | |
| Rental and Events | 118,024 | 175,000 | 21,996 | 113,298 | 68,448 | 1,178,562 | 14,738 | 1,690,066 | |
| I&G | - | - | - | - | - | 423,399 | - | 423,399 | |
| Transfers and Allocations | 208,490 | 1,582,538 | 603,688 | 559,839 | 1,634,741 | (6,265,068) | (159,672) | (1,835,444) | |
| Change in Reserves | (1,509,975) | 206,941 | 143,133 | 3,628 | 53,799 | 1,087,900 | 14,574 | - | |
| Total Revenues | \$ 28,640,053 | \$2,129,431 | \$ 848,225 | \$ 1,148,369 | \$ 2,264,691 | \$ 2,798,592 | \$ (21,086) | \$ 37,808,275 | |
| Expenses | | | | | | | | | |
| Labor | | | | | | | | | |
| Staff | \$ 10,236,796 | \$ - | \$ - | \$ 9,844 | \$ 1,928 | \$ 715,927 | \$ - | \$ 10,964,495 | |
| Student | 532,991 | 73,001 | 6,677 | 19,210 | 26,727 | 396,186 | 14,129 | 1,068,920 | |
| Faculty | 5,000 | - | - | - | - | - | - | 5,000 | |
| Benefits | 3,136,260 | 31,973 | 4 | 3,918 | 12,005 | 103,240 | 1,480 | 3,288,880 | |
| Non-Labor | | | | | | | | | |
| Scholarships and Awards | \$ 5,288,759 | \$ 39,541 | \$ 25,122 | \$ 34,447 | \$ 51,842 | \$ 89,903 | \$ 14,631 | \$ 5,544,246 | |
| Travel | 349,303 | 1,254,237 | 340,274 | 538,186 | 1,073,956 | 142,511 | 82,624 | 3,781,092 | |
| Services and Fees | 2,547,108 | 121,212 | 36,812 | 43,880 | 83,350 | 866,695 | 10,260 | 3,709,317 | |
| Professional Services | 912,655 | 25,473 | 271 | 9,052 | 53,433 | 1,230,694 | 887 | 2,232,465 | |
| Equipment and Supplies | 380,796 | 146,217 | 24,617 | 111,092 | 142,922 | 100,129 | 2,131 | 907,903 | |
| Recruiting | 1,835 | 237,681 | 146,589 | 89,265 | 204,024 | 20,000 | 198 | 699,592 | |
| Taxes | 529,357 | 19,108 | 6,269 | 9,532 | 17,595 | 96,216 | 1,306 | 679,383 | |
| Meals | 138,294 | 287,321 | 84,366 | 53,133 | 94,269 | 54,625 | 9,152 | 721,161 | |
| Repairs and Maintenance | 125,705 | 1,771 | 518 | 193 | 9,489 | 116,466 | - | 254,143 | |
| Dues | 466,525 | 2,024 | 857 | 25,658 | 17,704 | 1,085 | 4,400 | 518,254 | |
| Communication | 46,033 | 11,379 | 5,355 | 19,296 | 9,992 | 36,493 | 5,200 | 133,749 | |
| Other | 3,080,577 | 112,984 | 74,487 | 103,361 | 166,268 | (273,964) | 17,990 | 3,281,702 | |
| Total Expenses | \$ 27,777,994 | \$2,363,922 | \$ 752,220 | \$ 1,070,067 | \$ 1,965,504 | \$ 3,696,207 | \$ 164,388 | \$ 37,790,302 | |
| Revenues Over (Under) Expenses | \$ 862,059 | \$ (234,491) | \$ 96,005 | \$ 78,302 | \$ 299,187 | \$ (897,616) | \$ (185,474) | \$ 17,973 | |
| | | | | | | | | | |
| Reserves, beginning of year | \$ (1,848,038) | \$ (100,478) | \$ (80,091) | \$ 431,781 | \$ 313,193 | \$ (1,080,375) | \$ 292,953 | \$ (2,071,054) | |
| Reserves, end of year | \$ (985,979) | \$ (334,969) | \$ 15,914 | \$ 510,083 | \$ 612,381 | \$ (1,977,990) | \$ 107,479 | \$ (2,053,081) | |

Source: Banner Accounting System

¹ Includes Events Management and Athletics Special Events² Includes Lobo Club, Letterman's Association, Athletics Sr. Womens Admin, Spirit Squad

Recommendation 7:

The Athletics Chief Financial Officer should complete a thorough assessment of financial reporting in the Banner Accounting System and determine which transactions are not being recorded correctly by Athletics program. Athletics accounts should then be set up in Banner that ensure transactions such as fundraising, payroll, and financial awards are recorded in the applicable Athletics program.

Budgeted salaries for Athletics staff should be set up in the Banner index that corresponds to their Athletics program using the “Salary Planner” budget module. This will ensure salary and benefits are budgeted and recorded in the correct Athletics program as they occur.

Response from the Athletics Fiscal Operations Director:

| Action Items |
|--|
| <i>Targeted Completion Date: September 1, 2018</i> |
| <i>Assigned to: Senior Associate Athletics Director – Chief Financial Officer</i> |
| <p><i>Corrective Action Planned:</i> <i>A thorough assessment of financial reporting in the Banner Accounting System will be conducted to determine which transactions are not being recorded correctly by Athletics program. Following the completion of this assessment, Athletics accounts will be properly organized in Banner to ensure that transactions such as fundraising, payroll, and financial awards are recorded in the applicable Athletics program.</i></p> <p><i>Further, budgeted salaries for Athletics staff will be properly organized in the Banner index that corresponds to their Athletics program using the “Salary Planner” budget module. This measure will ensure salary and benefits are budgeted and recorded in the correct Athletics program as they occur.</i></p> |

CASH DISBURSEMENTS**Purchasing and Accounts Payable**

UNM Athletics adheres to University Purchasing and Accounts Payable policies and procedures. The University’s Purchasing Department is the central purchasing authority for issuing Purchase Orders for all goods and services for Athletics. In addition, all state and federal rules and

regulations apply to the purchase of goods and services. Goods and services are primarily purchased through a purchase order or via P-Card.

Internal audit assessed internal controls and performed test work over purchasing and accounts payable disbursements using the purchase order process to ensure compliance with UNM Purchasing and Accounts Payable policies and procedures, and state and federal purchasing rules and regulations. No exceptions were noted.

P-Card

The P-Card can only be used for the purchase of items or services with a valid business purpose, in compliance with P-Card and purchasing policies and procedures, and must be recorded to an appropriate account code. As of June 30, 2017, the Athletics department had 34 active P-Cardholders. Internal audit assessed internal controls over P-Card disbursements, and performed test work to ensure compliance with UNM's P-Card policies and procedures, and that transactions are recorded to the correct account code. Nine (9) of 74 P-Card purchases tested were not recorded to the correct account code.

Recommendation 8:

The Athletics Chief Financial Officer should ensure P-Card reviewers are conducting thorough reviews of P-Card activity to ensure P-Card transactions are recorded to the appropriate expense account.

Response from the Athletics Chief Financial Officer:

| Action Items |
|---|
| <i>Targeted Completion Date:</i> September 1, 2018 |
| <i>Assigned to:</i> Senior Associate Athletics Director – Chief Financial Officer |
| <i>Corrective Action Planned:</i> A thorough review of all P-Card activity will be conducted to ensure that reviewers of P-Card activity are following all applicable policies and procedures and all P-Card transactions are recorded to the appropriate expense account. |

Cash Advances

In July 2014, UNM Purchasing replaced travel advances with P-Card cash advances in cases where there is an appropriate need to obtain cash while traveling. The following guidelines are published on the University Purchasing Card website.

- A receivable account will be established, in the name of the person receiving cash.
- Cash may only be obtained to make payments if that is the only acceptable means of payment. Common examples for the uses of cash include providing meal money (per diem) to student athletes.
- The P-Card cannot be used by the employee to charge personal meals.
- The P-Card holder is responsible for obtaining a receipt, or other documentation, to support all cash purchases.
- Care should be taken to ensure that only the necessary cash be obtained. Any unspent cash must be deposited on a Money List with the Cashier's Office immediately upon return from travel.

Athletics P-Cardholders have the ability to obtain cash advances using the P-Card, primarily needed for tips and incidentals during team travel, and various costs related to coaches' recruitment trips.

Due to instances of misuse and identified risks related to cash advances during FYs 2015 and 2016, the UNM P-Card office implemented tighter restrictions and strengthened internal controls for cash advances, resulting in a decrease in cash advances from FY 2016 to FY 2017. In December of 2016, Athletics also implemented prepaid debit cards used for student athletes and student managers' cash allowances for per diem, housing allowances, etc., significantly reducing the need for cash advances. The need for cash advances are now primarily for team travel and coaches' recruitment incidentals.

Cash advances during FYs 2016 and 2017 are presented below.

| <u>Fiscal Year</u> | <u>Number</u> | <u>Amount</u> |
|--------------------|---------------|---------------|
| 2016 | 216 | \$ 304,335 |
| 2017 | 61 | \$ 151,998 |

Internal Audit performed audit procedures to determine if FY 2016 and 2017 cash advances submitted for review had a valid business purpose and were supported with adequate documentation. The majority of issues related to cash advances occurred during FY 2016, prior to tighter restrictions, strengthened internal controls, and the prepaid debit card process. Issues related to cash advances for FYs 2016 and 2017 are noted below.

FY 2016 Cash Advances

- For seven (7) cash advances for football player team massages totaling \$8,330, the following issues were noted:
 - No documented business purpose for football players getting team massages.
 - No documented rates or massage therapist credentials for services provided at rates charged for \$100, \$150, and \$200.

- Cash recipients/massage therapist did not always sign an acknowledgement of cash received for services.
- Allowable cash allowances for student athlete and student manager travel and holiday breaks were determined by the Athletics Compliance office. However, P-Cardholders were not required to submit documentation with the Compliance Office's calculation for approved cash allowances with their P-Card reconciliation. Therefore, adequate documentation for cash advance were not always maintained for review.
- Excess cash for 15 cash advances totaling \$1,872 was not deposited in a timely manner. In addition, no deposit documentation was submitted with one cash advance that had excess cash of \$345 to determine when, or if, excess cash was deposited.

FY 2017 Cash Advances

- Allowable cash allowances for Student athlete and student manager travel and holiday breaks were determined by the Athletics Compliance office. However, P-Cardholders were not required to submit documentation with the Compliance Office's calculation for approved cash allowances with their P-Card reconciliation. Therefore, adequate documentation for cash advances were not always maintained for review.
- Excess cash for five (5) cash advances totaling \$485 were not deposited in a timely manner.

Recommendation 9:

Although new processes have been implemented for student athletes' and student managers' cash allowances for per diem, holiday housing, etc., internal controls should continue to be strengthened and enforced to ensure cash advances are for a valid business purpose and properly supported, and excess cash is deposited in a timely manner. The Athletics Chief Financial Officer should ensure that supporting documentation submitted for cash advances clearly supports the business purpose, and identifies how cash advance needs are calculated.

Response from the Athletics Chief Financial Officer:

| Action Items |
|--|
| Targeted Completion Date: September 1, 2018 |
| Assigned to: Senior Associate Athletics Director – Chief Financial Officer |
| Corrective Action Planned: A thorough assessment of all activities related to cash advances will be completed. Following the completion of this assessment, best practices will be implemented and internal controls will be strengthened and enforced to ensure that all cash advances are for a valid business purpose, the documentation submitted for each cash advance clearly supports the business purpose, and excess cash is deposited in a timely manner. |

Recommendation 10:

The Athletics Chief Financial Officer should require all Athletics P-Cardholders to take the Cash Management training and enforce cash management policies and procedures requiring timely deposit of excess cash not used from cash advances. Excess cash should be deposited by the next working day upon completion of the business activity.

Response from the Athletics Chief Financial Officer:

| Action Items |
|---|
| Targeted Completion Date: September 1, 2018 |
| Assigned to: Senior Associate Athletics Director – Chief Financial Officer |
| Corrective Action Planned: All Athletics P-Cardholders will be required to complete Cash Management training and all cash management policies and procedures will be enforced, such as requiring timely deposit of excess cash not used from cash advances. In addition, any excess cash will be deposited by the next working day upon completion of the business activity. |

Chrome River Approvers

In December 2016, UNM implemented the Chrome River Payment Management System, which is a third party payment system with Banner integration capabilities. It replaced the prior manual paper based travel and expense reimbursement process (DPEZ) and prior UNM Purchasing Card (P-Card) paper reconciliation process.

The review and approval process for P-Card and employee reimbursement transactions in Chrome River is a key internal control to ensure transactions are allowable, have appropriate supporting documentation, and are recorded to the correct account code. Although the Athletics department had 34 P-Cardholders generating approximately 4,500 P-Card transactions, and approximately 1,100 travel reimbursements from January 1, 2017 to June 30, 2017, there are only three assigned Chrome River approvers for the Athletics department. The number of Athletics Chrome River approvers is not sufficient to conduct an adequate review of P-Card and travel reimbursement transactions to ensure transactions are allowable, accurate, and properly recorded.

Recommendation 11:

The Athletics department should have sufficient Chrome River reviewers and approvers for the volume of transactions that flow through the Chrome River Payment Management System. The Athletics Chief Financial Officer should:

- a.) Conduct an assessment of P-Cardholders, P-Card transactions, and reimbursements by each Athletics area to determine the number of Chrome River reviewers and approvers needed for each Athletics area.
- b.) Assign Chrome River reviewers and approvers responsible for the review and approval of P-Cardholders and reimbursements by Athletics area.
- c.) Ensure reviewers and approvers complete the Chrome River online training.

Response from the Athletics Chief Financial Officer:

| Action Items |
|---|
| <i>Targeted Completion Date: September 1, 2018</i> |
| <i>Assigned to: Senior Associate Athletics Director – Chief Financial Officer</i> |
| <i>Corrective Action Planned:</i> <ol style="list-style-type: none"> a.) A thorough assessment of P-Cardholders, P-Card transactions, and reimbursements by each Athletics area will be completed to determine the number of Chrome River reviewers and approvers needed for each Athletics area. b.) Chrome River reviewers and approvers responsible for the review and approval of P-Cardholders and reimbursements will be assigned according to official duties and areas of oversight. c.) All reviewers and approvers will be required to complete the Chrome River online training. |

Prepaid Debit Cards

On December 19, 2016, the University implemented a process of issuing approved cash allowances for student athletes and managers on prepaid debit cards. This process replaced the need for withdrawing cash advances on a UNM P-Card.

Internal Audit performed test work to determine if adequate controls are in place for prepaid debits cards and cash allowances loaded on the cards are accurate, and for a valid business purpose. No exceptions were noted.

Employee Reimbursements

Athletics adheres to UAPP 4030: Travel for travel disbursements and reimbursements. Athletics' employees are reimbursed in accordance with the policy for reasonable and allowable costs incurred when traveling on official business. Reimbursement requests must be reviewed and approved by a direct supervisor or department head.

If the employee is requesting reimbursement for meals, the amount for each meal must be in compliance with the New Mexico Per Diem and Mileage Act. Internal Audit performed test work to ensure travel disbursements are in compliance with UAPP 4030 and the New Mexico Per Diem and Mileage Act. No exceptions were noted.

Payroll and Employee Benefits

Athletics adheres to UAPP 2645: Accounting of Labor Expenses for biweekly and monthly payrolls. Internal Audit assessed internal controls and performed test work to ensure payroll disbursements are in compliance with UAPP 2645 and to ensure employee contracts are properly approved and executed.

Coaches Overpayment (Appendix 2)

UAP 2680: Payroll Overpayment and Collection states, "on occasion, due to errors in processing and/or timeliness of submission and reporting, employees may be paid more than is owed to them. UNM Departments are responsible for reporting errors to the Payroll Department as soon as the error is discovered. If the employee becomes aware of an overpayment, the employee is responsible for reporting it directly to the Payroll Department and to his or her department administrator. The University is authorized to pursue repayment during employment or after termination of employment, including deduction of any amounts owed from the employee's final paycheck."

"Upon discovery, the Payroll Department researches the source of the error and calculates the amount paid in error, accounting for taxes, retirement, and other amounts withheld. The Payroll Department then notifies the employee and supervisor of the overpayment. Information includes the date of occurrence, the cause of the overpayment,

and notice that the overpayment will be deducted from the next payroll payment in process as applicable.”

The following are instances of coaches’ payroll overpayments:

- Men’s Basketball Head Coach

The Men’s Basketball Coach was overpaid on his salary each month for a period of 12 months beginning April 2013, and ending March 2014. The payroll overpayments occurred when the Coach was promoted from Assistant Head Coach of the UNM Men’s Basketball Program to the position of Head Coach of the Program. When the Coach was promoted to Head Coach, a new contract with new terms and conditions was executed, including an increase in base salary as well as increased and additional extra compensation payments. The contract changes are made in UNM's Banner system at the Main Campus Human Resources Department. The extra compensation payments are entered into the system based on the "Non-Standard Payment" (NSP) form that is routed through the approval queue in the NSP process detailed above.

For the position of Assistant Head Coach, the contract stipulated other compensation as Assistant Head Coach which was to be paid through March 31, 2014. The Coach took over as Head Coach on April 8, 2013, and this position also had other compensation as delineated in the Head Coach's contract. When the extra compensation for Head Coach was entered into Banner, the other compensation for the Assistant Head Coach position was not ended; therefore, he continued to be paid other compensation for the Assistant Head Coach position until the error was discovered by Payroll in April 2014.

The total payroll overpayment to the Men’s Basketball Coach was \$144,215.91 of gross wages; however, after adjustment for withholding for payroll taxes (and other deductions) already remitted to taxing authorities, the amount due from Coach Neal, as determined by the UNM Payroll Department was \$123,710.80.

The Men’s Basketball Head Coach repaid the University the total amount due of \$123,710.80, through payroll deductions over 12 months, with the balance completely paid off on June 30, 2015.

- Baseball Coach

The Baseball Coach was overpaid on his salary each month for a period of 20 months beginning July 1, 2013, and ending February 28, 2015. The payroll overpayments occurred when the Coach renegotiated his contract in June of 2013 to include increases in other compensation. Payroll errors as the result of contract negotiations resulted in overpayments totaling \$39,601.26.

The Coach repaid the University through payroll deductions until his overpayments were paid in full.

- **Men's Soccer Coach**

The Men's Soccer Coach had payroll overpayments due to a 2.5% salary increase granted to UNM employees, which he was supposed to be excluded from. As part of Coaches 2014 contract renegotiation, it was agreed he would forgo/be excluded from the 2.5% raise, in lieu of the increase in his deferred compensation. However, the Coach was not excluded from receiving the 2.5% raise and was overpaid a total of \$1,185.65 in the months of July – December, 2014. Internal Audit performed audit procedures and determined that no other employee was overpaid due to the 2.5% salary increase.

Recommendation 12:

The Vice President for Human Resources should:

- a.) Address identified payroll weaknesses and make sure extra compensation payments are not duplicated in the future.
- b.) Review the process for entering data into jobs and positions so that there is not a duplication of Non-Standard Payment (NSP) forms/payments to coaches and other employees under contract.

The Senior Associate Athletic Director for Administration should:

- a.) Ensure that Non-Standard Pay (NSP) forms accurately reflect contract terms and provide the Payroll Department copies of both the NSP forms and the coaches' contracts, including all addendums, to ensure that payroll information has been entered into the system accurately.
- b.) Monitor payments to coaches for three (3) months after contracts are initially executed, changed, or renegotiated to make sure that actual payments to the employee are consistent with the contract terms and payments in Banner tie to amounts in finalized contracts.

Response from the Vice President for Human Resources:

| Action Items |
|---|
| <i>Targeted Completion Date: Completed</i> |
| <i>Assigned to: Human Resources Director of Client Services</i> |
| <i>Corrective Action Planned:</i> <ol style="list-style-type: none"><li data-bbox="240 657 1443 909">1. <i>The Division of Human Resources worked with the Office of University Counsel to modify the current employment contract/addendum amendment process for Athletic staff. Previously, when a portion of a coach's contract was changed, an amendment to the addendum is issued addressing only the terms that have changed. Currently, the Division of Human Resources now creates a new addendum in its entirety whenever there is a change in the terms of employment beyond a change in salary, duration, or other minor revision.</i><li data-bbox="240 909 1443 1129">2. <i>The UNM Division of Human Resources will review the NSP form upon receipt and prior to processing into UNM's Banner System. They will be responsible for verifying the accuracy of the data on the form and ensuring there is no duplication of NSP payments. They will also review existing NSP payments already in Banner, and terminate as needed. A standard operating procedure and corresponding checklist has been developed to ensure a consistent process by Central HR when entering and reviewing NSP forms.</i> |

Response from the Senior Associate Athletic Director for Administration:

| Action Items |
|---|
| Targeted Completion Date: July 1, 2018 |
| Assigned to: Senior Associate Athletics Director – Administration Senior Associate Athletics Director – Chief Financial Officer |
| Corrective Action Planned: <ol style="list-style-type: none"> 1. Effective FY 18, Athletics HR will create a spreadsheet that includes all compensation – related details for coaches’ contracts. Athletics HR will continue to update and send spreadsheet for contract employees at least annually (send by July 1 each year) and then if there were to be mid-year changes will send updates on an as-needed basis to HR consultant and Athletics CFO. Athletics HR will review be responsible for monitoring the encumbrances compared to coach’s pay on a quarterly basis against the contract terms 2. Beginning July 1, 2018 Athletics Business office, primarily the Senior Associate Athletics Director - CFO, unless otherwise delegated, will be responsible for monitoring the encumbrance compared to coaches’ pay on a monthly basis during account reconciliation. This will ensure payments made to coaches are consistent with the terms of the contract. In conjunction with Athletics HR quarterly review, any errors will be identified in a timely manner to ensure collection of overpayment or payment of underpayment. |

Courtesy Car Program

The Athletics Department provides courtesy cars to selected employees at the discretion of the Director of Intercollegiate Athletics. The Athletics department had 36 employees with courtesy cars at the end of FY 2017. All business use of the vehicles should qualify for business mileage expenses. Use of the vehicle between the office and other work-related destinations during or after the regular work day is considered business usage. The taxable portion of the courtesy car benefit is added to the employee’s earnings. The IRS considers commuting to and from work as taxable personal mileage.

During FYs 2016 and 2017, Athletics did not have a signed agreement for all courtesy car recipients, nor a written policy for courtesy car use. This increases the risk of courtesy car abuse and risk of incorrect mileage reporting in accordance with IRS requirements.

Internal Audit reviewed courtesy car use for reasonableness in amounts reported for business miles vs. personal miles. Courtesy car use is not always tracked accurately. During the month of June 2017, one courtesy car user reported 610 of 673 miles, or 91%, of use as business miles.

Internal Audit determined that this mileage allocation for the courtesy car use is not reasonable for the Athletic employment position.

Athletics has currently improved internal controls over the courtesy car program by requiring all recipients to sign a courtesy car agreement and drafting a policy for courtesy car use.

Recommendation 13:

The Director of Intercollegiate Athletics should continue strengthening internal controls to ensure the courtesy car program complies with IRS requirements, and provides overall benefit to the Athletics department. A signed agreement should be obtained for every courtesy car issued to an Athletics employee, and mileage should be closely reviewed to ensure personal vs. business miles are accurately reported. In addition, courtesy cars should only be assigned to Athletics' employees if provided by their contract.

Response from the Director of Intercollegiate Athletics:

| Action Items |
|---|
| <i>Targeted Completion Date: Completed</i> |
| <i>Assigned to: Associate Athletics Director – Sports Administration Senior Associate Athletics Director - Chief Financial Officer</i> |
| <i>Corrective Action Planned: The outlined recommendations have been implemented. All personnel within the courtesy car program have completed and reviewed all policies and procedures prior to obtaining the courtesy vehicle. Athletics staff members and the Athletic Business Office will continue to monitor all aspect of the program with all employees.</i> |

CONTRACTS AND AGREEMENTS

Learfield Communications d.b.a. Lobo Sports Properties

Marketing and Media Rights

UNM executed an agreement with Lobo Sports Properties on March 7, 2013 granting multi-media rights to: inventory, including print; media; sponsor; existing or new signage not already contracted to other parties; and, other promotional and sponsorship rights for football, men's and women's basketball games, men's baseball games, and other intercollegiate sports. The term of the contract is through June 30, 2020.

Based on revenue provisions in the executed agreement, Lobo Sports Properties was to pay UNM a total of \$5,088,500 during FY 2016, and \$5,158,500 during FY 2017 for its multi-media

rights. Payments due to UNM for FYs 2016 and 2017 per each provision of the agreement are presented below.

| Learfield Contracted Cash Payments | | | | | | | |
|------------------------------------|------------------------|-------------|-------------|-----------|----------------|---------------|--------------|
| | Section 9.1.4 | Section 7 | | | Section 8.2 | Section 9.1.5 | |
| Year | Licensing and Rights * | Suite Sales | Credits | NM Bowl | Office/Parking | Bonus Payment | Total Cash |
| 2015-16 | \$ 4,668,000 | \$ 158,000 | \$ (17,500) | \$ 10,000 | \$ 20,000 | \$ 250,000 | \$ 5,088,500 |
| 2016-17 | \$ 4,768,000 | \$ 158,000 | \$ (47,500) | \$ 10,000 | \$ 20,000 | \$ 250,000 | \$ 5,158,500 |
| 2017-18 | \$ 4,868,000 | \$ 158,000 | \$ (17,500) | \$ - | \$ 20,000 | \$ - | \$ 5,028,500 |

Source: Learfield Agreement

* Contracted payments to be received on December 31st and August 31st of each Athletic Year

Lobo Sports Properties made underpayments to UNM of \$68,000 during FY 2016 and \$188,000 during FY 2017. These underpayments were primarily due to an unsigned and undated amended agreement with Lobo Sports Properties which reduced the Licensing Fee due to UNM from \$4,668,000 to \$4,300,000 in 2015-2016 and \$4,768,000 to \$4,130,000 in 2016-2017. As part of the amended agreement, Lobo Sports Properties increased its bonus payments from \$250,000 to \$550,000 in 2015-2016 and \$700,000 in 2016-2017.

UNM received a check of \$2,161,500 dated December 28, 2017 from Lobo Sports Properties, which is also based on the unsigned amended agreement. Payments made by Lobo Sports Properties in accordance with the unsigned amended agreement have, and will, result in underpayments as illustrated below.

| Learfield Actual Payments Received vs. Contracted Payments | | | | | |
|--|---------------------|---------|---------------------|----------------------------------|---------------------|
| 2015-16 | Amount | 2016-17 | Amount | 2017-18 | Amount |
| Dec-15 | \$ 2,405,500 | Dec-16 | \$ 2,136,500 | Dec-17 | \$ 2,161,500 |
| Aug-16 | 2,065,000 | Aug-17 | 2,134,000 | Payment 2 (not yet received) | 2,179,000 |
| Aug-16 | 550,000 | Aug-17 | 700,000 | Bonus Payment (not yet received) | 250,000 |
| Total Payments Received | \$ 5,020,500 | | \$ 4,970,500 | | \$ 4,590,500 |
| Contracted Payments | \$ 5,088,500 | | \$ 5,158,500 | | \$ 5,028,500 |
| Underpayment | \$ (68,000) | | \$ (188,000) | | \$ (438,000) |
| | | | | Accumulated Cash Underpayment | \$ (694,000) |
| | | | | Less: Benefits Returned | \$ 666,000 |
| | | | | Net Underpayment | \$ (28,000) |

Source: Learfield Agreements and Athletics

In addition to the amended payment schedule, Lobo Sports Properties provided the following annual benefits of \$222,000 to UNM Athletics for the three-year period totaling \$666,000:

- One thirty second (:30) commercial during each football and men's basketball radio broadcast for the purpose of promoting the University (valued at \$23,000);
- Elimination of pizza category sponsorship (valued at \$50,000);
- The right for UNM Athletics to use one of Learfield's football suites (valued at \$25,000);

- Four (4) field level suites (valued at \$120,000); and
- Eight (8) end zone club tickets (valued at \$4,000).

Although the amended agreement was not signed or dated by UNM nor Lobo Sports Properties, UNM received payments and services from Lobo Sports Properties as outlined in the amended agreement. Athletics followed proper UNM Purchasing procedures throughout the process.

New Mexico Statutes, Section 37-1-23, Contract Liability; Statute of Limitations states, “*Governmental entities are granted immunity from actions based on contract, except actions based on a valid written contract.*” Therefore, the New Mexico Statute indicates that UNM, as a governmental entity, is immune from suit on contract claims that arise from anything other than a “valid written contract.” An unsigned contract is generally not considered valid and enforceable against a party that did not sign it. Therefore, Lobo Sports Properties cannot bind UNM to an unsigned agreement, and UNM is legally entitled to require payments based on the 2013 executed agreement.

Pepsi Sponsorship

UNM entered an agreement with Pepsi Beverages Company effective July 1, 2010 for the exclusive right to make beverages available for sale and distribution throughout UNM facilities. The facilities include, but are not limited to; vending services; food service; bookstores and other retail locations; and, the right to provide all beverages sold at athletic contests, booster club activities, and all other special events conducted at any location at the Facilities (“Special Events”). As specified in the agreement, Pepsi is to pay UNM an annual sponsorship fee of \$1,000,000 within 45 days after each fiscal year through June 30, 2018. Also, UNM’s contract with Pepsi grants Pepsi an unspecified right to advertise at UNM venues, including at the University’s Athletics facilities. The Learfield contract Section 9.1.6 states that “*If the University receives revenue payments directly from a Sponsor, Learfield may subtract such revenue from the Guaranteed Licensing and Rights Fee. However, this provision does not apply to those revenues received by the University from the retained Sponsorship Agreements specified in Section 5.18.*”

Athletics makes annual payments of \$450,000 to Learfield Communications, Inc. for a “Pepsi” contract. Athletics’ staff was able to demonstrate how this payment was calculated. However, per the contract, this amount should have been deducted from Learfield’s payments to UNM, rather than paid to Learfield by UNM without a signed purchase order/contract.

Recommendation 14:

Contracts entered into by the Athletics department should be closely monitored to ensure compliance with provisions agreed between Athletics and the Contractor. Athletics should only adhere to the provisions set forth in properly executed agreements that are signed and dated by an authorized official.

The Director of Intercollegiate Athletics should:

- a.) Work with UNM Legal Counsel and Learfield Communications to determine a path forward to payment from Lobo Sports Properties, which may take the form of an amended or new contract.
- b.) Work with Learfield Communications and Pepsi to ensure that credits due Learfield pursuant to the contract are properly transacted. Payments to Learfield, if any, should only be made based on an executed contract issued by the University Purchasing Department.

Response from the Director of Intercollegiate Athletics:

| Action Items |
|--|
| <i>Targeted Completion Date: Completed</i> |
| <i>Assigned to: Director of Intercollegiate Athletics</i> |
| <i>Corrective Action Planned: Athletics worked with UNM Legal Counsel and Learfield in amending the 2013 Marketing and Media Rights agreement with Learfield Communications. The amended agreement was signed by the appropriate UNM officials on May 10, 2018 and Learfield on May 11, 2018. Pepsi money allocated to sponsorship will be deducted from the annual rights fee in fiscal year 2019.</i> |

Levy Restaurants

UNM entered an agreement with Levy Restaurants on April 6, 2016 for the provision of Athletic concessions and catering services (“Concession Services Program”) at the University. The agreement includes all Athletic events, exclusive rights to provide summer conference/camp concession service, provision of Concessions Services Programs at future locations, and the replacement, addition, or enhancement of any University locations, as agreed to by the University. In exchange, UNM receives a revenue-sharing percentage of gross receipts for each event.

Internal Audit performed audit procedures to ensure compliance with revenue-sharing requirements and key provisions of the contract. Levy made revenue-sharing payments and complied with key provisions as outlined in the contract agreement. Levy’s concessions, gross receipts, and required revenue-sharing payments for FY 2017 are presented below.

| Levy Concessions Revenue Sharing Payments | | | | |
|---|-------------------------|--------|---------------------|-------------------|
| Source of Gross Receipts | Gross Receipt Range | % | FY 2017 | Required Payment |
| | | | Gross Receipts | |
| Football Stadium Concessions | 0 - \$500,000 | 32.50% | \$ 267,889 | \$ 87,064 |
| | > \$500,000 | 37.50% | N/A | N/A |
| Basketball Arena Concessions | 0 - \$500,000 | 35% | \$ 375,597 | \$ 131,459 |
| | \$500,000 - \$1,000,000 | 40% | N/A | N/A |
| | > \$1,000,000 | 45% | N/A | N/A |
| Other Events | 0 - \$750,000 | 30% | \$ 395,906 | \$ 118,771.80 |
| | \$750,000 - \$1,000,000 | 35% | N/A | N/A |
| | > \$1,000,000 | 40% | N/A | N/A |
| Olympic Sports | All | 30% | \$ 74,156 | \$ 22,247 |
| Catering Food and Beverage | 0 - \$850,000 | 18% | \$ 439,096 | \$ 79,037 |
| | > \$850,000 | 22% | N/A | N/A |
| Concessions Alcohol | All | 50% | \$ 338,167 | \$ 169,084 |
| Subcontractors | All | 30% | \$ 55,499 | \$ 16,650 |
| Total | | | \$ 1,946,310 | \$ 624,312 |
| Payments Received | | | | \$ 624,312 |
| Variance | | | | - |

Source: Levy Agreement

Contract Authority

UAP 2010: Contracts Signature and Review, Section 4.11, Athletics, states, “the Vice President for Athletics is authorized to sign all game contracts and contracts for rental of Athletic facilities.”

UAP 2010: Contracts Signature Authority and Review, Section 5, Contract Review, states, “Each contract must be carefully reviewed by the University employee initiating the contract and a University contract review officer. The University administrator with signature authority may designate additional review requirements for particular types of contracts, such as University Counsel for legal issues or Controller's review for budget.”

UAP 2010: Contracts Signature and Review, Section 5.2, Contract Review Officer, states, “Each administrator granted signature authority by this policy shall designate one or more contract review officers for contracts under their purview. All contract review officers shall be UNM employees.”

Internal Audit identified non-compliance with UAP 2010 with the following contract authorizations.

- **Anthony Travel (Scotland Golf Tour)**

The former Director of Intercollegiate Athletics and Anthony Travel Incorporated (ATI) executed an agreement on October 29, 2014 for the purpose of providing golf packages for a Scotland Golf Tour fundraising event from June 19, 2015 through June 25, 2015.

Although the former Vice President for Intercollegiate Athletics was authorized to sign all game contracts and contracts for rental of the Athletic facilities, the service agreement with ATI for the Scotland Golf Tour was not for either of these services. In addition, the contract did not obtain a second review or approval from a designated Contract Review Officer.

- **Lobo Sports Properties/Albuquerque Tents**

The former Athletics Financial Analyst signed a three-way Memorandum of Understanding with Lobo Sports Properties and Albuquerque Tents, requiring Athletics to make payments to Lobo Sports Properties in lieu of Athletics' payment obligations to Albuquerque Tents, and Albuquerque Tents' payment obligations to Lobo Sports Properties. The former Financial Analyst did not have contract signing authority and should not have entered into this Memorandum of Understanding.

Recommendation 15:

The Director of Intercollegiate Athletics should:

- a.) Ensure all Athletics contracts are reviewed by a designated Contract Review Officer. Contracts initiated by the Director of Intercollegiate Athletics should be reviewed and approved by the Executive Vice President for Administration or by Purchasing.
- b.) Ensure contracts/agreements are not entered by an Athletics employee who is not authorized to enter contracts/agreements. A review of UAP 2010: Contracts Signature and Review should be performed and assignments of appropriate contract signing authority should be delegated to Athletics officials based on the Director for Intercollegiate Athletics determination.

Response from the Director of Intercollegiate Athletics:

| Action Items |
|--|
| <i>Targeted Completion Date: Completed</i> |
| <i>Assigned to: Director of Intercollegiate Athletics</i> |
| <i>Corrective Action Planned:</i> <ul style="list-style-type: none"> <i>a.) All Athletics contracts are reviewed by a designated Contract Review Officer. In addition, all contracts initiated by the Director of Intercollegiate Athletics are reviewed and approved by the Purchasing Department and the President.</i> <i>b.) All Athletics contracts/agreements are entered by an Athletics employee who is authorized to enter contracts/agreements.</i> |

ENDOWED FUNDS

Private support is very important to the financial health of the Athletics department. Endowed gifts are a special type of private support whereby the donor designates that the principal be held for investment and the interest earned on the principal is spent as directed by the donor.

The University of New Mexico Foundation transfers endowment spending distributions to Athletics endowment spending accounts on a quarterly basis. The spending distribution (the amount that can be spent) that is transferred is based on predetermined percentages set forth by the "Regents' Endowment Investment Management Policy." Endowment spending distributions are recorded as an unrestricted, designated funding source.

Compliance with Donor Intent

The UNM Foundation provides donor intent information to Athletics. Athletics is responsible for ensuring that adequate processes are in place for disbursements from endowed spending accounts, and that the disbursements comply with donor intent. Internal audit performed audit procedures to obtain an understanding of internal controls in place for disbursements from endowed funds, and to ensure disbursements were in compliance with donor intent. Athletics does not have a formal process for awarding financial awards, or recording and monitoring disbursements from endowment funds to ensure compliance with donor intent.

Financial award and disbursement activity for endowments is not a separate process from financial award and disbursement activity from the Athletics index (925374), which is primarily used for recording financial awards. Expenses charged to endowment funds are recorded via

journal voucher by transferring a portion of recorded expenses from the Athletics index 925374 to endowments based on their funds available. For example, the following was noted during testing of endowment expenses:

- Documentation supporting expenses recorded to six endowments totaling \$20,437 was not available for review. The expenses were logged to these endowments by a journal voucher recorded by the Athletics business office, transferring financial awards initially recorded in the Athletics index 925374. Internal Audit was able to verify that student athletes had financial awards and were participants for the sports program that the endowment was intended for. However, there is no documentation indicating a formal process was followed to ensure compliance with donor intent.
- A year-end journal voucher was recorded by unrestricted accounting on 6/30/2016 to move financial award expenses of \$25,240 from the Athletics index 925374 to various endowments. Documentation supporting this journal voucher was not available for review. Therefore, Internal Audit could not determine the purpose of these expenses, and if they comply with donor intent.
- The following ten disbursements tested did not comply with donor intent:
 - One disbursement for per diem and incidentals of \$1,470 for the ski coach's recruiting trip to Sweden were charged to a ski program endowment intended for ski equipment.
 - Two financial award disbursements were charged to endowments intended for a different athletic program. A financial award of \$1,000 for a women's basketball player was charged to a ski program endowment. In addition, a financial award of \$2,500 for a men's basketball player was charged to a golf program endowment.
 - Three financial award disbursements totaling \$14,737 were charged to a ski program endowment intended for ski equipment.
 - Athletics did not comply with donor restrictions pertaining to minimum Grade Point Average (GPA) requirements for financial awards disbursed to two student athletes. The 5th Year Scholarship endowment requires a minimum GPA of 2.5; however, a student was awarded a financial award for \$8,891 although he did not meet the minimum GPA requirement. In addition, the Donald B. Anderson endowment requires a minimum GPA of 3.0; however, a student was awarded a financial award of \$8,755 although he did not meet the minimum GPA requirement.

- The Donald B. Anderson and Wellborn Scholarship endowments are intended for financial awards for enrolled students who have exhausted their athletics eligibility. Financial awards for \$6,000 and \$4,500 were disbursed to two students that had not exhausted their athletic eligibility.

Recommendation 16:

Strong internal controls should be in place for expenses charged to endowed funds to ensure compliance with donor intent. Financial awards disbursed from endowed funds should be a separate process from other Athletics financial awards, and should be recorded to the applicable endowment index as they occur.

The Athletics Chief Financial Officer should:

- a.) Develop a formal process for the awarding and disbursement of financial awards from endowment funds.
- b.) Implement a scholarship committee to review student qualifications to ensure financial awards disbursed from endowments meet donor restrictions.
- c.) Perform a detailed review of disbursements from endowed funds to ensure activity charged to endowments are in compliance with donor intent.
- d.) Reimburse endowments that were incorrectly charged for disbursements that did not meet donor restrictions.
- e.) Work with donors to broaden restrictions on certain endowments if current restrictions are difficult to meet.

The University Controller should:

Ensure expenses recorded by Unrestricted Accounting to endowment accounts are only made if adequate supporting documentation has been reviewed. Journal vouchers should not be used to record expenses to endowment accounts unless compliance with donor intent has been verified.

Response from Athletics Chief Financial Officer:

| Action Items |
|---|
| Targeted Completion Date: August 1, 2018 |
| Assigned to: Senior Associate Athletics Director – Chief Financial Officer Deputy Athletics Director for Internal Operations – Senior Woman Administrator |
| Corrective Action Planned: <ul style="list-style-type: none"> a.) A formal process will be developed for the awarding and disbursement of financial awards from endowment funds. b.) A scholarship committee will be formed to review student qualifications to ensure financial awards disbursed from endowments meet donor restrictions. c.) A detailed review of disbursements from endowed funds will be performed to ensure activity charged to endowments are in compliance with donor intent. d.) Endowments that were incorrectly charged for disbursements due to the failure to meet donor restrictions will be reimbursed. e.) Athletics administration will work with donors to broaden restrictions on certain endowments if current restrictions are difficult to meet. |

Response from University Controller:

| Action Items |
|--|
| Targeted Completion Date: Effective Immediately |
| Assigned to: Associate Controller, Unrestricted Accounting |
| Corrective Action Planned: Effective immediately, no journal vouchers submitted for approval that are transferring costs from athletic operation indexes to endowment accounts will be processed or approved without adequate supporting documentations indicating the specific transaction being transferred and must include supporting documentation indicating that the transaction being transferred is compliant with donor intent for the index receiving the transaction. |

OTHER

Pit Suite and Club Seat Sales

The Lobo Club manages the sale and collection of Pit Suite and Club Seat sales, which includes 40 suites and approximately 384 club seats. On July 14, 2017, a news article was reported by a media outlet regarding unpaid Pit Suite and Club Seats sales. According to the article, there were uncollected receivables of \$432,641 from Pit Suite and Club Seat sales dating back to fiscal year 2010. Internal Audit obtained the receivable schedule and performed audit procedures to determine if collections have been made on the reported balances, and to determine collectability of outstanding balances by reviewing contracts, invoices, and other supporting documentation/written communication.

Of the \$432,641 in receivables reported by the Albuquerque Journal, UNM has collected \$191,114 and \$47,500 were properly adjusted due to duplicate recording of sales (\$45,000) and inaccurate recording of payments (\$2,500). For the remaining receivables, \$10,000 is collectable, while \$184,027 are uncollectable. The following presents a summary of Pit Suite and Club Seat receivables, by fiscal year.

| Pit Suite and Club Seats Accounts Receivable | | | | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| Receivable, by Fiscal Year | Balance | Adjustments | Collected | Collectable | Uncollectable |
| 2010 | \$ 27,334 | \$ - | \$ - | \$ - | \$ 27,334 |
| 2011 | 32,834 | - | 11,666 | - | 21,168 |
| 2012 | 70,334 | - | 49,585 | - | 20,750 |
| 2013 | 11,525 | - | - | - | 11,525 |
| 2014 | 194,489 | 47,500 | 36,739 | 10,000 | 100,250 |
| 2015 | 90,200 | - | 87,200 | - | 3,000 |
| 2016 | 5,925 | - | 5,924 | - | - |
| Total | \$ 432,641 | \$ 47,500 | \$ 191,114 | \$ 10,000 | \$ 184,027 |

Source: Lobo Club

Late collections on sales and uncollectable receivables are due to a lack of established processes for the recording and collection of Pit suite sales. In addition, receivables deemed uncollectable are due to a lack of contract, sales invoice, or other supporting documentation indicating a valid sale. Without an executed contract or formal sales invoice, it is difficult for UNM to pursue legal avenues to collect disputed receivables. Beginning with the 2017-18 season, the Lobo Club improved processes for the sales and collection of Pit Suites and Club Seats. Internal Audit tested Pit Suite and Club Seat sales and determined formal sales documentation was obtained and full collection had been made.

The Lobo Club is responsible for the sale and collection of suites and club seats, and for recording the financial activity related to the sales and collections. However, there is not an executed agreement in place that clearly defines the roles and responsibilities pertaining to UNM and the Lobo Club for the sale and collection of Pit Suites and Club Seats.

Recommendation 17:

The Interim Executive Director of the Lobo Club should:

- a.) Continue to ensure formal documentation such as contracts or sales invoices is obtained for every Pit Suite and Club Seat sale.
- b.) Enforce implemented collection procedures.
- c.) Ensure receivables are reconciled on a regular basis to ensure balances are accurately reported.
- d.) Work with UNM's Legal Counsel and/or the Director of Intercollegiate Athletics to develop a formal agreement that clearly defines the roles and responsibilities pertaining to UNM and the Lobo Club for the sale and collection of Pit Suites and Club Seats.

Response from the Interim Executive Director of the Lobo Club:

| Action Items |
|--|
| Targeted Completion Date: (A), (B), (C) – Completed (D) – August 1, 2018 |
| Assigned to: Interim Executive Director of the Lobo Club |
| Corrective Action Planned: Recommendations (A), (B), and (C) have been implemented. Recommendation (D) – The Interim Executive Director of the Lobo Club is currently working with UNM's Legal Counsel as well as the Director of Intercollegiate Athletics to develop a formal agreement that clearly defines the roles and responsibilities pertaining to UNM and the Lobo Club for the sale and collection of Pit Suites and Club Seats. |

NCAA and Mountain West Conference Tournament Tickets

On an annual basis, the Director of Intercollegiate Athletics may attend the Mountain West Conference (MWC) and NCAA postseason tournaments as a working business activity. The contract agreement for the former Director of Intercollegiate Athletics states, “Mr. Krebs’ spouse and dependent children will be added to the official University travel party to regular season away and NCAA postseason games within the continental United States.” Based on this element of the employment contract, only the Director of Intercollegiate Athletics, his/her spouse, and his/her dependent children’s NCAA tickets and travel costs should be purchased with Athletics’ unrestricted funds. All other NCAA and MWC tickets purchased for UNM employees and private donors should be purchased using Lobo Club private funds.

Athletics does not have a formal process for the purchase and distribution of NCAA and MWC tickets. During NCAA Final Four tournaments from 2011-2017, Athletics purchased tickets for the former Director of Intercollegiate Athletics. The former Director of Intercollegiate Athletics distributed tickets to employees who reimbursed UNM for the ticket costs, and others were distributed to private donors and individuals without reimbursement to UNM. For FYs 2016 and 2017, Athletics tracked ticket distribution and reimbursements; however, there were no such records for NCAA tickets prior to FY 2016. In addition, unreimbursed lodging was purchased for private donors during the 2015 NCAA Final Four tournament.

The purchase of NCAA and MWC tickets, and lodging for private individuals from UNM funds may violate the Anti-Donation Clause of the New Mexico Constitution. The following table presents NCAA tickets and lodging costs for the NCAA Final Four tournament from 2011-2017.

| NCAA Final Four Costs to UNM | | | | | |
|-------------------------------------|--------------|--------------------|--------------------|----------|-------------------------------|
| Event/Location | # of Tickets | Amount | Lodging | # Rooms | Total Cost |
| 2011 NCAA Final Four - Houston | 18 | \$ 3,427.00 | \$ 2,056.00 | 2 | \$ 5,483.00 |
| 2012 NCAA Final Four - New Orleans | 16 | 3,542.50 | 2,864.00 | 2 | 6,406.50 |
| 2013 NCAA Final Four - Atlanta | 16 | 3,825.00 | - | N/A | 3,825.00 |
| 2014 NCAA Final Four - Dallas | 13 | 3,371.25 | 2,904.00 | 3 | 6,275.25 |
| 2015 NCAA Final Four - Indianapolis | 10 | 3,135.00 | 1,638.00 | 1 | 4,773.00 * |
| 2016 NCAA Final Four - Houston | 12 | 4,681.00 | 1,728.00 | 1 | 6,409.00 |
| 2017 NCAA Final Four - Phoenix | 28 | 13,119.50 | - | N/A | 13,119.50 |
| Total | 113 | \$35,101.25 | \$11,190.00 | 9 | \$ 46,291.25 |
| | | | | | Reimbursements \$ (16,426.00) |
| | | | | | Net \$ 29,865.25 |

* \$1,460.00 for private donors - 1 room.

Source: Banner Accounting System

In addition to the purchase of the above NCAA tickets, Athletics purchased 18 tickets each for the 2016 MWC tournament at \$250 each for a total of \$4,500 and 22 tickets for the 2017 MWC tournament at \$250 for a total of \$5,500. Tickets were distributed to UNM and other individuals not employed by the University.

Recommendation 18:

Athletics should purchase NCAA and MWC tournament tickets only for UNM officials with such a provision for tickets in their employment contract. The Director of Intercollegiate Athletics should require NCAA and MWC tournament tickets to be purchased through the Lobo Club, which may then sell or distribute tickets as it deems necessary.

Response from Director of Intercollegiate Athletics:

| Action Items |
|--|
| Targeted Completion Date: Completed |
| Assigned to: Director of Intercollegiate Athletics |
| Corrective Action Planned: Athletics purchases NCAA and MWC tournament tickets only for UNM officials who are attending to conduct official university business and/or have such a provision for tickets in their employment contract. The Director of Intercollegiate Athletics requires NCAA and MWC tournament tickets to be purchased through the Lobo Club, which may then sell or distribute tickets as it deems necessary. |

Events Management Parking Collection and Payroll Processing

The Events Management division employees up to 120 part-time and on-call employees to work Athletics events, special events, and Isotopes baseball games. Part-time and on-call employees are primarily responsible for parking collections, ushering, ticket collections, etc.

Parking Fee Collections

The Athletics department, through its Events Management division, charges parking fees for Athletics and special event activities. Parking fees are collected for UNM events including men's basketball and football, and non-UNM events including Isotopes baseball, high school state basketball tournaments, and other special events. Parking fee revenues recorded in Banner for FYs 2016 and 2017 were as follows:

| | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------|----------------|----------------|
| Athletics Events | \$ 409,705 | \$ 140,933 |
| Special Events | 152,165 | 194,015 |
| Isotopes Baseball | <u>281,067</u> | <u>293,739</u> |
| Total | \$ 842,937 | \$ 628,687 |

UAP 7200: Cash Management, Section 2. Deposits states, “*Monies received should be deposited at the University Cashier Department intact by the next working day following receipt. When less than fifty dollars (\$50) is involved, monies may be accumulated up to a week.*”

Internal Audit performed audit procedures to determine if adequate internal controls are in place for the cash collection of parking fees and for accuracy and timeliness of cash deposits. Cash collections from four of seven events tested were not deposited in a timely manner. For example, parking fees of \$11,545 collected for a football game on November 5, 2016 were not deposited until November 18, 2016.

In addition, current processes do not segregate duties for the reconciliation and deposit of cash receipts. The Events Planner receives parking fee collections from the parking cashiers, prepares the cash reconciliation, and makes the deposit at the UNM Cashier's office. Subsequent reviews of cash collection and deposit activity is not performed. Having the same individual responsible for each of these duties increases the risk of cash being lost and/or misappropriated.

Recommendation 19:

The Assistant Athletics Director for Events should:

- a.) Enforce compliance with UAP 7200: Cash Management and ensure that cash deposits from parking fee collections are made by the next working day.
- b.) Separate cash reconciliation and deposit duties. A second person should be responsible for cash deposits to reduce the risk of misappropriation and/or lost cash.

Response from the Assistant Athletics Director for Events:

| Action Items |
|--|
| <i>Targeted Completion Date: July 1, 2018</i> |
| <i>Assigned to: Assistant Athletics Director - Events</i> |
| <i>Corrective Action Planned:</i> <ol style="list-style-type: none"> <i>1. The Events Planner is responsible for acquiring, counting and reconciling all monies collected for each event. This individual will count all monies collected and then place the funds in the safe after each event.</i> <i>2. The following working day, the Assistant AD – Events will count the funds in the safe and initiate a deposit in accordance with UAP 7200. Thus, the Assistant AD – Events will be responsible for cash deposits to reduce the risk of misappropriation and/or lost cash.</i> |

Payroll Processing

The United States Department of Labor Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in Federal, State, and local governments. The Fair Labor Standards Act states, “Wages required by the FLSA are due on the regular payday for the pay period covered.”

The University's pay period for non-exempt employees runs from Saturday to Friday, with the time entry deadline on the following Monday. It is common practice for Events Management to pay its part-time and on-call employees the following pay period if they work an event on Thursday or Friday of the pay period. This is because part-time and on-call employee timesheets are only processed by one person, the Senior Associate Athletic Director for Administration. Although Athletics appears to be short-staffed for processing part-time and on-call timesheets for Events Management, its current practice does not comply with the DOL Fair Labor Standards Act.

Recommendation 20:

The Director of Intercollegiate Athletics should implement processes to ensure compliance with the Department of Labor Fair Labor Standards Act. Additional resources should be assigned to assist in the payroll process for part-time and on-call employees to ensure payroll processing is complete by the pay period deadline.

Response from Director of Intercollegiate Athletics:

| Action Items |
|--|
| <i>Targeted Completion Date: September 1, 2018</i> |
| <i>Assigned to:</i> <i>Assistant Athletics Director - Events</i> <i>Senior Associate Athletics Director – Administration</i> <i>Senior Associate Athletics Director – Chief Financial Officer</i> |
| <i>Corrective Action Planned:</i> <ol style="list-style-type: none"> <i>1. The Senior Associate Athletics Director – Administration will work with the Assistant Athletics Director – Events to change the current payroll tracking process to include the final Friday of the payroll cycle. Individual timesheets with both employee and supervisor signatures will be used.</i> <i>2. The Senior Associate Athletics Director – Administration will key timesheets, and prior to approval by the Senior Associate Athletics Director - CFO, will send the list of all inputted employees on Monday morning of the payroll deadline to ensure all time has been keyed properly and in advance of the deadline.</i> <i>3. The Senior Associate Athletics Director – CFO will then approve time and submit for processing prior to the payroll deadline.</i> |

APPROVALS



Manu Patel, CPA
Director, Internal Audit Department

Approved for Publication



Thom Offord
Chair, Audit Committee



Internal Audit Department
MSC05 3170
1 University of New Mexico
Albuquerque, NM 87131-0001
Located at: 1801 Roma NE
Phone:(505) 277-5016 Fax:(505) 277-2244
UNM HOTLINE: (888) 899-6092

To: David Harris, Executive Vice President for Administration
Dorothy Anderson, Vice President of Human Resources
Janice Ruggiero, Acting Director of Intercollegiate Athletics

From: Manu Patel, Director, Internal Audit

Date: August 16, 2017

Subject: Confidential Investigation Report for UNM Athletics Department Payroll Overpayment of Certain Coaches, Special Audit 2017

Athletics Department Human Resources (HR) Hiring Process

Athletics Hiring Process

HR has documented procedures for the Athletics hiring process. Once a candidate is hired, the employment information is on-boarded into UNM's Banner HR Payroll system by HR. Once information is entered into Banner, Payroll is notified and they conduct a validation process to ensure information is correct. Payroll should be sent copies of Contracts to ensure any incentive payments are entered correctly. Any changes to base pay are done through a contracted change – i.e. a Contract Addendum or New Term Sheet is filled out, and updates to Banner are made in a NBAJOBS in Banner by HR. Other Compensation, such as media appearances, product endorsements, and performance incentives, are activated through the following Non-Standard Payment Process:

1. Athletics Department Responsibilities

- The Athletics Department HR Representative (Rep) submits a Non-Standard Payment (NSP) form for any Other Compensation to Main Campus HR after obtaining approvals. NSPs are done in accordance with the Non-Standard Payment Guide. NSPs are for compensation that is not part of regular pay (i.e. promotions and endorsements, athletic camp programs, incentive salary, bonus, etc.).
- Department HR Rep routes the NSP through the Athletics Business Office for approval.
- After Athletics Business Office approval is obtained, Department HR Rep routes the NSP to the Department's HR Consultant.

2. Human Resources Responsibilities

- The HR Consultant assigned to Athletics reviews the NSP and verifies the request is allowed under Sections 3 and 4 discussing Incentive Payments and Independent Income of contract Addendum.
- Once they verify that the information on the NSP is correct, then the HR Consultant will sign the form.
- The NSP is routed to a Transaction Center Rep for entry into Banner.
- All NSPs are then routed to Payroll for validation of Banner entry and processing of payment.

UAP 2680 Payroll Overpayments and Collection

On occasion, due to errors in processing and/or timeliness of submission and reporting, employees may be paid more than is owed to them. UNM Departments are responsible for reporting errors to the Payroll Department as soon as the error is discovered. If the employee becomes aware of an overpayment, the employee is responsible for reporting it directly to the Payroll Department and to his or her department administrator. The University is authorized to pursue repayment during employment or after termination of employment, including deduction of any amounts owed from the employee's final paycheck.

Upon discovery, the Payroll Department researches the source of the error and calculates the amount paid in error, accounting for taxes, retirement, and other amounts withheld. The Payroll Department then notifies the employee and supervisor of the overpayment. Information includes the date of occurrence, the cause of the overpayment, and notice that the overpayment will be deducted from the next payroll payment in process as applicable.

Repayment in installments is only available on an exception basis if the overpayment is significantly large and would cause a hardship to the employee to pay it back in one payment or would bring the employee's rate of pay below minimum wage.

The University adheres to New Mexico statute, § 30-23-2, NMSA 1978, which states:

Paying or receiving money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary, or remuneration for personal services which have in fact been rendered. Whoever commits paying or receiving public moneys for services not rendered is guilty of a fourth-degree felony. Failure to comply with this policy can result in disciplinary action up to and including dismissal.

In each of the instances of employee payroll overpayment detailed below, the UNM Payroll department has followed UAP 2680 - Payroll Overpayments and Collection.

Coach Jeremy Fishbein

Contract Provisions

Jeremy Fishbein is the head coach of the UNM men's soccer team, and is in his 16th season at the helm of the Lobo Soccer program. Coach Fishbein's current contract term runs from July 1, 2016 through June 30, 2019.

Fishbein's base salary is periodically reviewed and negotiated with the VP of athletics. His current annual base salary is \$112,969.08, payable in monthly installments of 9,414.09. Fishbein is provided other compensation in the form of a courtesy car for his personal use, and a payment of \$25,000 annually for duties in promotion of the UNM Men's Soccer Program. In addition, Fishbein will earn incentive payments of \$18,000 for qualifying for a NCAA championship tournament, and \$1,000 per round for advancement in the tournament. For each year Coach Fishbein is employed as Head Coach of Men's Soccer, the University will make an annual deferred compensation payment of \$40,000 to his 403(b) retirement plan.

Contract Renegotiation

In 2014, Coach Fishbein and the University renegotiated his contract effective July 1, 2014, extending the employment term to June 30, 2019, and increasing his deferred compensation to \$50,000 annually through June 30, 2017, and thereafter to \$60,000 annually through June 30, 2019.

For FY ended June 30, 2014, the UNM Regents awarded all full-time University employees a 2.5% salary increase. As part of Coach Fishbein's 2014 contract renegotiation, it was agreed he would forgo/be excluded from the 2.5% raise, in lieu of the increase in his deferred compensation. Erroneously, Coach Fishbein was not excluded from the receiving the 2.5% raise, and he was overpaid a total of \$1,185.65 in the months July – December, 2014.

Exception Memo from Athletics HR

The mechanism for providing a university-wide raise is through the "mass salary update" (MSU) in Banner. Under this process, the raise is uploaded by Main Campus Human Resources into employee payroll records electronically through a massive batch update. Any employees not eligible for the raise are excluded from the salary update.

On June 9, 2014, the Athletics Human Resources representative sent the memo (dated June 6, 2014) to Main Campus Human Resources detailing employees that should be excluded from the 2.5% raise. Coach Fishbein was included on the list and should have been excluded from the update; however, due to turnover at Main Campus Human Resources and delays in processing the memo, the exclusion of Coach Fishbein was not executed and he was included in the 2.5% MSU raise.

The payroll overpayment error to Coach Fishbein appears to be an oversight, as no other employee listed in the Exception Memo from Athletics HR received the 2.5% salary increase.

Repayment of Payroll Overpayment

Coach Fishbein discovered the error himself in the fall of 2014 and notified Athletics HR, who then notified the UNM Payroll department. The Payroll Department issued a letter to Coach Fishbein explaining the error, a payroll overpayment in the amount of \$1,185.65. The overpayment was to be repaid through a payroll deduction to occur from March – June, 2015. The employee receivable was paid in full in June, 2015.

Coach Craig Neal

Coach Neal became head coach of the UNM Men's Basketball program in April of 2013, and terminated employment with the University through mutual agreement in March of 2017.

Contract Provisions

Coach Neal had several contract modifications throughout his tenure as first Associate Head Coach, and then as Head Coach of the UNM Men's Basketball program. The financial provisions of his coaching contracts were as follows:

Associate Head Coach

- A. Base Salary: \$153,000
- B. Other Compensation Includes:
 - 1. Courtesy car for personal and business use
 - 2. Country club membership
 - 3. Incentive payments at discretion of VP of Athletics
 - 4. Radio and television appearances at \$130,000 annually

Head Coach

Coach Neal's final contract was for a six year term beginning April 1, 2014 through March 31, 2020, with the following provisions:

- A. Base salary at \$300,000 per contract year
- B. Other compensation includes:
 - 5. Courtesy car for personal use
 - 6. Coach Neal's spouse is added to official University travel party for away games
 - 7. Eight (8) Season tickets for home games, and use of suite at the Pit for home games
 - 8. Membership to a country club
 - 9. In addition to the coach's base salary, Coach Neal will be paid \$250,000 per contract year for promotion of UNM Men's Basketball within the community/personal appearances
 - 10. In addition to the coach's base salary, Coach Neal will be paid \$250,000 per contract year for radio and television appearances
 - 11. Endorsement agreements with athletic apparel companies: \$100,000 per contract year
- C. Incentive Salary: In addition to the above compensation, Coach Neal may earn incentive salary for Conference championship appearances
- D. Deferred Compensation: University agrees to make an annual contribution of \$50,000 to Coach's 403(b) plan

Cause of Overpayment - Position Transition from Associate Head Coach to Head Coach

Coach Neal was overpaid on his salary each month for a period of 12 months beginning April 2013, and ending March 2014. The payroll overpayments occurred when Coach Neal was promoted from Assistant Head Coach of the UNM Men's Basketball Program to the position of Head Coach of the Program.

When Coach Neal was promoted to Head Coach, a new contract with new terms and conditions was executed, including an increase in base salary as well as increased and additional extra compensation payments. The contract changes are made in UNM's Banner system at the Main Campus Human Resources Department. The extra compensation payments are entered into the system based on the "Non-Standard Payment" (NSP) form that is routed through the approval queue in the NSP process detailed above.

For the position of Assistant Head Coach, Coach Neal's contract stipulated other compensation as Assistant Head Coach which was to be paid through March 31, 2014. Coach Neal took over as Head Coach on April 8, 2013, and this position also had other compensation as delineated in the Head Coach's contract. When the extra compensation for Head Coach was entered into Banner, the other compensation for the Assistant Head Coach position was not ended; therefore, he continued to be paid other compensation for the Assistant Head Coach position until the error was discovered by Payroll in April 2014, when Coach Neal called Payroll to inquire on the reduction in his salary. The other compensation is coded as ExtrComp (Earnings code 200) in the Banner System, and the duplication can be seen in Banner, but not necessarily on the Coach's pay stub.

Over Payment to Coach Neal and Subsequent Repayment

The payroll overpayments to Coach Neal occurred from April 2013 through March 2014, a total of 12 months. The first overpayment was coded in Banner as an adjustment to regular earnings of \$9,465.91 for April 2013. Thereafter, the overpayments were coded as extra compensation in the amount of \$12,250 each month from May 2013 through March 2014. The total payroll overpayment to Coach Neal was \$144,215.91 of gross wages; however, after adjustment for withholding for payroll taxes (and other deductions) already remitted to taxing authorities, the amount due from Coach Neal, as determined by the UNM Payroll Department was \$123,710.80.

The Payroll Department notified Coach Neal of the overpayment in a letter dated June 11, 2014, and Coach Neal acknowledged the overpayment in a letter signed on July 7, 2014. Also on July 7, 2014, Coach Neal entered into a Memorandum of Agreement (MOA) with the University regarding the repayment of the payroll overpayment. The terms of the MOA called for the University to withhold a minimum of \$10,309.23 from Coach Neal's monthly paycheck, until the total amount owed is repaid in full to the University. The MOA also stated that should Coach Neal separate employment from the University prior to full repayment, the balance would be withheld from his final paycheck. If any amount due was greater than the final paycheck, final repayment would be agreed upon prior to the Coach's last day of employment with the University.

Coach Neal repaid to the University the total amount due of \$123,710.80, through payroll deductions over 12 months, and with the balance completely paid off on June 30, 2015. (See Banner Screen PEIDTOT.)

Coach Ray Birmingham

Coach Ray Birmingham is the Head Coach of the UNM Men's Baseball program. Coach Birmingham was overpaid on his paychecks from July 1, 2013 through February 28, 2015. The overpayment occurred due to a NSP that should have ended on July 1, 2013, but remained in effect and resulted in overpayment to Coach Birmingham during the July 1, 2013 to February 28, 2015 time period.

Contract Provisions

Coach Birmingham has had several contract modifications throughout his tenure as Head Coach of the UNM Baseball program. The relevant provisions to the overpayment of his coaching contracts were as follows:

1st Addendum to Employment Agreement – August 1, 2010

- A. Base Salary: \$96,900 in 2009, increased in 2012 by \$25,000
- B. Other Compensation Includes:
 - 1. Incentive Payments at discretion of VP of Athletics
 - 2. Public relations appearances at \$28,100 annually

2nd Addendum to Employment Agreement – July 1, 2013

- A. Base Salary: \$146,900 annually
- B. Other Compensation Includes:
 - 1. Use of courtesy car for personal use
 - 2. Incentive Payments at discretion of VP of Athletics
 - 3. Radio and television appearances at \$53,100 annually

Note: Coach Birmingham also received an increase to his base salary to \$150,572, effective July 1, 2015.

Cause of Overpayment

Coach Birmingham was overpaid on his salary each month for a period of 20 months beginning July 1, 2013, and ending February 28, 2015. The payroll overpayments occurred when Coach Birmingham renegotiated his contract in June of 2013, to include increases in other compensation.

The contract change prompted a new NSP form that was generated and submitted June 24, 2013. This new NSP should have superseded and replaced the previous NSP; however, the older NSP was never cancelled. The contract changes are made in UNM's Banner system at the Main Campus Human Resources Department. The extra compensation payments are entered into the system based on the NSP form that is routed through the approval queue in the NSP process

detailed above. The other compensation is coded as ExtrComp (Earnings code 200) in the Banner system, and the duplication can be seen in Banner, but not necessarily on the Coach's pay stub. The coach continued to be overpaid for the duplicate NSP until discovered by Athletics Human Resources in March of 2015.

Coach's 2015 Raise and Incentive Payment

Per an agreement with the Vice President of Athletics, Coach Birmingham received a raise in his base salary of \$5,000 beginning July 1, 2015. In addition, per his contract terms, Coach Birmingham was awarded at the discretion of the Vice President of Athletics, a \$20,000 incentive bonus for the 2014-15 season to be payable on the July 31, 2015 paycheck. The coach was encouraged to use the money to pay down a portion of the payroll overpayments.

Overpayment Letters from Payroll Department

The UNM Payroll Department notified Coach Birmingham of the payroll overpayments in three separate letters, one for each calendar year affected, and each letter dated April 21, 2015.

| | |
|--|--------------------|
| Net Payroll Overpayment July 1 – December 31, 2013 | \$12,427.22 |
| Net Payroll Overpayment Jan. 1 – December 31, 2014 | 24,770.17 |
| Net Payroll Overpayment Jan. 1 – February 28, 2015 | <u>2,403.87</u> |
| Total Payroll Overpayment due to University | <u>\$39,601.26</u> |

Coach Birmingham repaid the University for the calendar year 2015 overpayment on July 14, 2015 by writing a check payable to UNM in the amount of \$2,403.87. Coach Birmingham repaid the University for the calendar year 2013 overpayment on August 7, 2015 by writing a check payable to UNM in the amount of \$12,427.22.

On November 24, 2015, Coach Birmingham entered into a Memorandum of Understanding (MOU) with the University regarding the repayment of the calendar year 2014 payroll overpayment of \$24,770.07. The terms of the MOA called for the University to receive various lump sum payments from Coach Birmingham with the balance due payable no later than June 30, 2017. The payments were deducted from Coach Birmingham's paycheck until the balance due to the University was paid in full as follows:

| | |
|--|--------------------|
| March 2017 | \$5,000.00 |
| April 2017 | 6,590.06 |
| May 2017 | 6,590.06 |
| June 2017 | <u>6,590.05</u> |
| Total repayment for calendar year 2014 | <u>\$24,770.17</u> |

With the June 2017 payroll deduction, the total amount due to the University by Coach Birmingham for the 2013- 2015 payroll overpayments were paid in full.

Audit Findings

Condition:

For FY ended June 30, 2014, the UNM Regents awarded all full-time University employees a 2.5% salary increase. As part of Coach Fishbein's 2014 contract renegotiation, it was agreed he would forgo/be excluded from the 2.5% raise, in lieu of the increase in his deferred compensation. Coach Fishbein was not excluded from the receiving the 2.5% raise and was overpaid a total of \$1,185.65 in the months July – December, 2014. Based on audit procedures applied to the 16 employees listed on the June 6, 2014 memo, only Coach Fishbein was overpaid, and no other employee on the excluded list received the 2.5% salary increase.

Coach Neal was overpaid on his salary each month for a period of 12 months beginning April 2013, and ending March 2014. The payroll overpayments occurred when Coach Neal was promoted from Assistant Head Coach of the UNM Men's Basketball Program to the position of Head Coach of the Program.

Coach Birmingham was overpaid on his salary each month for a period of 20 months beginning July 1, 2013, and ending February 28, 2015. The payroll overpayments occurred when Coach Birmingham renegotiated his contract in June of 2013 to include increases in other compensation.

Criteria:

Division of Human Resources Athletics Personnel Transaction and Hiring Processes
Division of Human Resources NSP Guide
University Administrative Policy 2680: Payroll Overpayments and Collection

Cause:

Jeremy Fishbein received the 2.5% raise through an oversight, where he inadvertently was not excluded from the Mass Salary Update.

Coach's Neal and Birmingham were overpaid due to NSPs from prior contracts not being voided in the Banner Payroll system when new contract terms were entered.

Effect:

Payroll overpayments to employees, resulting in accounts receivable due to the University from the employees.

Recommendations:

1. Main Campus HR should address these weaknesses and make sure extra compensation payments are not able to be duplicated in the future. Review process for entering data into jobs and positions so that there is not a duplication of NSP forms/payments to coaches and other employees under contract.
2. Athletics HR should ensure that NSP forms accurately reflect contract terms and provide the Payroll Department copies of both the NSP forms and the coaches' contracts, including all addendums, to ensure that payroll information has been entered into the system accurately.

3. Athletics HR should monitor payments to coaches for three (3) months after contracts are initially executed, changed, or renegotiated to make sure that actual payments to the employee are consistent with the contract terms and payments in Banner tie to amounts in finalized contracts.

EVP for Administration Management Response

Human Resources Department /Athletics Human Resources

In collaboration with Athletics HR staff, Main Campus HR has instituted a number of changes for processing Non-Standard Payments (NSP) to proactively avoid overpayments.

- Effective FY18, Athletics HR will create a spreadsheet that includes all compensation-related details for coaches' contracts. Athletics HR staff will be responsible for monitoring the encumbrances compared to coaches' pay on a quarterly basis against the current contract terms. This will ensure payments made to coaches are consistent with the terms of the contract. Any errors will be identified in a timely manner to ensure collection of overpayment.
- Main Campus HR will review the NSP form upon receipt and prior to processing into Banner. They will be responsible for verifying the accuracy of the data on the form and ensuring there is no duplication of NSP payments. They will also review existing NSP payments already in Banner, and terminate, as needed.
- Finally, Main Campus HR is working with the Office of University Counsel to modify the current employment contract/addendum amendment process. Currently, when a portion of the coach's contract is changed, an amendment to the addendum is issued addressing only the terms that have changed. Going forward, HR recommends that rather than creating amendments addressing portions of an addendum, that a new addendum is created in its entirety whenever there is a change in the terms of employment.

Payroll Department

Payroll worked very closely with Athletics and the affected employees to insure the mistakes were corrected and the amounts were paid back within the time periods stated in this review. Amounts owed and payback arrangements were communicated and established as soon as the issues were discovered. It should be noted that these overpayments were exceptions from normal business practices, and do not reflect any larger issues in the system.

The overpayments in this document occurred in calendar years 2014, 2015, and 2016. The total federal reportable wages paid by UNM for the same calendar years were:

2014 - \$580,282,216.21
2015 - \$607,751,810.10
2016 - \$614,497,560.73

While errors have occurred, and will occur in the future with a payroll exceeding \$600 million annually, the overall error rate is low. Nevertheless, when overpayments do occur, we will continue to act vigorously in recovering improperly paid funds.

cc: Elizabeth Metzger, University Controller
Michael Brown, Director, Human Resources Client Services



Internal Audit Department
MSC05 3170
1 University of New Mexico
Albuquerque, NM 87131-0001
Located at: 1801 Roma NE
Phone: (505) 277-5016
Hotline: 1-888-899-6092; unm.ethicspoint.com

To: Chaouki Abdallah, Interim President
David Harris, Executive Vice President of Administration

From: Manu Patel, Director, Internal Audit *Manu*

Date: **Confidential Draft** August 18, 2017

Subject: Confidential Internal Investigation Report Regarding University of New Mexico (UNM) Athletics' Scotland Golf Tour.

This is an investigation memorandum addressing the Athletics' Scotland Golf Tour. The full Athletics Administration Report will be issued at a later date.

BACKGROUND

The UNM Internal Audit Department initiated an investigation of the University of New Mexico Scotland Golf Tour ("Event") due to a management request. Mr. Paul Krebs, former UNM Vice President for Intercollegiate Athletics, authorized the payment for a golf tour event to Scotland for two UNM employees, one UNM Foundation employee (non-UNM employee), and three private donors. The Event took place from June 19, 2015 through June 25, 2015.

UNM Athletics and Anthony Travel Inc. ("ATI") executed an agreement on October 29, 2014 for the purpose of providing golf packages for the Event from June 19, 2015 through June 25, 2015. The agreement was for a total of 24 golf packages with per-package prices ranging from \$8,189 to \$10,299 based on occupancy. The University of New Mexico Lobo Club ("Lobo Club") paid a deposit of 25 percent, or \$49,500, of the total estimated Event package cost of \$198,000 due to ATI on October 31, 2014. The actual number of participants who attended the Event was twenty-three (23). Of the 23 participants in the Event, UNM Athletics paid \$16,378 for two Athletics Department employees; \$8,189 for one UNM Foundation employee (non-UNM employee), and \$24,567 for three non-UNM individuals ("Donors").

ATI refunded \$35,875 from the deposit to the Lobo Club on July 23, 2015, and UNM's Athletics Department transferred \$13,625 to the Lobo Club for the un-refunded portion of the deposit.

PURPOSE AND OBJECTIVES

The investigation was initiated at management request to determine:

- Compliance with University policies and procedures by the Athletics Department in organizing the Event.
- Whether the costs incurred by the University for this Event were permissible.
- Completeness of documents submitted by the University in response to the Inspection of Public Records Act (IPRA) requests regarding the Event.

PROCEDURES

Procedures performed are as follows:

- Discussions with key UNM employees.
- Review of service agreement between ATI and the University of New Mexico, including related written communications (i.e., e-mails).
- Review of Article IX, Section 14 (Anti-donation Clause) of the New Mexico Constitution.
- Review of applicable University Policies, including but not limited to, UAPs 1040: Fundraising, 2010: Contracts Signature Authority and Review, 4000: Allowable and Unallowable Expenditures, and other applicable policies and procedures.
- Search and review of the Athletics Department's operating ledger and the P-Card documents related to the Event.
- Review of documentation provided by the University in response to the Inspection of Public Records Act (IPRA) requests pertaining to the Event.

OBSERVATIONS AND RECOMMENDATIONS

Event Service Agreement

UNM Athletics and ATI executed an agreement on October 29, 2014 for the purpose of providing golf packages for the Event from June 19, 2015 through June 25, 2015. The service agreement does not appear to be for any game contract or for the rental of athletic facilities. The purpose of the Event, as indicated by UNM Athletics Management, was to conduct fundraising activities with UNM donors.

UAP 2010: Contracts Signature and Review, Section 4.11, Athletics, states, *"the Vice President for Athletics is authorized to sign all game contracts and contracts for rental of Athletic facilities."*

UAP 2010: Contracts Signature Authority and Review, Section 5, Contract Review, states, *"Each contract must be carefully reviewed by the University employee initiating the contract and a University contract review officer. The University administrator with signature authority may designate additional review requirements for particular types of contracts, such as University Counsel for legal issues or Controller's review for budget."*

UAP 2010: Contracts Signature and Review, Section 5.2, Contract Review Officer, states, *"Each administrator granted signature authority by this policy shall designate one or more contract review officers for contracts under their purview. All contract review officers shall be UNM employees."*

Although Paul Krebs, former Vice President for Intercollegiate Athletics, was authorized to sign all game contracts and contracts for rental of the Athletic facilities, the service agreement with ATI for the Scotland Golf Tour was not for either of these services. In addition, the contract did not obtain a second review or approval from a designated Contract Review Officer.

Recommendation 1: The Interim Director for Intercollegiate Athletics should work with the University Purchasing Office to strengthen internal controls to ensure all Athletics contracts are reviewed by a designated Contract Review Officer. Contracts initiated by the Interim Director for Intercollegiate Athletics should be reviewed and approved by the Executive Vice President for Administration or by Purchasing.

Fundraising

During an interview with KRQE News 13 published on May 2, 2017, the former Vice President for Intercollegiate Athletics stated, *"I saw this as an appropriate use of university money to generate support for athletics."*

"The Scotland Golf Tour was not a vacation but rather a working business trip. Craig Neal, Kole McKamey and himself [sic] went along as fundraisers, using the relaxed social setting of the golf course to drum up donor support for athletic programs."

"The intent was to appeal to a small group of people and use this as a forum to raise money for local athletics."

"It's something that was given great thought and consideration. (It was) modeled after what other universities have done. The goal was to use it as a fundraiser and to generate a return on investment and I think we've done that."

UAP 1040: Fundraising, Section 1, General states, *"...Individual units may engage in fundraising to further the University's mission. Fundraising by units should be coordinated with the UNM Foundation and, in the case of academic units, with their development officers."*

In addition, a Memorandum of Agreement signed on May 17, 2015 between the UNM Board of Regents, UNM Foundation, and UNM Lobo Club states, *"The Lobo Club agrees to provide solicitations, consultation, and other related services consistent with the University's plans, programs, and policies in efforts to maximize private gifts and donations from various sources for the benefit of University athletics programs. To that end, the Lobo Club shall plan, direct, coordinate, and conduct activities for raising funds from private sources to provide financial support to the University for the following purposes: (a) student athlete scholarships; (b) upgrading University Athletics facilities; and (c) current and long-term budgetary requirements of the athletics department. The Lobo Club will*

conduct fundraising programs, special events and any other programs initiated by the Vice President of Athletics/Director of Athletics and Lobo Club Board of Directors and approved by both parties to support such purposes."

Although this Event should have been planned, directed, and coordinated through the UNM Lobo Club, UNM Athletics signed a service agreement with ATI for this Event. In addition, all fundraising costs related to this fundraising activity should have been charged to the UNM Lobo Club; however, the UNM Athletics Department paid for \$63,949 of the total costs of the Event which included:

- Golf packages for Paul Krebs (former Vice President for Intercollegiate Athletics), Craig Neal (Former Head Basketball Coach), Kole McKamey (Senior Associate Athletic Director for Development), and three private donors, totaling \$49,134 paid on a UNM P-Card.
- Roundtrip airfare for Paul Krebs from Newark, New Jersey to Edinburgh, Scotland for \$1,190 paid on a UNM P-Card.
- Transfer of funds to UNM Lobo Club for:
 - Reduction in tee times (golfers) from 24 to 16 for \$11,600
 - Two unrecoverable unused rooms at The Lodges at Turnberry Resort for \$2,025

The following schedule presents a summary of the Scotland Golf Trip costs paid with Athletics, University Foundation, and Lobo Club funds.

| Summary of Charges for Athletics Golf Tour to Scotland | | | | | |
|--|------------------------|---|--------------------------|-----------------------|---------------------|
| Date * | Traveler Per Itinerary | Category | Index | Account Description | Amount |
| 1/12/2015 | Paul Krebs | Deposit/Trip to Ireland (Double Golf Package) | Athletics - Admin | Out-of-State Travel | \$ 3,500.00 |
| 2/16/2015 | Paul Krebs | Airline Tickets | Athletics - Admin | Out-of-State Travel | 1,190.40 |
| 3/6/2015 | Paul Krebs | Final Payment (Double Golf Package) | Athletics - Admin | Out-of-State Travel | 4,689.00 |
| 5/8/2015 | Kole McKamey | Double Golf Package | Athletics - Admin | Out-of-State Travel | 8,189.00 |
| 5/8/2015 | Craig Neal | Double Golf Package | Athletics - Admin | Out-of-State Travel | 8,189.00 |
| 5/11/2015 | Private Donor I | Double Golf Package | Athletics - Unrestricted | Out-of-State Travel | 8,189.00 |
| 5/11/2015 | Private Donor II | Double Golf Package | Athletics - Unrestricted | Out-of-State Travel | 8,189.00 |
| 6/2/2015 | Private Donor III | Double Golf Package | Athletics - Unrestricted | Out-of-State Travel | 7,189.00 |
| 6/26/2015 | Private Donor III | Double Golf Package | Karl Malone T. | Out-of-State Travel | 1,000.00 |
| 9/4/2015 | N/A | Lobo Club Deposit Reimbursement | Athletics - Contingency | Other Operating Costs | 13,625.00 |
| Athletics Department | | | | | \$ 63,949.40 |
| 5/7/2015 | Kole McKamey | Airline Ticket | UNM Foundation | Travel | \$ 1,819.90 |
| 5/26/2017 | Kole McKamey | Airline Ticket | Lobo Club | Travel | 521.01 |
| UNM Foundation/Lobo Club | | | | | \$ 2,340.91 |
| Total | | | | | \$ 66,290.31 |

Source: P-Card Reconciliations and Lobo Club

**Date reflects "Post Date" noted on Rita Chavez's "Transaction Log," and "Transaction Date" noted on Norma Bojorquez's "Transaction Log."*

Recommendation 2: The University President should:

- a) Require the Interim Director for Intercollegiate Athletics to strengthen Internal Controls over department disbursements to ensure expenditures are adequately documented for valid university business, supported by sufficient documents, properly reviewed, and approved by designated supervisor.
- b) Send formal written communication to all Athletics areas stating that fundraising activities should be planned and conducted through the University Foundation or UNM Lobo Club.
- c) Consult with the University of New Mexico Board of Regents and University Counsel to revise and update the May 17, 2015 Memorandum of Agreement between the Board of Regents, UNM Foundation, and the UNM Lobo Club to clearly define roles and responsibilities of all parties in the agreement, including which organization will be responsible for paying for fundraising expenses, collections of funds, accounting for funds, reporting structure (line) for staff, etc.

Anti-Donation Clause

The Lobo Club paid a deposit of 25 percent, or \$49,500, of the total estimated Event package cost of 198,000 to ATI on October 31, 2014. The actual number of participants who attended the Event was twenty-three (23). Of the 23 participants in this Event, the University Athletics department purchased and paid \$8,189 each for one UNM Foundation employee (non-UNM employee), and three non-UNM individuals (Donors). The total costs for four (4) non-UNM individuals for this Golf Tour Event was \$32,756. The payment of costs for this Event for private individuals from UNM funds may violate the Anti-Donation Clause of the New Mexico Constitution.

Kole McKamey, Associate Director for Development with UNM Foundation, indicated during discussions with Internal Audit staff that he was new to the job at the time of this Event, and he was asked by Paul Krebs to find individuals who would be interested in filling vacant spots for the Event.

In May 2017, the UNM Foundation received an anonymous gift in the amount of \$25,000. The UNM Foundation transferred \$25,000 on May 22, 2017 to the UNM Athletics department, and it was deposited in the same index (925011) used to pay for \$23,567 of the private donors' golf packages for the Event. The anonymous donor clarified to the University Foundation that when he gave the \$25,000 gift, he did so wanting to support the development and stewardship efforts of the Athletics department, including the revenue shortfalls of the trip to Scotland.

The N.M. Constitution, Article IX, Section 14 (Anti-Donation Clause) states: *"Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation..."*

Recommendation 3: The University President should send formal written communication to all Athletics areas stating that University funds should not be expended for the benefit of non-university employees or non-university business purposes.

Documented Business Purpose

On January 12, 2015 and March 6, 2015, transactions were charged on the Athletics Executive Assistant's (Rita Chavez) P-Card for \$3,500 and \$4,689, respectively. The documented business purpose for these transactions are "Men's Bball Tourn" and "Trip w/MBBall." The actual business purpose for these transactions are payments for Paul Krebs' Scotland Golf Tour golf package. Rita Chavez, Athletics Executive Assistant, indicated that she had made a clerical error in documenting the business purpose when she was completing her P-Card reconciliation, as she assumed the UNM Men's Basketball team traveled to Scotland for a basketball tournament. She also stated that she was not instructed at any time to falsify the business purpose for the P-Card transactions. However, the payment information from ATI clearly indicates that the invoice was for the *University of New Mexico Scotland Golf Tour 2015, Double Golf Package*.

UAP 7205: Dishonest or Fraudulent Activities states, "*Dishonest or fraudulent activities include the following:*

- *Forgery or alteration of documents (such as checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets)*
- *Misrepresentation of information on documents*
- *Misappropriation of funds, securities, supplies, or any other asset (including furniture, fixtures, or equipment)*
- *Improprieties in the handling or reporting of money transactions*
- *Authorizing or receiving payments for goods not received or services not performed*
- *Authorizing or receiving payments for hours not worked*
- *Any apparent violation of federal, state, or local laws*
- *Any similar or related activity"*

Internal Audit reviewed the P-Card "Transaction Log" and noted that every item description and documented business purpose on Rita Chavez's P-Card "Transaction Log" was inaccurate for the University of New Mexico Scotland Golf Tour. The following information was noted on the "P-Card Transaction Log" for the Executive Assistant and former Lobo Club Administrative Assistant's (Norma Bojorquez) P-Card Reconciliations.

| Date * | Vendor | Item Description | Business Purpose | Amount | Cardholder |
|-----------|----------------|--------------------------|------------------------------|--------------------|-----------------|
| 1/12/2015 | Anthony Travel | Deposit/Trip to Ireland | Men's Bball Tourn | \$ 3,500.00 | Rita Chavez |
| 2/16/2015 | Anthony Travel | Airline Tickets | Trip w/MBBall | 1,190.40 | Rita Chavez |
| 3/6/2015 | Anthony Travel | Final Payment | Trip w/MBBall | 4,689.00 | Rita Chavez |
| 5/8/2015 | Anthony Travel | Airline Tickets Scotland | VP Travel | 8,189.00 | Rita Chavez |
| 5/8/2015 | Anthony Travel | Airline Tickets Scotland | AD major gits/sic/ Travel | 8,189.00 | Rita Chavez |
| 5/11/2015 | Anthony Travel | Double Golfer Package | Donor Cultivation for MBBall | 8,189.00 | Norma Bojorquez |
| 5/11/2015 | Anthony Travel | Double Golfer Package | Donor Cultivation for MBBall | 8,189.00 | Norma Bojorquez |
| 6/2/2015 | Anthony Travel | Double Golfer Package | Donor Cultivation for MBBall | 8,189.00 | Norma Bojorquez |
| | | | | \$50,324.40 | |

Source: P-Card Transaction Logs

**Date reflects "Post Date" noted on Rita Chavez's "Transaction Log," and "Transaction Date" noted on Norma Bojorquez's "Transaction Log."*

Internal Audit could not determine if the inaccurate item descriptions and business purposes on the P-Card "Transaction Logs" was intentional or not; however, an inaccurate item description and business purpose was documented on four separate P-Card "Transaction Logs" prepared by Rita Chavez. Documentation provided by ATI was not adequately reviewed by the Athletics Executive Assistant to ensure accurate documented business purposes for the Scotland Golf Tour. In addition, the former Vice President for Intercollegiate Athletics did not perform an adequate review of his Executive Assistant's P-Card reconciliations.

Recommendation 4: The Athletics Executive Assistant should:

- Complete the online P-Card training course.
- Perform a thorough review of documentation for all charges made to her P-Card, and ensure payments are accurately reported, and are consistent with the supporting documentation for the goods and/or services purchased.

The Interim Director for Intercollegiate Athletics should perform a detailed review of the Executive Assistant's P-Card transactions to ensure documentation is complete and information is accurately reported.

New Mexico Inspection of Public Records Act (IPRA)

The UNM Custodian of Public Records received separate IPRA requests from Mr. Larry Barker, KRQE, and Mr. Geoff Grammer, Albuquerque Journal, regarding the Scotland Golf Tour. The UNM Athletics Human Resources (HR) Administrator 3 is designated for gathering all records pertaining to IPRA requests. The HR Administrator 3 submitted an e-mail to the Vice President for Intercollegiate Athletics, Men's Basketball Head Coach, Professional Consultant for Athletics Administration, and Athletics Financial Analyst to provide all records in response to the IPRA request.

In addition, the Athletics HR Administrator 3 did not e-mail the IPRA request to the P-Card holders that had the Scotland Gold Tour expenses charged to their P-Card. Consequently, airfare

documentation and golf packages for three private donors were not initially submitted by the UNM Custodian of Public Records, as required by UAP 2300: Inspection of Public Records.

The New Mexico Inspection of Public Records Act (IPRA), section 14-2-5: Purpose of the Act states, *"Recognizing that a representative government is dependent upon an informed electorate, the intent of the legislature in enacting the Inspection of Public Records Act is to ensure, and it is declared to the public policy of this state, that all persons are entitled to the greatest possible information regarding the affairs of government and the official acts of public officers and employees. It is the further intent of the legislature, and it is declared to be the public policy of this state, that to provide persons with such information is an essential function of a representative government and an integral part of the routine duties of public officers and employees."*

UAP 2300: Inspection of Public Records, Section 4 states, *"The University Custodian of Public Records (the "Custodian"), is the official custodian of public records for the University, including the Health Sciences Center and the branch campuses. Information on the University's Public Records website (<http://publicrecords.unm.edu/>) explains how to contact the Custodian.*

The Custodian is responsible for:

- *responding to all requests to inspect public records;*
- *determining whether requested records exist and where they are located, and working with the Office of University Counsel about any apparent legal issues related to producing records for inspection and possible denials of requests;*
- *providing proper and reasonable opportunities to inspect public records, including assembling the records as appropriate;*
- *scheduling facilities for inspection of public records during usual business hours;*
- *consulting with counsel for the University or for STC.UNM regarding any requests that might involve disclosure of trade secrets or attorney-client privileged information related to intellectual property; and*
- *maintaining a log of all requests that include the date and nature of the request, a copy of the request, any correspondence relating to the request, date of the response, copies of all documents made available in the response, and any other pertinent information.*

Only the Custodian, or a designee of the Custodian, may respond to requests for public records, except for requests for medical records or student records as specified in Section 2. herein."

UAP 2300: Inspection of Public Records, Section 5, further states, *"Any University employee who receives a request for inspection of public records shall promptly forward the request to the Custodian and notify the requester that the request has been forwarded."*

The following is a timeline of requests and responses.

Larry Barker's Request:

On February 28, 2017, Mr. Larry Barker, KRQE, requested the following:

- Any and all re-imbursements, loans or other compensation paid to any **University of New Mexico employee** from any and all sources relating to the June 2015 "Scotland Golf Tour" including, but not limited to, Paul Krebs, Craig Neal, Tim Cass, airfare, golf expenses, hotels, cab fares, meals, alcohol, Anthony Travel, or tours.
- All emails, expense reports, memos, invoices, letters, vouchers, requests, approvals, or other documentation relating to the June 2015 "Scotland Golf Tour" participation by Paul Krebs, Craig Neal, Tim Cass or any other UNM employee who went on the trip as well as any family members participating.
- A roster list of participants on the June 2015 "Scotland Golf Tour."

Public records provided to Mr. Barker included all Scotland Golf Tour documentation for UNM employees, except for the Vice President for Intercollegiate Athletics' airfare for \$1,190. The UNM Custodian of Public Records also redacted this transaction from the Athletics operating ledger index 925018 – Athletics Admin, account 3820 – Out of State Travel, which was provided to Mr. Barker.

Geoff Grammer's Request:

On April 13, 2017, Mr. Geoff Grammer, Albuquerque Journal, requested:

- Documents showing the travel, lodging and other costs associated with a trip to Scotland paid for by UNM in the summer of either 2015 or 2016. **The trip included, but was not limited to, athletics department employees.** In addition to reviewing all the expenses for this trip UNM paid for, I would like a full list of the travel party on the trip. If there were members of the travel party that paid their own way, can that be noted?

The UNM Custodian of Public Records was on leave the business day before a response was due to this request. UNM Legal Counsel was contacted by the Sports Information Director and asked whether the Sports Information Director could provide Mr. Grammer with the same records provided to Mr. Barker, as Mr. Grammer indicated that he had asked to receive his response prior to the due date. UNM Legal Counsel advised that the records could be provided to Mr. Grammer, and that the Custodian of Public Records would be instructed to follow up with Mr. Grammer on the next business day, which was the actual due date for the IPRA response. The same documentation that was provided to Mr. Barker was also provided to Mr. Grammer. Internal Audit determined that records of all Scotland Golf Trip expenses were not provided for this request, considering the Vice President for Intercollegiate Athletics' airfare, and the golf packages for the three private donors were not included.

May 2, 2017 the Custodian of Public Records submitted an e-mail to Mr. Grammer stating, *"It was my understanding that the UNM Athletics Department provided existing responsive public records to you during my absence. Please let me know as soon as possible if that is not the case. Because the documents were provided by Athletics and not through IPRA, the redaction explanations weren't given."*

May 24, 2017 Mr. Grammer, Albuquerque Journal, submitted an e-mail stating: *"I received information that was heavily redacted, which it appears now included redacted information that would have included UNM paying for other trips of three donors (Darin Davis, Raleigh Gardenhire and Paul Gibson, please correct if those are not the right donors)."*

May 31, 2017, John Rodriguez, UNM Public Records, responded: *"After learning that documents responsive to a separate, similar request were provided to you directly from Athletics, on May 2, 2017 I responded stating, '....Because the documents were provided informally by Athletics and not through IPRA, the redaction explanations for these documents were not included. . .'"*

On May 31, 2017, the UNM Custodian for Public Records submitted a new response, which included all public records associated with the Scotland Golf Tour. Documentation for the total costs of \$64,949.40 were provided to Mr. Barker and Mr. Grammer.

Internal Audit determined that the omission of this expense appears to be unintentional. Failure to provide all documentation for the Scotland Golf Tour was due to miscommunication between the UNM Athletics department and the UNM Custodian for Public Records, and documentation was submitted to the requesters directly from the Athletics Department.

All Scotland Golf Tour documentation was subsequently provided to Mr. Barker and Mr. Grammer. According to the Athletics Department, an official Scotland Golf Trip roster was never generated by UNM Athletics; therefore, there was no such public record available to provide it to Mr. Barker and Mr. Grammer.

Recommendation 5: Responses to IPRA requests should only be submitted by the UNM Custodian of Public Records. Requests received by the Athletics Department should be forwarded to the Custodian of Public Records for response.

In addition, the Athletics Human Resources Administrator 3 should:

- a) Carefully review all documentation collected in response to IPRA requests.
- b) Review documentation with key officials associated with the request to ensure requested information is complete and accurate.
- c) Submit IPRA notices to all employees that may have knowledge of the activity/event, including P-Cardholders.

Athletics Department Business Functions

UNM Athletics adheres to University policies and procedures and has established internal controls in place. However, established internal controls are not always followed, resulting in inaccurate reporting of financial transactions and non-compliance with University policies and procedures. Internal Audit noted the following during investigation procedures for the Scotland Golf Tour.

- P-Card Reviews – The documented item descriptions and business purposes for the Scotland Golf Tour P-Card transactions on the Executive Assistant's P-Card "Transaction Log" were clearly inaccurate for all four months (February, March, April, and June 2015) with Scotland Golf Tour transactions. Although P-Card reconciliations had three levels of review by the Vice President for Intercollegiate Athletics, Athletics Financial Analyst, and the P-Card office, the inaccuracies of the reporting for Scotland Golf Tour transactions were not detected.
- Account Coding – P-Card transactions are recorded to the Out-of-State account code (3820) in the Banner Accounting System by default. Cardholders are then required to reallocate P-Card transactions to the appropriate account code. The P-Card transactions for the Scotland Golf Tour were not reallocated to the Foreign Travel account code (3840), which would be the appropriate account code for the Scotland Golf Tour.
- Approval for Foreign Travel – UAP 4030: Travel, section 4.2, International Travel states, *"Travelers on international business should receive the prior approval of their dean, director, department head, PI, or designate. In the case of travel by a dean, director, department head, or PI, the approval must be made by the person who is in a position of authority over the traveler. Where the traveler has continuing business overseas, such approval may cover multiple trips. Traveling on restricted contract and grant funding may require prior written approval for each international trip from the sponsoring agency."*

The Vice President for Intercollegiate Athletics did not obtain prior approval from his supervisor for foreign travel to Scotland for the Scotland Golf Tour.

The above issues are indicative of a lack of financial management and inadequate business oversight. The Athletics business office currently employs three full-time staff, which includes the Financial Analyst and two Fiscal Service Techs, and one Temp Fiscal Tech. The Business Office has been without a Chief Financial Officer (CFO) since July 8, 2016. This key financial position was also vacant from June 2012 through August 2015. The lack of financial management and resources increases the risk of unallowable purchases, inaccurate financial reporting, and non-compliance with state laws and regulations and University policies and procedures.

Recommendation 6: The Interim Director for Intercollegiate Athletics should:

- a) Consider reorganization and adding additional resources to the business office. The hiring of an experienced Chief Financial Officer should be a priority to provide strong leadership and oversight for the Athletics' business office functions.
- b) Ensure all foreign travel is preapproved by the appropriate UNM supervisory employee.

This is an investigation memorandum addressing the Athletics' Scotland Golf Tour. The full Athletics Administration Report will be issued at a later date.

University of New Mexico Department of Athletics
Analysis and Review

Overview

The University of New Mexico has a proud history of intercollegiate athletics, including three NCAA national championships and 30 conference championships. The University currently sponsors 22 varsity sports, with all but four competing in the Mountain West Conference.

Like many of its peers within the Mountain West Conference and around the country, UNM is faced with multiple challenges in maintaining a healthy and competitive athletics program. Foremost among these are the rapidly escalating costs associated with intercollegiate athletics. Over the past 12 months, it has become clear to University leadership that changes must be made to ensure the long-term financial viability of the Athletics Department. This took on more urgency as the scope of our financial challenges became apparent and University officials began to consider solutions. In March 2018, the UNM President established the UNM Athletics Budget Task Force to address the significant financial concerns and to make recommendations regarding FY 2018 and FY 2019, as well as to address the long-term financial health of UNM Athletics. In April 2018, the UNM Board of Regents approved a deficit-reduction plan for FY 2020-2029 that included \$1.9 million in cost-savings per year from the reduction in sport offerings as part of an overall plan to address the need for \$3.4 million in annual cost reductions and reallocation of resources.

In addition to the financial challenges facing UNM Athletics, a recent independent report commissioned by the University determined that UNM Athletics has potential issues with federal Title IX laws regarding gender equity. These two significant challenges require urgent action.

The University engaged a long-time respected college athletics administrator to review all aspects of the Athletics Department and analyze what changes ought to be made. While this review is ongoing, immediate action must be taken to address these issues. The Director of Athletics launched a comprehensive review and analysis to provide recommendations to the President regarding revenue opportunities, expenses reductions and cost containments, including what, if any, sports offerings would need to be eliminated. More than two dozen universities have eliminated varsity sports programs in the last five years to address financial, gender equity or other concerns, and despite the significant impact on student-athletes, this option must be considered.

The financial audit reports, the Title IX audit, and the large accumulating deficit have given the process urgency and left UNM with few good options. The recommendations provided within this report are truly the last, best options to ensure the long-term success of UNM Athletics.

This report provides the background of the challenges and recommendations for moving forward.

Current Financial Status

Due to specific, widely reported events regarding financial management, the Athletics Department, the University and the State of New Mexico conducted numerous financial audits of the Department, with the most recent of which was completed by UNM's Office of Internal Audit in May 2018. These audits found fault with many financial reporting, accounting and auditing processes and procedures

within the Athletics Department. Since then, the Athletics Department has taken significant action to address these issues. Systemic faults revealed by the audits and internal budget reviews intensified an ongoing financial deficit. Prior to the infusion of institutional funds and land-sale proceeds, the Athletics Department's projected deficit for FY18 stood at approximately \$2.1 million. If the Department continues down its current path, the projections in future years will only increase the annual deficit. In addition, these annual deficits do not consider a cumulative deficit over the past 10 years of approximately \$4.7 million, which Athletics is tasked to pay back at a \$500,000 annual cost beginning in FY21, as outlined in the New Mexico Higher Education Department financial master plan approved by the UNM Board of Regents. It is simply not sustainable to operate an organization with escalating costs, declining revenues and deficit spending.

Over the past decade, expenses have continued to increase, revenues have decreased and the operating budgets for each sport program have been incrementally reduced. While there is guaranteed revenue from conference distributions and multimedia rights deals, as well as an apparel agreement (Nike), the fluctuations in all other areas have a significant impact on the Athletic Department's bottom line from year to year. Significant shortfalls in budgeted ticket sales and fundraising efforts over the past two years, as well as expense budgets that were not properly adjusted to reflect the decline in revenue, have put the Athletics Department in deeper peril.

These financial challenges are significant and potential solutions are limited, having been further reduced by the findings in May 2018 of the Title IX audit.

Current Title IX Status

Title IX of the Education Amendments of 1972 "protects people from discrimination based on sex in education programs or activities that receive Federal financial assistance." Compliance and enforcement of Title IX falls on the U.S. Department of Education's Office of Civil Rights (OCR). As it relates to college athletics, Title IX commonly refers to gender equity in athletics departments, ensuring that men and women have equal opportunities and resources to compete.

The need to assess UNM's compliance with Title IX in the near future resulted in the retention Helen Grant Consulting, national experts in Title IX assessments. They were and charged with conducting a comprehensive, independent review of the Athletics Department's Title IX practices.

In May 2018, the consultants presented their final report to the University, which was made public days later. Refer to the following link to access the UNM Athletics Title IX assessment:

http://golobos.com/documents/2018/5/30/UNM_TITLE_IX_2016_2017_SUMMARY_FINAL.pdf

Exhibit A – Title IX Report

UNM seeks to comply with all Title IX obligations, as well as University policies and procedures.

In UNM's situation, reaching substantial proportionality is the only viable means for complying with the Accommodation of Interest and Abilities component of Title IX. As of July 1, 2018, UNM compliance with proportionality can only be achieved with the addition of women's sports or the elimination of men's and women's sports, coupled with strict roster management.

Full-time undergraduate male students currently comprise 44.6% of UNM enrollment, with women comprising 55.4%. However, in athletics, 56.2% of student-athletes are male compared to 43.8% female.

AY 2016-2017 Undergraduate Enrollment & Participation Rate Analysis

| | |
|--|-----------------------|
| Full-time Undergraduate Male Students: | 8,765 (44.6%) |
| Full-time Undergraduate Female Students: | <u>10,883</u> (55.4%) |
| | 19,648 |
| Male Participants | 317 (56.2%) |
| Female Participants | <u>247</u> (43.8%) |
| | 564 |

There is a minus 11.6% difference, favoring men, between the male and female participation rates and the male and female full-time, undergraduate enrollment rates, which is equivalent to approximately 145 participation opportunities—a significant number. The University has determined that the inequity and proportionality issue must be addressed immediately, or risk possible administrative action by OCR.

The Title IX report goes into detail regarding the awarding of financial aid, the adequacy of facilities, financial support for sports and many other related areas. It is the consultants' recommendation that to comply with Title IX, UNM must consider implementation of Roster Management Plans and must consider the restructuring of its sports offerings (elimination of sports) to maximize participation opportunities for women in the current sports. The restructuring and "downsizing" of NCAA Division I athletics departments to address Title IX and financial concerns continues to increase across the country.

To simply reduce the number of men's scholarships or add women's sports could harm the competitive balance of UNM teams and would not align with the MWC sports offerings. In the short and long-term, UNM Athletics must achieve financial stability and gender equality. Unfortunately, in many cases, those goals are not congruent. Reducing costs would further exacerbate the Title IX concerns, whereas addressing gender equity issues will result in further deficits. The equation is complicated. The recommendations detailed below will address both concerns and include revenue enhancement, expense reductions, costs containment and debt/deficit service.

Revenues

Conference Distribution and Media Rights

Currently, the University each year receives approximately \$1.1 million from the Mountain West Conference as part of conference-wide media deals with ESPN, CBS Sports Network and other partners. The media deals expire in 2020, and no one is confident that future media deals, whether with traditional broadcast outlets or through new entities in the game (Twitter, Amazon, Facebook, etc.), will result in an increase in per-school revenues. In fact, it is possible that future media deals may result in *less* revenue to schools.

Individual schools also receive revenue from selling their multimedia rights to third-party entities, and UNM is currently in the final year of a multi-year agreement with Learfield, valued for FY 2018-19 at \$4,456,500 guaranteed. Our current agreement with Learfield, a UNM partner since 2007, is one of the most valuable in the Mountain West Conference and one of the most valuable in the Group of Five conferences. However, it is unlikely that future multimedia rights deals for UNM will result in a significant new influx of revenue, but can provide opportunities to increase support for the Athletics Department through marketing, graphics creation and video production support.

Corporate Sponsorships and Partnerships

Currently, UNM Athletics generates approximately \$1 million from annual corporate partnerships, including the naming rights for The Pit and Dreamstyle Stadium. There are multiple opportunities to increase revenue through sponsorships and naming rights, such as the field in the football stadium, club and suite levels and other athletics facilities. Most of the revenue obtained from naming rights agreements goes directly to offset The Pit debt, as well as debt on the baseball stadium. Future revenue opportunities need to be developed to assist with Department operations and, more importantly, to help grow support for student-athletes. Corporate sponsorships play an important role that extends beyond the financial benefits. For example, UNM can enhance the fan experience by engaging corporate sponsors to create exciting fan zones to improve the game day experience.

Ticket Sales

Like most athletics departments, ticket sales from UNM men's basketball, football and women's basketball help drive the annual fiscal picture for the Athletics Department. Season ticket sales and individual game sales for football have been declining, and 2018 is projected to follow that trend. Fans have more options than ever before to watch games, as many other institutions are facing similar challenges and are realizing that even with a successful product on the field, ticket sales remain stagnant or in decline. Unfortunately, in past years, administrators did not decrease the budgeted revenue nor adjust expenses accordingly, which only added to the deficit. One thing is clear: our Lobo men's basketball program is a source of pride for our state and the community, and fan support is strong. Regardless of the decline in ticket sales over the last couple of years, we are excited and hopeful for an upward trajectory in basketball ticket sales.

Efforts are underway to reorganize our ticket operations and to improve the customer experience, including implementation of new software and new platforms to provide better service to our fans. This new ticketing software system will modernize our current ticketing system by targeting new opportunities to grow ticket sales for all our sports. We are committed to providing fans with a better, more efficient ticket-buying experience, which then can translate into additional funds. Increasing the number of online ticket sales reduces the expense of traditional ticket sales conducted over the phone or in person.

Lobo Club/Donations

For FY18, the Lobo Club raised \$2.2 million for the Lobo scholarship fund. Based on our history, the size of the potential donor base and continuing capital campaign payments, it is anticipated that UNM will see a modest year-over-year increase in donations. Over the past six months, Athletics and the Lobo Club staff have jointly focused on addressing the internal and external audit findings, as well as reviewing operations. The emphasis on establishing better policies and procedures has helped us to address all the consultant's findings. In addition, a payment process was established that led The Lobo Club to sell 100% of suites and club seats for FY18. This has helped to establish trust with donors, which in turn has also led to FY19 increases in most fundraising categories, compared to FY18 at this time last year.

The focus moving forward is on fully restructuring the Lobo Club and growing the number of donors, increasing the amounts of donations and expanding offerings through endowments to support our coaches and student-athletes.

Game Guarantees

The college football game guarantee market continues to increase and UNM remains a coveted match-up for Power 5 schools that are willing to pay UNM fees of upwards of \$1 million for scheduled games. While the guarantee amount has risen, it has become more difficult to schedule, with many teams' slates filled up to eight to 10 years in advance. If UNM can secure future opponents for large guarantees, that might translate into an influx of monies, but these revenues are not guaranteed reoccurring commitments. In addition, there are competitive and safety concerns for our football student-athletes in scheduling multiple guarantee games in one season.

Facility Revenues

While the priority use for each of the UNM Athletics facilities is for its student-athletes and events, new revenue can potentially be generated through rental fees. The Pit currently is home to the PBR Rodeo, exhibition tennis matches, high school state basketball tournament games, high school state cheer competitions, several spirit competitions and the Harlem Globetrotters, in addition to University events such as graduation. UNM could seek out new revenue from hosting professional basketball exhibition games, promoters hosting tennis matches, concert promoters and by hosting the APS Metro Championship. Of course, UNM Athletics events and teams would continue to have priority, but UNM will place a higher priority on growing revenues from outside events.

Dreamstyle Stadium hosts events such as Nitro Circus, Sunrise Celebration, the state band competition, a UNM Cancer Center cycling fundraiser and some high school football games, in addition to the home slate of UNM football games. Potential revenue opportunities at Dreamstyle Stadium include concerts, monster truck shows, professional sporting events and the state high school football championship.

Several other UNM Athletics facilities, such as track, baseball, softball and our tennis facility, can be used as host venue for outside entities, thereby creating additional facility revenue.

Other Revenues

Other revenue streams include licensing, apparel, e-commerce/team store, parking, concession sales and health care reimbursements.

UNM Athletics currently has a shoe and apparel agreement with Nike through July 2020. The University may negotiate a new partnership with Nike at any time but may not contact any third-party vendors prior to February 2020. The partnership with Nike provides UNM with \$1,050,000 in product, along with performance incentives. UNM's Nike agreement is one of the best apparel deals in the Mountain West Conference. As in any renegotiation, there may be opportunities to increase the amount of Nike shoe and apparel product, as well as the possibility of cash and/or additional performance incentives and, of course, an agreement with a different apparel provider might also enhance revenues.

Concessions sales at UNM have been challenging over the last several years. Shrinking attendance at athletic events has led to an expected drop in concession revenues. UNM Athletics is working aggressively with our concessions partner, Levy, to increase revenue by gathering feedback from fans, by providing more options through creative offerings, and by engaging locally known vendors to build on New Mexico's traditionally rich food culture. Initiatives such as the student-priced menus at basketball games have proven to be successful and the Department must continue to be creative in the concessions space. UNM has had an agreement with Pepsi for concession stand "pouring rights" for more than 10 years and is currently in the process of finalizing a new agreement with Pepsi. The previous pouring rights agreement was tops in the Mountain West Conference, and our expectation is that we will remain at the top of the Mountain West Conference in this category with the new agreement.

UNM Athletics works with the UNM Bookstore for e-commerce (internet merchandise sales) and event sales. Gross sales for FY15 were \$22,241.97, \$17,151.41 in FY16 and \$13,240.35 in FY17 – clearly a downward trend. To help reduce expenses and increase revenue, all online traffic is now directed to the UNM Bookstore website, as the Lobo Den Store website has been discontinued. For team store and event sales, Athletics continues to work with the UNM Bookstore and has an agreement in place until June 2019, after which Athletics may remain in the partnership or engage with an industry leader. This will provide an opportunity starting in 2020 to leverage resources to combine e-commerce and the Team Store to better serve UNM constituents. These sale opportunities can be enhanced to generate additional revenue.

EXPENSE REDUCTIONS

Assuming revenues remain steady, if not on the decline, attention turns to expenses, where the rapidly escalating costs of sponsoring 22 sports does not look to slow anytime soon. The rising costs of providing financial aid through scholarships, head and assistant coaches' salaries, health benefits and staff salaries, recruiting budgets, travel costs, student welfare, mental health support and operations are among just some of the areas that have imposed an enormous financial burden on the Athletics Department. In sponsoring sports, UNM must provide sufficient resources for the programs to be competitive and to ensure that we are providing our student-athletes with an excellent experience during their time at UNM.

UNM Athletics has already taken many steps to reduce expenses and has a plan in place to initiate further reductions.

Organizational Structure of the Athletic Department

A full review of the administrative structure, as well as an examination of staff responsibilities, is currently underway. Decisions on a reorganization of our Athletics Department will be made over the next several months. Understanding our Department's direction moving forward is a critical piece in the implementation of an organizational plan. The reorganizational structure may include adding or eliminating positions. This will allow the Department to maximize resources and potentially lower expenses while protecting the support of our student-athletes.

In FY16, the Athletics Department had more than 137 full-time employees, a number that did not include tutors, graduate assistants and several other part time employees. To reduce expenses, the Department, like many other areas on campus, has continued to make significant sacrifices to its staff by eliminating positions or imposing a hiring freeze on vacant positions. Over the past four years, the Department has used staffing adjustments to help address financial challenges.

The Athletics Department now has 126 full-time employees, including coaches and staff members, who support our student-athletes through internal operations, including facilities, compliance, the athletic training room, finance, academic support, strength and conditioning. Those in external operations provide services that include development, marketing, video production, ticketing and communications. These employees—and these positions—are vital to maintaining operations and providing the best opportunity for success.

Since July 2016, Athletics has saved more than \$700,000 between unfilled vacant positions or positions put on hold for cost savings. For FY 2019, to further assist with the budget shortfall, the already-reduced Athletics Department placed three additional positions on hold, for a savings of \$96,000.

The Athletics Department is understaffed when measured against peers in the Mountain West Conference and similar-sized universities. In addition to not having enough personnel in key areas,

some UNM coach and staff salaries have fallen below the mean for the MWC. While a reduction in personnel may seem like an option to remedy the current financial challenge, UNM Athletics cannot do so without jeopardizing the health and safety of student-athletes, and compromising chances for competitive success and hampering efforts to increase revenue.

Operational Expenses

While a large share of UNM Athletics expenses is in salary and benefits for the 126 employees, the second-largest expense is the operation of the Department. Currently, the FY 2018 UNM Athletics budget is approximately \$33.5 million, which ranks eighth out of the 12 Mountain West Conference schools.

As with reducing staff, any reduction in operational expenses can continue to jeopardize our student-athletes, staff and fans. Reductions in external areas such as marketing could result in less revenue.

The growing costs of maintaining facilities, providing medical and mental health assistance, equipment, uniforms, computers, insurance, travel, recruiting expenses and so many other areas, necessitated a comprehensive review of all expenses. For example, starting in the fall of 2018, the football team will not stay at a local hotel the night before home games, for a savings of approximately \$35,000. This change to their routine will be re-evaluated after the season to assess the benefits of the savings toward the well-being of our student-athletes. Athletics is also looking at its event management practices and staffing services for all events to continue to reduce overall costs.

UNM Athletics is also exploring the potential for reimbursements from health insurance companies for student-athlete services rendered by Athletics trainers under the supervision of the team physicians.

Cost Containment and University Investment in Athletics

UNM Athletics must also take on cost containment strategies for long-term viability. These containment measures include the sharing or transferring of redundant services to University oversight and responsibility, a decrease in the number of scholarships provided to student-athletes and a reduction in the number of UNM Athletics sport offerings.

Shared Services

In the past six months, the Athletics Department has started to implement cost containment strategies by sharing some operational services with the Main Campus, a practice followed by many other departments on campus. The Athletics Business Department and the Athletics Human Resources Unit now report to Main Campus, with a dotted line to the Director of Athletics. The

University has assumed the financial costs of those units, saving the Department approximately \$250,000 each year.

Consideration should also be given to the merging of the following areas, with employees in these units reporting to University officials but with a dotted reporting line to the Director of Athletics. Given that recent changes in NCAA rules have made the task of management much greater, this shared approach would strengthen communication and collaboration between Athletics and the University and ensure compliance and integrity in all endeavors.

Athletics Compliance - The unit could become a part of the Main Campus Compliance Office. While Athletics Compliance would still be managed day-to-day by the Director of Athletics, it would also be fully integrated with the Main Campus Compliance Office. The annual savings to Athletics would be approximately \$150,000.

Academic Services - The Department's Academic Support Services unit does tremendous work in supporting student-athletes' progress towards graduation. Currently, there are seven staffers, along with 19 part-time tutors per semester who provide academic support. As its mission is directly tied to the University and is aligned with the Office of the Provost, consideration should be given to having the Office of the Provost assume financial and day-to-day oversight of Academic Support. It would more closely tie the academic areas to the University and would allow for a significant cost reduction for Athletics – approximately \$250,000 annually.

Athletics Communications -- The unit would become a part of University Communications and Marketing, while day-to-day management would still reside in Athletics. This would lead to better continuity of messaging and daily collaboration, and Athletics would realize savings of approximately \$200,000 a year.

Institutional Support

The Department must continue to work closely and in collaboration with the University in all its initiatives. UNM ranks eighth of 12 Mountain West Conference members in institutional support (Air Force not included), with the average athletics department receiving \$9.31 million in institutional support in 2017. In 2017-18, the UNM provided Athletics with \$6,477,683 in support. Of this total, \$4,363,683 million was in direct funding, while \$2,114,000 was a one-time transfer to support the current year budget deficit. As an institution, UNM must look at the opportunity to increase support of Athletics on a recurring basis.

Student Support

The University—especially Athletics—is keenly aware of the financial burdens placed on all students through tuition, room and board, fees and books. However, as UNM continues to study possible opportunities to help stabilize Athletics, a modest increase in student fees can be of substantial benefit to athletics.

In FY 2017-18, Athletics received \$3,851,603 in total revenue was received from student fees. In preparing the Athletics' budget for the 2018-19 academic year, the directive from the institution was that the student fee revenues to Athletics will drop to \$3,681,708. By comparison, the average student fee-generated athletics revenue for Mountain West Conference departments was \$4.98 million, ranking UNM sixth of 12 and below the average of other Group of Five conferences.

Athletics will continue to have open dialogue with UNM student leaders and university administration to see if opportunities to enhance revenues might arise in the future.

Scholarship Opportunities

A full scholarship for a UNM student-athlete is approximately \$18,000, not including a Cost of Attendance supplement of \$3,572. On the surface, reducing scholarships might seem to be a viable option to cut costs, but too many cuts can impede success for the entire Department, not to mention the individual sports affected. To truly begin to have a financial impact, UNM would need to eliminate almost 40 full scholarships, and those cuts would drastically impact the competitiveness of our teams, as coaches would have fewer available scholarships to offer high level student-athletes. Also, to help achieve compliance with Title IX, nearly all scholarship cuts would have to come in the men's sports, which would severely limit their prospects for competitive success.

However, strategic and limited reductions in the number of scholarships in a sport that can save money, assist in balancing gender equity and not hamper the chances for success must be considered, to limit the number of sport programs that would need to be discontinued.

Debt/Deficit Obligations

The final area to be addressed for long-term stability in the Department of Athletics is the significant debt for The Pit renovation, as well as the \$4.7 million accumulated deficit from the past 10 years. Alleviating these significant expenses from Athletics will go a long way to ensuring competitive success.

The Pit renovation was completed in 2010 at a cost of \$60,600,000, funded by \$18.6 million in state bonds and \$42 million in UNM bonds. UNM relied on private philanthropy and suite sales to cover the costs of the renovation. The current annual debt payment on The Pit fluctuates yearly, but average annual payments going forward will be approximately \$1,760,570. Suite sales revenues and facility naming rights revenues help address the annual debt payment. It is recommended that the University assume the annual debt payment from Athletics for the duration of the obligation, freeing up much-needed resources for student-athletes.

As noted previously, financial audits have identified a \$4.7 million accumulated deficit, outlined in the Higher Education Department financial plan, which has been approved by the Board of Regents. As part of Athletics responsibility in this plan, they are scheduled to begin making an annual payment of more than \$480,000 toward reducing that deficit starting in FY 2021. The University and Athletics need to seek alternative options for reducing the annual payments. These savings

would result in a significant annual savings for the Department, allowing it to infuse funds back into supporting the well-being of our student-athletes.

State of New Mexico Support

The State of New Mexico provided The University of New Mexico with \$2,617,380 in funding for FY 2018. As part of UNM's continued dialogue with state leaders, a concerted effort must be made to increase that state support, as it is a critical piece in sustaining a viable budget to support our student-athletes. In the past, the two Division I universities in the state have received an equal level of state funding, but in recent years it has not always been distributed evenly, and an emphasis should be placed on ensuring equal funding moving forward.

Sport Programs

Current budget realities and future financial projections, as well as the necessity of complying with federal gender equity guidelines, mean it simply unviable to sponsor 22 varsity sports. The financial and gender equity issues present a unique challenge for the University, and addressing an issue in isolation might exacerbate the other. Simply eliminating a sport to save money might not aid in Title IX compliance, while eliminating a sport for Title IX compliance might not save enough money. Similarly, adding a sport to move toward Title IX compliance would only deepen the financial challenge.

The decision to discontinue a sport is one of the most agonizing decisions that an institution can make. Since 1988, there has been a net loss of nearly 1,000 Division I men's programs. In the past five years alone, more than 60 Division I men's teams and more than 40 Division I women's teams have been dropped around the country, and more eliminations are expected.

Eliminating a sports program does not result in an immediate savings, as the University would honor the financial aid for all current student-athletes in the affected sports through graduation. The immediate cost savings comes in the elimination of operations for the sport, including travel, equipment, salaries, etc.

In evaluating whether a sports offering should continue, some of the factors taken into consideration include, in no order:

Impact: Number of student-athletes, coaches and staff affected by elimination

Title IX: Compliance with federal equity laws and the need to try to continue sponsoring women's sports with large participation numbers

Finances: Impact on Department finances including costs, revenues and associated costs to support the program (Strength & Conditioning, Athletic Training, Academic Advisors, etc.)

Conference Affiliation: To continue to compete at the Division I level, UNM must sponsor a minimum of 16 varsity sports. To remain a member of the Mountain West Conference, it must sponsor at least four MWC-sponsored sports (these currently consist of UNM football, men's and women's basketball and volleyball); the ability for UNM to be competitive in a conference; costs associated with conference travel and the number of programs sponsored in the NCAA

Facilities: Financial resources needed to build or to maintain competitive facilities; costs of facility maintenance and opportunity for success in recruiting and competition

Program History: Recent and long-term on-field success of a program, as well as the number and impact of alumni from program

Impact/Support: Fan and community interest in the program; its impact on local and state communities and throughout the region

Private Support: Donor support for the program and the number of endowments, if any

Scheduling: Conference scheduling; travel partners; levels of competition and ability for post-season competition

Academics: Academic performance, including APR and GSR of a program; impact on Department academics

There is no formula or matrix used to determine which programs should or should not be eliminated. Rather, these factors serve as data points in the analysis.

The Director of Athletics, senior athletics staff and the outside consultant gathered all relevant data and began a thorough and deliberate analysis.

The Director of Athletics recommends that a Roster Management Plan be implemented for all sports, with significant roster changes to Men's Cross Country and Men's Indoor and Outdoor Track & Field. It is also recommended that the Women's Swimming and Diving team discontinue its diving program, and that several other UNM women's teams increase the number of non-scholarship participation opportunities.

Based on the Foundational tenets: Finances, Title IX impact and Alignment with the Mountain West Conference, the Director of Athletics recommends to the President that UNM no longer sponsor the following varsity sports programs, effective July 1, 2019:

Men's Skiing

Women's Skiing

Men's Soccer

Women's Beach Volleyball

The data and rationale behind these sports programs can be found in Exhibit B.

Together, the reduction of sports and roster modifications of these sports offerings will save an estimated \$1.148 million annually. This is expected to result in participation rates for FY 2019-20 of 57.22% for females and 42.78% for males once the reductions and RMPs are implemented. The elimination of these programs (and the roster modifications of others), will allow for the more effective use of available resources, including support staff in the training room, academics and media relations, etc.

The University will honor all scholarships through a student-athlete's graduation from UNM, as per NCAA eligibility requirements. The University will also make all efforts to support those student-athletes who wish to continue their academic and athletic careers at another institution. Student-athletes who choose not to remain at UNM will forfeit their funding to complete their degrees at UNM.

CONCLUSION

Therefore, it is the recommendation of the Director of Athletics that the President ask the UNM Board of Regents to approve the following actions:

- Effective July 1, 2019, UNM Athletics will no longer sponsor men's and women's skiing, beach volleyball and men's soccer as varsity sports;
- UNM will honor the scholarships of all current student-athletes in the four affected sports through their graduations, as long as they remain in good academic standing;
- The Department of Athletics will also discontinue the diving program and immediately institute a Roster Management Plan for men's cross country, as well as outdoor and indoor track & field and many of our other sports.

In addition to these steps, the University and UNM Athletics will undertake the following actions over the next 12 months:

- The Department of Athletics will continue to examine its organizational structure, operational budgets and long-term expenses and make necessary and prudent changes to reduce expenses prior to the start of FY 2020;
- The Department of Athletics will aggressively pursue new and additional revenue streams prior to the start of FY 2020;
- The Department of Athletics will ensure that it continues to work toward Title IX compliance and make all necessary changes and adjustments to ensure compliance;

- The Department of Athletics will further engage with constituents, including students, faculty, alumni, donors, Regents, local and state officials and community members to strengthen the Department by ensuring the long-term financial stability and competitiveness of our sports programs;

These recommendations address the challenges identified by the numerous financial audits of the Department of Athletics, the conclusions of the Title IX assessment and the administrative direction set forth in April 2018 by the Board of Regents regarding the accumulated deficit. There is no perfect solution to the significant challenges that the Department faces. These recommendations come after months of intensive analysis, discussion and deliberation and with the input of outside experts.

The reduction in the number of sports offerings and scholarship opportunities recommended above are not taken lightly. The impact on student-athletes – both past and present – on the coaches and staff leading those programs and on the greater New Mexico community, is recognized and understood. These are recommendations no university or administrator would ever want to propose or consider, but the current situation demands extreme measures and difficult decisions.

These recommendations are painful for all of us. Our students are at the core of all that we do and we understand that, if approved, these changes will forever impact the lives of many outstanding young men and women. We have pledged our full support to them, we will honor their scholarships through graduation and we will do all that we can to support them should they seek to continue their education and athletic careers at another institution.

FY18, FY19 and FY20 Budget and FY18 Projected Actuals by Exhibit P21

| Revenue/Expense Description | FY18 Original Budget | FY18 Revised Budget | FY18 Projected Actuals (1) (2) | FY19 Budget | FY20 Proposed Budget |
|--|----------------------|---------------------|--------------------------------|-------------------|----------------------|
| Pooled Revenues (1) | | | | | |
| NCAA/Mountain West Conference | 5,200,000 | 4,638,299 | 4,766,295 | 4,750,000 | 4,750,000 |
| Media Rights/Sponsorship/Licensing/Commissions/Naming Rights | 5,965,500 | 5,865,500 | 5,808,500 | 6,625,000 | 6,625,000 |
| Student Fees | 4,000,000 | 3,851,603 | 3,851,603 | 3,681,708 | 3,681,708 |
| Fundraising | 3,100,000 | 2,200,000 | 2,200,000 | 2,400,000 | 2,400,000 |
| State Appropriation | 2,617,300 | 2,617,300 | 2,617,300 | 2,641,500 | 2,641,500 |
| Facility Rental/Merchandise/GIK | 2,681,626 | 2,540,077 | 2,498,032 | 2,400,000 | 2,400,000 |
| Special Events and Other Revenues | 2,450,000 | 2,199,000 | 2,958,294 | 2,035,000 | 2,035,000 |
| Transfers to/from Campus | (146,043) | 1,504,033 | 1,588,784 | 974,000 | |
| Land Proceed Transfer | - | 814,207 | 814,207 | 789,039 | |
| Sub-total | 25,868,383 | 26,230,019 | 27,103,016 | 26,296,247 | 24,533,208 |
| Directed Revenues (by Sports) | | | | | |
| Men's Basketball Tickets | 4,200,000 | 3,653,733 | 3,653,733 | 3,800,000 | 3,800,000 |
| Football Tickets | 1,900,000 | 1,539,833 | 1,539,833 | 1,200,000 | 1,200,000 |
| Women's Basketball Tickets | 330,000 | 398,630 | 398,630 | 375,000 | 375,000 |
| Other Sports Tickets (3) | 115,000 | 194,362 | 144,832 | 115,000 | 115,000 |
| Football Game Guarantees | 1,100,000 | 1,543,624 | 1,600,000 | 1,100,000 | 1,100,000 |
| Sub-total | 7,645,000 | 7,330,182 | 7,337,028 | 6,590,000 | 6,590,000 |
| Total | 33,513,383 | 33,560,201 | 34,440,043 | 32,886,247 | 31,123,208 |
| Expenses (2) | | | | | |
| Salaries | 10,717,382 | 10,986,161 | 10,959,073 | 11,272,844 | 11,340,576 |
| Payroll Benefits | 3,461,574 | 3,461,574 | 3,118,080 | 3,271,643 | 3,291,307 |
| Communication Charges | 60,949 | 60,899 | 84,338 | 110,268 | 110,268 |
| Other Expense | 4,150,256 | 3,336,718 | 2,961,851 | 782,164 | 782,164 |
| Patient Care Costs | 58,550 | 53,550 | 149,079 | 98,300 | 98,300 |
| Plant Maintenance | 123,750 | 272,827 | 270,803 | 250,457 | 250,457 |
| Services | 3,757,852 | 3,193,323 | 4,314,887 | 4,967,038 | 4,967,038 |
| Student Costs | 577,077 | 1,525,559 | 1,240,404 | 894,190 | 1,144,190 |
| Grant-in-Aid | 5,024,660 | 4,876,981 | 4,876,981 | 4,800,000 | 5,300,000 |
| Supplies | 1,477,057 | 968,343 | 1,507,598 | 2,055,696 | 2,055,696 |
| Travel | 3,552,976 | 4,272,966 | 3,914,361 | 3,809,977 | 3,809,977 |
| Utilities | 551,300 | 551,300 | 441,724 | 573,670 | 573,670 |
| Total | 33,513,383 | 33,560,201 | 33,839,180 | 32,886,247 | 33,723,643 |
| Net | - | - | 600,863 | - | (2,600,435) |
| <i>(1) Revenues based on projected actuals through fiscal year-end 6/30/18</i> | | | | | |
| <i>(2) Expenses based on fiscal year to date on non-salary expenses through 5/31/18, however projects salaries and fringes through 6/30/18</i> | | | | | |
| <i>(3) Other sports tickets include men's and women's soccer and track, baseball, softball, and volleyball</i> | | | | | |

Exhibit A

Title IX Report

http://golobos.com/documents/2018/5/30/UNM_TITLE_IX_2016_2017_SUMMARY_FINAL.pdf

Exhibit B

Sport Reductions and Roster Management Plans

Recommended for Elimination

Men's Skiing

| | |
|--------------------------------|--|
| Multi-Year APR: | 987, 972, 971, 971 ('14- '17) ('17 lowest among UNM men's sports) |
| 2017 APR: | 1000 |
| GSR | 86, 75, 80, 82 ('14- '17) |
| Competitive Success: | 3 out of last 4 years finished in bottom half of conference; 7 th in NCAA's last season; NCAA only sponsors 11 Division I teams on the men's side |
| Cost Savings: | \$315,694.00* |
| Endowments: | 3 (both men and women) |
| Conference Affiliation: | Rocky Mountain Intercollegiate Ski Association |
| Facilities: | No True Athletic Facility |
| Impact: | 12 student-athletes, 2 coaches (Between Men's and Women's Ski Program) |
| Support: | There is donor support of the men's ski program from individuals as well as from the State of New Mexico through tourism initiatives. |

Men's skiing is sponsored at the varsity sport level by just 11 institutions in Division I. While the sport is popular in select regions around the country, it simply does not have the sustainability and interest levels among college athletes on a broad scale. In addition, despite some ski opportunities within the state, there are very few Division I caliber New Mexico high school students who have been recruited to UNM and who ultimately choose to attend. Over the last four years, just one New Mexico men's skiing prospective student-athlete enrolled at UNM. Not being affiliated with the Mountain West Conference and receiving no revenue from its affiliation with the Rocky Mountain Intercollegiate Ski Association is also a concern. The ski teams travel is very costly to UNM Athletics compared to other sports and the current team must travel a great distance to practice.

Women's Skiing

| | |
|--------------------------------|--|
| Multi-Year APR: | 984, 992, 986, 967 ('14-'17) ('17 ranks last of all women's sports) |
| 2017 APR: | 950 (ranks last of all UNM women sports) |
| GSR | 71, 75, 78, 71 ('14-'17) |
| Competitive Success: | 3 out of last 4 years finished in bottom half of conference; Last season finished 7 th in NCAA; NCAA only sponsors 12 Division I teams on the women's side |
| Cost Savings: | \$315,694* |
| Endowments: | 3 (both men and women) |
| Conference Affiliation: | Rocky Mountain Intercollegiate Ski Association |
| Facilities: | No True Athletic Facility |
| Impact: | 8 student-athletes, 0 coaches** (women's ski coaches also coach men's skiing so total staff loss with both programs eliminated is 2) |
| Support: | There is donor support of the women's ski program from individuals as well as from the State of New Mexico through tourism initiatives. |

Women's skiing is sponsored at the varsity sport level by just 12 institutions in Division I. While the sport is popular in select regions around the country, it simply does not have the sustainability and interest levels among college athletes on a broad scale. In addition, despite some ski opportunities within the state, there are very few Division I caliber New Mexico high school students who can or have been recruited to UNM and who ultimately choose to attend. Not being affiliated with the Mountain West Conference and receiving no revenue from its affiliation with the Rocky Mountain Intercollegiate Ski Association is also a concern. The ski teams travel is very costly to UNM Athletics compared to other sports and the team must travel a great distance to practice.

Men's Soccer

| | |
|--------------------------------|--|
| Multi-Year APR: | 967, 969, 980, 982 ('14 – '17) |
| 2017 APR: | 988 |
| GSR | 78, 80, 76, 53 ('14-'17) |
| Competitive Success: | 8-6-4 ('17-'18) 5 th , 6 th , 5 th , 4 th (9 teams in the conference); won CUSA Tournament in 2016; reached NCAA Final Four in 2013 |
| Cost Savings: | \$605,630 |
| Endowments: | 0 |
| Conference Affiliation: | Conference USA |
| Facilities: | UNM Soccer / Track Complex – Adequate |
| Impact: | 29 student-athletes, 3 coaches, 1 Director of Operations |
| Support: | There is strong support in Albuquerque and other areas of the state |

UNM men's soccer has a proud history in a state that has shown its support for the game. Not affiliated with the Mountain West Conference, the soccer team is affiliated with Conference USA which is good in men's soccer but whose teams are located across the country, which creates a costly travel expense. In fact, men's soccer has the second highest cost per participant than any other Lobo sport. Men's soccer also has a large roster size (29) and reducing the roster size to save money and to assist in Title IX compliance would compromise the opportunity for competitive success.

Beach Volleyball

| | |
|--------------------------------|---|
| Multi-Year APR: | 1000 ('17) |
| 2017 APR: | 1000 |
| GSR | No score yet |
| Competitive Success: | 3-11 ('14-'15); 17-9 ('15-'16); 17-10 ('16-'17); 9-14 ('16-'17) |
| Cost Savings: | \$9,621 (would cost \$342,707 to build new facility) |
| Endowments: | 0 |
| Conference Affiliation: | Independent |
| Facilities: | No facilities approximately \$342,707 to build |
| Impact: | 5 student-athletes, 0 coaches* (17 participants but all but 5 participate in indoor volleyball) |
| Support: | Minimal support due to limited history |

The UNM beach volleyball program is just four years old and is one of only 55 beach volleyball programs in the country. The program is not affiliated with a conference which presents scheduling challenges. More importantly, the program does not have adequate training or competition facilities. Building a training/competition facility would cost at least \$340,000. In addition, to build a truly competitive program, UNM would need to invest in hiring a stand-alone head coach, create a stand-alone budget for beach volleyball separate from indoor volleyball and increase support staff in the department to better serve the student-athletes.

Women's Diving

The UNM women's swimming and diving program trains and competes in a facility that has had limited improvements and there simply is no funding to enhance the area or to construct a new one. Our facility also lacks a tower for platform diving which make it challenging for our student-athlete divers to train or compete. The program has struggled in recent years, with an average conference finish of seventh. There are few in-state prospective student-athletes. The swimming team members and the program would continue in its present form with more of an emphasis on strengthening their opportunity for success.

Men's Cross Country and Track & Field

The recommendation is to modify the men's track & field roster due to the high number of participants. To comply with Title IX, UNM must reduce the overall number of male student-athletes as the costs of increasing the number of female student-athletes is prohibitive. The reduction in grants-in-aid and the elimination of one coaching position will save approximately \$100,000 annually. The Department is aware that there is a significant economic impact on the local community through home track meets (MLK Invitational, UNM Invitational, UNM Classic, UNM Don Kirby Elite & Invitational, and MWC Indoor Championship).

Eliminating Four (4) Sports - Men's Skiing, Men's Soccer, Women's Skiing, Women's Beach Volleyball (Drop 2 Men's Sports/2 women's Sports)

Modification of Sports - Swimming and Diving (phasing out Diving); Significant Roster Management Men's Cross Country and Track and Field

| | 2017-2018 | 2018-2019 | 2019-2020 | 2018-2019 | 2019-2020 |
|-----------------------|------------|------------|------------|------------|------------|
| Men's Sports | | | | | |
| Baseball | 37 | 37 | 35 | | |
| Basketball | 16 | 16 | 16 | | |
| Football | 116 | 116 | 113 | | |
| Golf (13) | 13 | 12 | 11 | | |
| Skiing | 12 | 12 | | | |
| Soccer | 29 | 29 | | | |
| Tennis | 9 | 9 | 9 | | |
| Track:XC (5) | 16 | 10 | 10 | | |
| Indoor (14) | 31 | 20 | 20 | | |
| outdoor (14) | 32 | 20 | 20 | | |
| Total | 311 | 281 | 234 | | |
| Women's Sports | | | | | |
| Basketball | 14 | | | 16 | 16 |
| Golf | 7 | | | 9 | 9 |
| Beach Volleyball | 17 | | | 18 | |
| Skiing | 8 | | | 8 | |
| Soccer | 36 | | | 34 | 35 |
| Softball | 25 | | | 23 | 25 |
| Swim/Diving | 21 | | | 27 | 32 |
| Tennis | 9 | | | 10 | 10 |
| Track:XC (5) | 20 | | | 32 | 39 |
| Indoor (14) | 43 | | | 55 | 65 |
| outdoor (14) | 43 | | | 55 | 65 |
| Volleyball | 16 | | | 17 | 17 |
| Total | 259 | | | 304 | 313 |

2017 - 2018 Participation Figures

| | | |
|-------------------------------------|---------------|--------|
| UNM Full-Time Undergraduate Males | 8,264 | 43.69% |
| UNM Full-Time Undergraduate Females | <u>10,649</u> | 56.31% |
| TOTAL | 18,913 | |

2017 - 2018

| | | |
|------------------------------|------------|--------|
| Athletic Male Participants | 311 | 0.00% |
| Athletic Female Participants | <u>259</u> | 45.44% |
| TOTAL | 570 | |

2018 - 2019

| | | |
|------------------------------|------------|--------|
| Athletic Male Participants | 281 | 48.03% |
| Athletic Female Participants | <u>304</u> | 51.97% |
| TOTAL | 585 | |

2019 - 2020

| | | |
|------------------------------|------------|--------|
| Athletic Male Participants | 234 | 42.78% |
| Athletic Female Participants | <u>313</u> | 57.22% |
| TOTAL | 547 | |

| | |
|---------------------------------|------------------------|
| M. Soccer | \$ 743,574.32 |
| M. Skiing | \$ 360,911.00 |
| W. Skiing | \$ 147,834.00 |
| Beach | \$ 62,327.00 |
| Diving | \$ 76,572.00 |
| Reduce Men's Track Scholarships | \$ 70,000.00 |
| Elimination of Track Coach | \$ 50,560.00 |
| Reduce Sch. Men's except FB&MBB | \$ 20,000.00 |
| Savings | \$ 1,531,778.32 |
| | |
| NCAA sport Sponsoring Funding | |
| Reduction NCAA GIA | \$ 357,697.68 |
| Reduction of Ticket Revenue | \$ 26,006.00 |
| Total Savings | \$ 1,148,074.64 |

UNM Full-Time Undergraduate Male/Female Enrollment (approximate . 3 yr. Avg./ -250 Males & -149 Females)

Estimate 2018 - 2019 **Difference**

| | | | |
|--------|------|------------------|--------|
| Male | -250 | 8,014.00 | 43.29% |
| Female | -149 | <u>10,500.00</u> | 56.71% |
| | | 18,514.00 | 4.75% |

Estimate 2019 - 2020

| | | | |
|--------|------|------------------|--------|
| Male | -250 | 7,764.00 | 42.86% |
| Female | -149 | <u>10,351.00</u> | 57.14% |
| | | 18,115.00 | 0.08% |

Estimate 2020 - 2021

| | | | |
|--------|------|------------------|--------|
| Male | -250 | 7,514.00 | 42.41% |
| Female | -149 | <u>10,202.00</u> | 57.59% |
| | | 17,716.00 | 0.37% |

Estimate 2021 - 2022

| | | | |
|--------|------|------------------|--------|
| Male | -250 | 7,264.00 | 41.95% |
| Female | -149 | <u>10,053.00</u> | 58.05% |
| | | 17,317.00 | 0.83% |

| Sports | Employee/end of contract | Salaries & Benefits(.28) | Health Insurance Foreign SA | Course Fees | GIA | Operating Budget | Game Expenses | Total | Less Ticket Revenue 17-18 | Less of NCAA GIA and Sports Sponsorship |
|---|---------------------------|--------------------------|-----------------------------|-------------|---------------|------------------|---------------|-----------------|---------------------------|---|
| Men's sports | | | | | | | | | | |
| Skiing | Head Coach (6/30/19) | \$ 102,912.00 | | | | | | | | |
| | Assistant Coach (6/30/19) | \$ 66,255.00 | | | | | | | | |
| | Grad Student | \$ 20,597.00 | | | | | | | | |
| | Total Salaries (M&W) | \$ 179,764.00 | \$ 13,352.00 | \$ 2,197.00 | \$ 82,432.00 | \$ 83,166.00 | | \$ 360,911.00 | | \$ 94,223.88 |
| | Benefits | | | | | | | | | |
| | | | | | | | | | | |
| Men's | | | | | | | | | | |
| Soccer | Head Coach (6/30/19) | \$ 144,600.32 | | | | | | | | |
| | Head Coach Media | \$ 32,000.00 | | | | | | | | |
| | Head Coach Deferred Comp | \$ 60,000.00 | | | | | | | | |
| | Assistant Coach (6/30/19) | \$ 54,400.00 | | | | | | | | |
| | Assistant Coach (6/30/19) | \$ 58,240.00 | | | | | | | | |
| | Total Salaries & Benefits | \$ 349,240.32 | \$ 11,013.00 | \$ 6,538.00 | \$ 216,332.00 | \$ 150,766.00 | \$ 9,685.00 | \$ 743,574.32 | \$ 26,006.00 | \$ 111,938.96 |
| | | | | | | | | | | |
| Track | Track Coach | \$ 50,560.00 | | | \$ 70,000.00 | | | \$ 120,560.00 | | |
| | | | | | | | | | | |
| Reduce Sch Men's Except FB&MBB | | | | | \$ 20,000.00 | | | \$ 20,000.00 | | |
| | | | | | | | | | | |
| Women's Sports | | | | | | | | | | |
| Skiing | | | \$ 6,626.00 | \$ 1,223.00 | \$ 56,819.00 | \$ 83,166.00 | | \$ 147,834.00 | | \$ 98,828.24 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Swimming | Diving Coach (6/30/18) | \$ 52,480.00 | | | \$ 24,092.00 | | | \$ 76,572.00 | | |
| | | | | | | | | | | |
| Beach Volleyball | | | | \$ 425.00 | \$ 41,902.00 | \$ 20,000.00 | | \$ 62,327.00 | | \$ 52,706.60 |
| | | | | | | | | | | |
| | | | | | | | | \$ 1,531,778.32 | \$ 26,006.00 | \$ 357,697.68 |

Totals

| | |
|--|------------------------|
| Total Savings | \$ 1,531,778.32 |
| Loss Rev . GIA/NCAA Sponsorship | \$ 357,697.68 |
| Loss Ticket Revenue | \$ 26,006.00 |
| Total Savings | \$ 1,148,074.64 |

Based on 2017-2018 Participation Numbers

| Sport | Scholarship | Walk-On | Athletes on Roster | Athletes Affected | Equivalencies | Coaches Affected | |
|-------------------------------|-------------|--|--------------------|-------------------|---------------|------------------|---|
| Men's Skiing | 8 | 4 | 12 | 12 | 5.16 | 2* | Same Coaches Coach WSKI; GA Should Grad SP19 |
| Men's Soccer | 26 | 3 | 29 | 29 | 9.83 | 4 | Includes Director of Ops |
| Reduce MTR to 9.1 | 8 | | | 8 | 3.5 | | |
| Total Men Affected | 42 | 7 | 41 | 49 | 18.49 | | |
| | | | | | | | |
| Women's Beach Volleyball | 2 | 15 | 17 | 5 | 1.1 | 2* | 12 Women Play Indoor and Beach; Coaches would remained employed at UNM as they coach Indoor as well |
| Women's Skiing | 6 | 2 | 8 | 8 | 3.34 | 2* | Same Coaches Coach MSKI; GA Should Grad SP19 |
| Women's Dive | 5 | 0 | 5 | 5 | 1.18 | 1 | |
| Total Women Affected | 13 | 17 | 30 | 18 | 5.62 | | |
| Total Coaches Affected | 7 | Ski GA is not in total coach allotment; Should Grad SP19 | | | | | |

**HELEN GRANT
CONSULTING**
www.sport-ix.com
Ph 228-671-1489
hgrant1123@aol.com



TITLE IX ASSESSMENT AND SUMMARY

UNMLobos

Submitted: May 18, 2018

INTRODUCTION

The following report was prepared by **HELEN GRANT CONSULTING, LLC**, for **UNIVERSITY OF NEW MEXICO (UNM)** in Albuquerque, New Mexico. The report addresses the compliance status of **UNM** with the athletic provisions of Title IX of the Education Amendments of 1972, as amended, 20 U.S.C. Sections 1681 et. seq., and its implementing regulation at 34 C.F.R. Part 106. As a means of assessing compliance, **HELEN GRANT CONSULTING, LLC** followed the Policy Interpretation on Intercollegiate Athletics issued by the Office for Civil Rights (OCR) on December 11, 1979, 44 Fed. Reg. 71413 et. seq. (1979), subsequent policy clarifications, legal precedent (where applicable) and OCR practices. The findings were made for the 2016-2017 academic year, unless otherwise indicated. Preliminary to the review, **UNM** provided specific data requested by **HELEN GRANT CONSULTING, LLC**. During the onsite portion of the review (February 19-21, 2018), all head coaches, appropriate **UNM** administrators, support staff, and men and women student-athletes from each team were interviewed. Facilities were reviewed also. The conclusions reached herein are based on these data alone.

UNM is a member of the National Collegiate Athletic Association (NCAA) Division I (FBS), the Mountain West Conference (MWC) and Conference USA (CUSA) and is subject to the rules and regulations of those organizations. As a recipient of federal financial assistance, UNM must comply with the requirements of Title IX.

I. EFFECTIVE ACCOMMODATION OF STUDENT INTERESTS AND ABILITIES

A. Regulatory Requirement

The regulation requires institutions to accommodate effectively the interests and abilities of students to the extent necessary to provide equal opportunity in the selection of sports and levels of competition. [34 C.F.R. Section 106.41(c)(1)]

B. Selection of Sports

UNM offers twenty-two (22) varsity intercollegiate teams, ten (10) for men and twelve (12) for women. These teams and the number of participants on each team during the 2016-2017 year are indicated in the chart below. Please note that the participant count below is based on the definition of a participant by OCR in the interpretation of Title IX policies. Fifth-year/exhausted eligibility and participants meeting NCAA medically disqualified requirements are not counted. Also, participants on the men's and women's cross country, indoor track and outdoor track teams are counted as three participation opportunities.

| SPORTS | 2016-2017 MEN | 2016-2017 WOMEN |
|-----------------|------------------|--------------------|
| Baseball | 36 | NA |
| Basketball | 15 | 17 |
| Beach | NA | 16 |
| Football | 110 | NA |
| Golf | 12 | 9 |
| Skiing | 13 | 11 |
| Soccer | 25 | 36 |
| Softball | NA | 22 |
| Swimming/Diving | NA | 22 |
| Tennis | 9 | 8 |
| Track: XC | 17 | 19 |
| Indoor | 41 | 35 |
| Outdoor | 39 | 35 |
| Volleyball | NA | 17 |
| TOTAL | 317 | 247 |

C. Compliance Standard (Three - Part Test)

Test 1 "Whether intercollegiate level participation opportunities for male and female students are provided in numbers substantially proportionate to their respective enrollments."

AY 2016-2017 Undergraduate Enrollment & Participation Rate Analysis

| | |
|--|-----------------------|
| Full-time Undergraduate Male Students: | 8,765 (44.6%) |
| Full-time Undergraduate Female Students: | <u>10,883</u> (55.4%) |
| | 19,648 |
| Male Participants | 317 (56.2%) |
| Female Participants | <u>247</u> (43.8%) |
| | 564 |

There is a **minus 11.6%, favoring the men**, difference between the male and female participation rates and the male and female full-time, undergraduate enrollment rates, approximately 145 participation opportunities which is significant. UNM does not offer participation opportunities in substantial proportionality to the undergraduate enrollment rate and does not comply with Test 1 - Proportionality.

Test 2 "Where the members of one sex have been and are underrepresented among intercollegiate athletes, whether the institution can show a history and continuing practice of program expansion which is demonstrably responsive to the developing interests and abilities of the members of that sex;"

| SPORT | FIRST YEAR |
|------------------------|--|
| Swimming/Diving | 1972 |
| Basketball | 1974; eliminated 1987, reinstated 1991 |
| Golf | 1974 |
| Gymnastics | 1974; eliminated 1992 |
| Skiing | 1974 |
| Volleyball | 1975 |
| Cross Country | 1976 |
| Indoor & Outdoor Track | 1976 |
| Softball | 1977 |
| Tennis | 1982 |
| Soccer | 1993 |
| Beach Volleyball | 2015 |

Women's sports began in 1972 with swimming/diving and from 1972 to 1977 eight women's sports (basketball, golf, gymnastics, softball, skiing, cross country, track and volleyball) began

intercollegiate competition. Tennis began competition in 1982 and soccer in 1993. The last sport added was beach volleyball in 2015.

UNM has demonstrated a history of program expansion (adding women's sports); however, the criterion is that there also be a continuing practice of program expansion in addition to the established history. Evidence of a continuing practice is when a sport for the underrepresented sex has been added in the last 3-5 years or there is a plan to add a sport by a date certain. **UNM added beach volleyball for women in 2015 (3 years), which means that UNM, at the time of the review, complies with Test 2.**

Test 3 “Where the members of one sex are underrepresented among intercollegiate athletes, and the institution cannot show a continuing practice of program expansion such as that cited above, whether it can be demonstrated that the interests and abilities of the members of that sex have been fully and effectively accommodated by the present program.”

In making the determination of compliance with Test 3, three factors are considered. If all three factors are met, a team must be added or noncompliance results. The following analysis of those three factors includes information gathered by the consultant and information provided by UNM.

1. Unmet interest in a particular sport. There are several indicators of interest:¹
 - a. Requests by students that a sport be added – there have been no formal proposals by students at UNM to elevate a club sport or add a new sport for women to varsity status in recent years. However, members of the men's and women's rugby club teams met with the Deputy AD for Internal Operations to discuss elevating the club teams to varsity status. However, due to the University's financial situation, Athletics felt it would not be feasible to accommodate their request. The club team representatives asked that, if varsity status was not possible, would they be allowed to use athletic facilities for practice and competition and have access to support services (i.e., athletic trainers, etc.).
 - b. Requests that an existing club sport be elevated to intercollegiate team status – as stated above, there have been no formal request.
 - c. All intramural sports offered for women at UNM were already offered at the varsity level (i.e., basketball, soccer, and volleyball) or were recreational activities (i.e., flag football, badminton, dodgeball, corn toss, etc.).

There were four sports (bowling, fencing, rugby and water polo) for women offered at the club level but not offered by UNM Athletics. These four sports are NCAA Championship sports. The remaining sports were recreational activities (i.e., Ultimate Frisbee, Fusion Dancing, Cricket, Jujutsu, etc.).

¹ Source: Office for Civil Rights (OCR) Policy Clarification of 1996

- d. Interviews with student-athletes, coaches, administrators, and others regarding interest in particular sports – During the review, I discussed potential varsity sports with the student-athletes, coaches of women's sports and administrators interviewed. Student-athletes interviewed mentioned rugby (6), ice hockey (4) and water polo (2). The student-athletes that mentioned these sports were uncertain if there were both men's and women's club teams and if they would want to be an intercollegiate, varsity sport. They knew that these teams existed. Two of the sports are UNM club sports (water polo and rugby). This indicates minimal interest in a women's club sport becoming a varsity level sport for women.
 - e. Participation interscholastic sports by admitted students – The only sports offered at the interscholastic level in New Mexico but not at the intercollegiate level at UNM are bowling, competitive cheer and wrestling. Bowling is an NCAA championship sport and wrestling is not. Acrobatics & Tumbling has been developed as a sport for women that participated in competitive cheer in high school. A & T has been proposed to the NCAA to become an NCAA Emerging Sport for Women. Confirmation is pending.
 - f. Results of questionnaires of students and admitted students regarding interest in particular sports – Surveys have not been conducted.
2. Sufficient ability to sustain a team in the sport. The second factor in determining whether there is unmet interest in a sport is whether there is sufficient ability to sustain a team. Most sports for women originated from club sports, and participants at this level usually have greater ability than those at the intramural level; however, UNM recruits for student-athletes, male and female. Because of recruitment, when there is unmet interest, sufficient ability can be presumed unless the normal recruitment area is insufficient to sustain a team. Head coaches stated that they recruited regionally, nationally and internationally. This means that UNM's recruitment area overall is broad for existing sports.

UNM's recruitment area for existing sports is predominately regional (New Mexico, California, Texas, Arizona) and International. However, the head coaches stated that they attempt to recruit nationally. Rosters for each team were reviewed and indicated that 254 (55.9%) of approximately 454 participants were from six states [New Mexico (112), California (66), Texas (41), Arizona (21), Washington (14) and Virginia (7)] and 66 (14.5%) were international. The remaining participants were from twenty-three different states. In the states where UNM recruits the majority of its student-athletes, there is limited competition at the interscholastic level in bowling, field hockey, gymnastics, and ice hockey. There was a more significant number of state high school athletic associations that sponsored wrestling and there was a high number of high schools in California that sponsor lacrosse.

3. A reasonable expectation of competition for the team. The third factor to be considered

in determining unmet interest is whether there is reasonable expectation of competition for a particular team in UNM's normal competitive region or in the geographical area in which UNM is located. UNM's competitive region is primarily the Mountain West Conference and West Region (Arizona, Texas, Utah, Idaho, California, Colorado, and Nevada). The men's soccer team travels East or Southeast for competition. **There is limited available competition in UNM's normal competitive region for any women's sport other than the current sports offered at UNM. In those states that make up UNM's normal competitive region there are 4 bowling, 4 field hockey, 10 lacrosse, 16 water polo, and 11 gymnastics teams. There were no ice hockey or rugby teams.**

D. Recommendations/Comments

1. **Test 1 Analysis/Findings** - UNM does not provide intercollegiate level participation opportunities for male and female student-athletes in numbers substantially proportionate to the enrollment of male and female students. There is a **11.6% difference between the participation rates of male and female student-athletes and the enrollment rates of male and female students** which is significant and represents **approximately 145 participation opportunities**.

Recommendation: Implementation of a Roster Management Plan (RMP) and the addition or elimination of sports is the only way UNM could reach Test 1 compliance. Test 1 compliance is the most recognized way by the OCR to comply with the Accommodation of Interest and Abilities component. Due to the extensive financial cuts to colleges and universities across the country, and, in particular, the publicized cuts to UNM and UNM Athletics, the addition of sports at this time is not advisable. Restructuring of sport offerings means the elimination of sports to meet Athletics' budget mandates.

- a. **Restructure Sport Offerings** – It appears that the only course of action is to eliminate sports with large squad sizes (i.e., football, baseball, soccer and men's track), minimal regional/NCAA competitive opportunities (i.e., men's and women's skiing and men's soccer) and those without adequate playing and practice facilities (beach volleyball). These sports have financial needs (travel budgets, facility construction) that UNM Athletics cannot meet because of the budgetary cuts mandated by UNM Administration. Additionally, UNM's goal is to provide a safe and quality, competitive experience for its student athletes which is difficult to fulfill due financial restraints and having twenty-two Division I sports. The National Average for Division I is sixteen.
- b. **RMP** - The plan will include roster sizes that are based on NCAA Division I National Averages and what is needed to provide optimal participation opportunities for women. Basically, the RMP will designate maximum roster sizes for men's teams and minimum roster sizes for women's teams. The RMP will not eliminate the difference, but it would significantly reduce it and make compliance with Test 1 achievable.

Recommended RMP:

| SPORT | MEN RECOMMENDED | WOMEN RECOMMENDED |
|--------------|--------------------|----------------------|
| Baseball | 35 | NA |
| Basketball | 15 | 15 |
| Beach | NA | 16 |
| Football | 110 | NA |
| Golf | 9 | 10 |
| Skiing | 10 | 15 |
| Soccer | 26 | 32 |
| Softball | NA | 22 |
| Swim/diving | NA | 35 |
| Tennis | 10 | 10 |
| Track: XC | 10 | 15 |
| Indoor | 35 | 45 |
| Outdoor | 35 | 45 |
| Volleyball | NA | 18 |
| TOTAL | 295 | 278 |

Fall 2016: Full-time Undergraduate Male Students: 8,765 (44.6%)
 Fall 2016: Full-time Undergraduate Female Students: 10,883 (55.4%)
 19,648

Recommended Male Participants 295 (51.5%)
 Recommended Female Participants 278 (48.5%)
 573

The difference would decrease to 6.9%, approximately 90 participation opportunities.

NOTE: The difference of 90 participation opportunities means that UNM would have to add 90 participation opportunities for women to comply with Test 1. This translates to the addition of sports like equestrian (60 participants) and/or rowing (75 participants) and one or two small roster teams. However, the elimination of sports, especially men's teams, would reduce that disparity. The overall elimination of men's and women's sports would reduce the Test 1 disparity and help UNM Athletics to meet new budget limitations.

2. **Test 2 Analysis/Findings** – AY 2017-2018, UNM meets the second test (history and continued practice of program expansion) because beach volleyball was added three years ago (2015).

NOTE: The OCR gives institutions, once a sport is added, a 4-year timeframe to develop the sport (establish recruiting area, competitive schedule, establish operation budgets and provide facilities). If the institution does not comply with Test 1 or Test 3, another sport for women should be added. Beach volleyball is in its fourth season of competition. Because UNM is not meeting Test 1-Proportionality (see No. 1 above) and cannot rely on Test 3 compliance (see No. 3 below), at the end of the AY 2017-2018 UNM will no longer comply with Test 2.

Other factors Not Met: With the current status of Beach volleyball (year four), UNM does not meet all of the remaining components of the Equal Opportunity and Equivalency Standard: The Remaining Components of Title IX (The Laundry List). This is why the OCR gives an institution a 4-year timeframe to establish all aspects of the sport to ensure compliance with all components of Title IX.

- **Facility** - The OCR requires that all sports are provided equal, and in most cases, on campus facilities. Currently an off-campus facility (Bowling Alley/Bar/Grill) is being used for a playing and practice venue for beach volleyball. The participants had several complaints about the quality and cleanliness (litter box, needles, beer caps) of the courts and their safety (public drinking beer and smoking watching) in the area surrounding the courts. There is no financial means to build the facility needed on campus. A beach volleyball facility should include at least 6 collegiate quality sand courts, a clubhouse (including, at the very least, a team locker room, visiting locker room, player area and a satellite training room), spectator restrooms, concessions and spectator seating. A facility of Division I beach volleyball quality (\$1 million plus) should be constructed to comply with this component.
 - **Coaching Staff** – Currently the head indoor volleyball coach serves as the head beach coach and one of the indoor assistants, and a volunteer is helping him. Most Division I beach volleyball programs have evolved to the point of having two head coaches and sharing one assistant. A head coach for beach should be added to comply with this component.
 - **Operating Budgets** – When beach volleyball was added, an additional \$20,000 was given to the Head Volleyball Coach to be used for the beach team budget. Fundraising is used to supplement both volleyball budgets. The two budgets should be considered separate budgets and the beach volleyball budget increased to support team travel and per diem costs and the costs for recruitment of student athletes.
3. **Test 3 Analysis/Findings** – If UNM chose to argue (to the OCR) that it meets the requirements for Test 3 compliance, they could do so. However, Test 3 compliance is difficult considering the NCAA Emerging Sports for Women and the growth of NCAA Championship sports for women. The NCAA Emerging Sports for Women that UNM should monitor their growth and popularity are equestrian, acrobatics and tumbling

(added in Fall 2018) and triathlon. Lacrosse is an established NCAA sport and can be found in UNM's competitive playing area and recruiting region.

The requirements for Test 3 compliance, as stated above, are: Unmet interest in a particular sport (request, club, intramural, interest survey, etc.); Sufficient ability to sustain a team in the sport (high schools, clubs, recruiting area); and, A reasonable expectation of competition for the team. All three factors must be met. If all three factors are met, a team must be added or noncompliance results. *As indicated in the following table the expectation of competition and/or the recruitment of student athletes for several sports existed but was limited:*

| UNMET INTEREST IN SPORT (NCAA Status/UNM Club) | EXPECTATION OF COMPETITION Geographical Competitive Region | SUFFICIENT/SUSTAIN RECRUITING Geographical Recruiting Area |
|--|---|---|
| Bowling (NCAA Sport/UNM club) | 4 teams in Texas | Limited in New Mexico, Nevada, California (low) and Washington (low) |
| Competitive Cheer/ Acrobatics-Tumbling (proposed NCAA Emerging Sport/no club) | None | Competitive Cheer is a HS Sport (NFHS)-New Mexico, Texas (high) and Arizona |
| Field Hockey (NCAA Sport/no club) | 4 teams in California | California only |
| Gymnastics (NCAA Sport/no club) | Arizona (2), California (6), Colorado (2) and Utah (1) | California only |
| Ice Hockey (NCAA Sport/UNM club) | None | California only (low) |
| Lacrosse (NCAA Sport/no club) | Arizona (1), California (6) and Colorado (3) | California only |
| Rugby (NCAA Sport/UNM Club) | None | None |
| Water Polo (NCAA Sport/UNM club) | None | None |
| Wrestling (NCAA Men's Sport/no women's club) | None | New Mexico, Arizona, California, Texas and Wyoming |

Summary Opinion

UNM is mandated to and wants to comply with all Components of Title IX and University Policies and Procedures. It is this consultant's opinion that to comply, UNM must consider the restructuring of its sport offerings (elimination of sports) and implementing a Roster Management Plan to maximize participation opportunities for women in the current sports. The restructuring/downsizing of NCAA Division I Athletics is the trend. There is data available

through the NCAA Resource Center and numerous media outlets that reports the institutions that have eliminated numerous sports throughout the NCAA membership in recent years.

II. ATHLETIC FINANCIAL ASSISTANCE (SCHOLARSHIPS)

A. Regulatory Requirement

Institutions must provide reasonable opportunities for awards of financial assistance for members of each sex in proportion to the number of students of each sex participating in athletics.
[34 C.R.F. Section 106.37(c)]

B. Policy Interpretation

The Policy Interpretation of 1979 clarifies that compliance will be determined by means of a financial comparison which considers whether proportionately equal amounts of financial assistance (scholarship aid) are available to the men's and women's program. Totaling the amounts awarded to each sex and comparing the ratio of men and women participating in the intercollegiate athletics program does this. Participants are counted only one time although some may compete in two and three sports; hence, the participation rate will differ for some sports from the participation opportunities rate found in the previous section. On July 23, 1998, OCR issued a letter to the General Counsel of Bowling Green University in response to a request concerning allowable differences between the rates of participation and the rates of the awards of athletic financial assistance. OCR took the position in this letter that a difference in excess of 1% must be justified by nondiscriminatory reasons or a violation of 34 C.F.R. Section 106.37(c) resulted.

C. Assistance Awarded to Each Team and Modified Participant Count

| SPORT | MEN PARTICIPANTS | GRANT AMOUNTS | WOMEN PARTICIPANTS | GRANT AMOUNTS |
|----------------------|-----------------------------|--------------------------|-------------------------------|--------------------------|
| Baseball | 36 | \$ 326,498.12 | NA | NA |
| Basketball | 15 | 456,885.82 | 17 | \$ 445,118.92 |
| Beach Volleyball | NA | NA | 16 | 21,257.46 |
| Football | 110 | 2,931,081.80 | NA | NA |
| Golf | 12 | 146,152.18 | 9 | 177,291.40 |
| Skiing | 13 | 196,105.60 | 11 | 215,590.46 |
| Soccer | 25 | 245,132.29 | 36 | 340,639.19 |
| Softball | NA | NA | 22 | 320,121.25 |
| Swimming & Diving | NA | NA | 22 | 286,427.92 |
| Tennis | 9 | 123,671.70 | 8 | 261,107.94 |
| Track/XC | 43 | 311,756.04 | 36 | 466,821.02 |
| Volleyball | NA | NA | 17 | 299,146.42 |
| Totals | 263 | \$4,737,283.55 | 194 | \$2,833,521.98 |

E. Differences Between Participation and Award Ratios

| | | |
|-----------------------------------|------------------------|---------|
| Men - Amount of awards | \$ 4,737,283.55 | (62.6%) |
| Women - Amount of awards | <u>\$ 2,833,521.98</u> | (37.4%) |
| | \$ 7,570,805.53 | |
| Male participants receiving aid | 263 | (57.5%) |
| Female participants receiving aid | <u>194</u> | (42.5%) |
| | 457 | |

There is a 5.1% difference, which is 4.1% above the 1% difference allowed by OCR policy. The difference is allowed to exceed the 1% if the reasons for the difference over the 1% are nondiscriminatory. Reasons that are considered to be nondiscriminatory would be issuing more out-of-state financial aid to one gender in a given year and awarding aid to participants who choose not to attend school.

AY 2016-2017 UNM provided approximately 111 out-of-state grants for female participants and 153 for male participants. Secondly, men's teams were awarded 143 of the 147.5 (-4.31 difference) and women's 93.08 of the 114 (-20.92 difference) maximum number of scholarships allowed by NCAA Financial Aid rules. It appears that the reasons for the 4.1% difference is not awarding all scholarships available to women's teams and more male participants than female participants received full or at least 50% of a full out-of-state scholarship. The awarding of more out-of-state scholarship to men's teams can be considered a nondiscriminatory reason because the recruitment of prospective, nonresident student-athletes is not restricted for women's teams. However, women's teams not awarding all grants available in not a nondiscriminatory reason and makes it difficult to argue that UNM complies with the financial aid component of Title IX.

Summer School Financial Assistance

Summer school athletic aid is not part of the above comparison of awarding athletic aid during the academic year but is considered under this section. The only requirement is that access to summer school should be equal. That does not mean the same number, or a specific proportion is to attend for each gender, but it does mean that the same opportunity to attend be granted both genders.

UNM summer school policy includes the following:

1. Men's and women's basketball, football, and volleyball participants receive summer school funding every summer, with no limitations on the number of hours, number of participants or amount.
2. Initial Full-time enrollees can attend and receive athletic aid.
3. Two-year college Transfers can attend and receive athletic aid.
4. Four-year college transfers can attend and receive athletic aid
5. Student-athletes needing to attend summer school to regain eligibility can attend and receive athletic aid.

6. Student-athletics wanting to ensure graduation in four years can elect to forgo fifth year aid and attend and receive athletic aid for two summer school sessions.

Summer 2016 the following student-athletes attend summer school and received athletic financial assistance:

| SPORTS | MEN'S PARTICIPANTS | WOMEN'S PARTICIPANTS |
|------------------|--------------------|----------------------|
| Baseball | 3 | NA |
| Basketball | 10 | 14 |
| Beach Volleyball | NA | 1 |
| Football | 82 | NA |
| Golf | 0 | 2 |
| Skiing | 1 | 1 |
| Soccer | 3 | 6 |
| Softball | NA | 2 |
| Swim/Diving | NA | 3 |
| Tennis | 2 | 1 |
| Track/XC | 0 | 3 |
| Volleyball | NA | 13 |
| TOTAL | 101 | 46 |

F. Conclusion

1. There is a 5.1% difference between the male and female participation rates and the awarding of athletic financial. This difference 4.1% above the 1% difference (favoring men) allowed by OCR policy. OCR considers this discrimination against women unless it can be proven the difference above 1% is based on nondiscriminatory factors.
2. It appears that the reasons for the 4.1% difference is not awarding all scholarships available to women's teams (-4.31) and more male participants (walk-ons) than female participants. **While the awarding of Athletic Financial Assistance does not appear to be based on discriminatory factors it would be difficult to argue that UNM complies with the financial aid component of Title IX.**
3. Even though more male participants attended summer school and received athletic financial assistance, most men's and women's teams had participants that attended and received summer school aid. In addition, two men's teams (basketball and football) and two women's teams (basketball and volleyball) have full access to summer school aid without limitations. It appears that access to summer school and Bridge Program (**summer prior to first year**) aid is equivalent and based on nondiscriminatory criteria.

III. EQUAL OPPORTUNITY AND THE EQUIVALENCE STANDARD: THE REMAINING COMPONENTS OF TITLE IX

A. Regulatory Requirement [34 C.F.R. Section 106.41(c)]

Institutions must provide equal athletic opportunities for members of both sexes. In determining whether an institution is providing equal opportunity, several factors must be considered.

B. Policy Interpretation

Compliance with each factor or component is assessed by comparing the availability, quality and kinds of benefits, opportunities and treatment of both sexes. If the components are found to be equivalent, then the institution will be in compliance. Equivalence means equal or equal in effect. Under the equivalence standard, identical benefits, budgets, opportunities, or treatment are not required, provided the overall effect of any difference does not have a disparate impact on one sex.

C. The Factors/Components

1. The Provision of Equipment and Supplies [34 C.F.R. Section 106.41(c)(2)]

Quality and Suitability

All equipment and apparel were suitable for the various sports offered and rated as excellent quality by coaches and participants interviewed.

Amount and Availability

Overall, the men's and women's teams except men's and women's skiing, receive the necessary items (apparel, footwear, outer gear and support gear) for practice, competition and weight room workouts. The men's and women's skiing participants stated that they did not receive the Nike standard issue items (shorts, t-shirts, running shoes and sweats) for weight room workouts and they provided their own skis, which is not uncommon.

The student athletes interviewed stated the following:

Men's and women's track - More running shoes to replace worn out shoes. Socks and tights had not been received at the time of the review.

Women's soccer, swimming/diving, women's golf and women's track – sports bras had not been provided for the participants on these teams at the time of the review. Women's golf participants stated that they are provided a sports bra their freshman year, but that was not sufficient.

Men's golf and track – Men's golf participants are not provided compressions shorts to wear during strength and conditioning workouts. Men's track participants had not received tights (compression short) for training at the time of the review.

Maintenance and Replacement

The Head Equipment Manager oversees the program and he is assisted by four full-time equipment managers. The staff with employment status, certification and assigned sports are as follows:

| STAFF | ASSIGNED SPORTS |
|---|---|
| Head Equipment Manager (Full-Time) | Works with all sports, oversees equipment and apparel ordering and laundry services |
| Assistant Equipment Manager (Full-Time) | Works with all sports |
| Assistant Equipment Manager (Full-Time) | Works with all sports |
| Head Football Equipment Manager (Full-Time) | Oversees Football equipment program and laundry service |

Student equipment managers are hired by the coaches and receive a stipend.

| MEN'S SPORT | TOTAL NUMBER | SCHOLARSHIP /VOLUNTEER |
|---------------|--------------|--------------------------|
| Baseball | 2 | 2 vol. |
| Basketball | 5 | 5 stipends |
| Football | 6 | 6 stipends |
| TOTALS | 13 | 11 stipend/2 vol. |
| | | |
| WOMEN'S SPORT | TOTAL NUMBER | SCHOLARSHIP /VOLUNTEER |
| Basketball | 2 | 2 stipends |
| Soccer | 2 | 2 vol. |
| TOTALS | 4 | 2 stipend/2 vol. |
| | | |

AY 2016-2017, men's basketball (5) and football (6) had student equipment managers and they were paid a stipend ranging from \$1,400 to \$3,600. Baseball had two volunteer student equipment managers. No women's team, in particular women's basketball, had

student equipment managers (paid or volunteer). The Head Women's Basketball coach stated that there were no student managers because there was no money available to pay them.

Equipment and apparel is maintained by the equipment staff. The student-athletes interviewed stated that if equipment, apparel or shoes are worn out or damaged, the item is replaced immediately. The men's and women's track participants stated that there was a limit on the replacement of running shoes and that it was not sufficient for the wear on running shoes.

The main equipment room is located in the Maloof Administration Building and the football equipment room is located in Dreamstyle Stadium. Equipment and apparel is stored in the equipment rooms and in closets or designated areas at practice and competition facilities for some teams. There were no issues found with storage of equipment and apparel.

Laundry is available for practice and game apparel for all teams. Football laundry is done in the football equipment room. Volleyball laundry is done in the volleyball locker room. The laundry for all other teams that use the service is done in the General Equipment Room in the Maloof Building. The laundry of practice and game gear is done by the equipment staff and student managers. Some teams (men's and women's golf, men's and women's tennis, women's swimming/diving and men's and women's cross country/track) are offered laundry service but choose not to use it.

The Head Equipment Manager orders equipment for all sports. The Head Football Equipment Manager works with the Head Equipment Manager with the order for football. UNM has a contract with a major equipment manufacturer (Nike) that provides each men's and women's team with a financial allotment. The Head Baseball (Demirini/Wilson) and Softball (Easton) Coaches have individual arrangements with other manufacturers that result in equipment and apparel provided to these teams at no cost or discounted. The men's golf team excluded from the Nike contract because the team is a member of the Ping College Program.

Recommendations/Comments

1. Overall, the Equipment and Supply area is equivalent.
2. There are areas that need to be addressed to ensure continued compliance in this area:
 - a. The Nike contract provides a dollar amount to each team and use of those funds are at the discretion of the head coaches. UNM should review the distribution of funds to ensure equal access for the basic items (shorts, t-shirts, sweats, socks, running/training shoe, and support items) necessary for practice and

competition for all men's and women's teams.

Recommendation: The Head Equipment Manager should develop a standard player pack containing those items and monitor distribution to men's and women's teams at the start of each season.

- b. Student Equipment Managers – Two men's teams (football and basketball) and no women's teams were provided funding to pay student equipment managers. UNM should ensure that funding for stipends awarded to student equipment managers is available to men's and women's teams on an as needed and equitable basis.

Recommendation: Two women's teams should receive funding for student equipment managers. Women's basketball should be one of the two teams.

UPDATE: UNM Administration confirmed that women's basketball has money in the budget to pay managers and the Head Women's Basketball Coach chose to use the money in other areas. While he should use the money for student managers, like men's basketball, it is his prerogative to use the money to better serve the team. However, for purposes of this review, UNM provides funding for student managers for two men's teams and one women's team. Consideration should be given to providing funding for one more women's team. (4/26/18)

2. Scheduling of Games and Practice Times [34 C.F.R. Section 106.41(c)(3)]

The Number of Regular Season Competitive Events per Sport in 2016-2017:

| SPORT | MEN | NCAA MAX. | WOMEN | NCAA MAX. |
|------------------|-----------------|-----------------------|-------|-----------------------|
| Baseball | 55 | 56 | NA | NA |
| Basketball | 32 | 27 ² or 29 | 32 | 27 ³ or 29 |
| Beach Volleyball | NA | NA | 15 | 15 |
| Golf | 27 ⁴ | 24 | 23 | 24 |
| Skiing | 9 | 16 | 9 | 16 |
| Soccer | 20 | 20 | 20 | 20 |
| Softball | NA | NA | 50 | 56 |
| SPORT | MEN | NCAA MAX. | WOMEN | NCAA MAX. |

² Men's basketball is allowed 27 dates with a qualifying event/tournament that exceeds 27.

³ Women's basketball is allowed 27 dates with a qualifying event/tournament that exceeds 27.

⁴ Men's golf played in an exempt event.

| | | | | |
|-----------------|----|----|----|----|
| Swimming/Diving | NA | NA | 8 | 20 |
| Tennis | 25 | 25 | 25 | 25 |
| Track: XC | 6 | 7 | 6 | 7 |
| In & Outdoor | 14 | 18 | 14 | 18 |
| Volleyball | NA | NA | 28 | 28 |

AY 2015-2016, all men's and women's teams, except softball, women's swimming/diving, men's and women's skiing and men's and women's indoor and outdoor track scheduled and competed, in the maximum, or one less, number of regular season competitive events allowed by the NCAA for Division I standards. It is not unusual for swimming and track teams to compete in less than the maximum number of events allowed because they emphasize training and less competition. The Head Swimming/Diving and Track Coaches and participants in those sports stated that the amount of competition was sufficient. The participants stated that there was limited NCAA competition for men's and women's skiing and they felt they were competing as much as they could. The Head Softball Coach was new, and she stated that the previous coach did not schedule the Full 56 games, but she would for the 2019 and subsequent seasons.

The Number and Length of Practice Opportunities and the Time of Day Practice Opportunities Are Scheduled

The number of practice opportunities and the length (# of hours per week) are governed by NCAA rules. Teams are provided practice facilities (men's and women's basketball, football and soccer) and some sports practice at their competitive facilities (baseball, softball, women's swimming/diving, men's and women's tennis, volleyball and men's and women's cross country/track). Practice is scheduled based on participant's class times. For the teams that share facilities (men's and women's basketball, men's and women's golf and men's and women's tennis, and men's and women's track), practice is scheduled based on facility availability as determined by the head coaches of those sports, also. There were no complaints about these arrangements.

The Time of Day Competitive Opportunities Are Scheduled

Competition is scheduled seven days a week at various times of the day or evening depending on the sport. Days and times are controlled by Conference scheduling for most sports. Neither coaches nor participants had any complaints about the days of the week or the time of day competition times are scheduled.

The Opportunities to Engage in Pre-Season and Post-Season Competition

The following teams had the opportunity to compete in pre-season, "other" season, or nontraditional season competition:

| SPORT | MEN # EVENTS | # ALLOWED BY NCAA | WOMEN # EVENTS | # ALLOWED BY NCAA |
|------------|-----------------|----------------------|-------------------|----------------------|
| Baseball | 0 | No Limit | NA | NA |
| Basketball | 2 | 2 | 2 | 2 |
| Soccer | 5 | 5 | 4 | 5 |
| Softball | NA | NA | 8 | 8 |
| Volleyball | NA | NA | 4 | 4 |

Men's and women's basketball are allowed to participate in a maximum of two scrimmages or exhibition games in the fall and both competed in the maximum number. The baseball team is allowed scrimmages/games in the fall but each game counts toward the maximum number of competitive events during the regular season (56). The Head Baseball Coach chose not to compete in the fall. The softball team is allowed a maximum number of eight games in the fall and those games do not count in the maximum number of competitive events during the regular season (56). The Head Softball Coach chose to compete in all eight games allowed. Men's soccer (5), women's soccer (4) and volleyball (4) had the maximum number, or one less, of nontraditional/spring games scheduled.

UNM has several teams that, on an annual basis, qualify for post-season play. All men's and women's teams compete in the MWC championships (or CUSA-men's soccer), except volleyball and softball, and some will qualify for NCAA championship play. All men's or women's teams or individuals that qualify for post-season (MWC, CUSA and NCAA championship) are allowed to compete. The head coaches and participants stated there was no limitation on traveling to and competing in NCAA championship play. The volleyball and softball teams do not have conference championships.

Recommendations/Comments

The Scheduling of Games and Practice Times is equivalent.

3. Travel and Per Diem Allowances [34 C.F.R. Section 106.41(c)(4)]

Modes of Transportation

Because of UNM's geographical location, most men's and women's teams at UNM travel to away competition by air (commercial and charter) and vans for smaller roster teams (cross country, golf and tennis). Charter buses are rented for travel to places where air travel is difficult or within 6 hours from campus.

Below is the total number of trips by mode of transportation in 2016-2017 for all men's and women's teams during the regular and nontraditional seasons except men's and women's cross country/track and men's and women's skiing. These teams are not included in this comparison because they are under the supervision of one coaching staff each and travel together to away

competition. The men's and women's skiing teams travelled together by van on four occasions and flew three times. The men's and women's cross-country teams travelled together by flight four times. The men's and women's indoor and outdoor track teams travelled together by bus once and flew ten times. The sources of the information are the travel data provided by UNM and interviews with coaches and participants.

| MODE | MEN # OF TRIPS | WOMEN # OF TRIPS |
|----------------|-------------------|---------------------|
| Air | 46 | 50.5 |
| Bus | 8 | 3 |
| Van/Suburban's | 5 | 21.5 |

AY 2016-2017 football was the only team that travelled by charter flight to away competition. There were no complaints about the modes of travel by the coaches and participants interviewed.

Housing Furnished During Travel

When overnight travel is required, each team stays in good to excellent lodging establishments selected by a member of the coaching staff or Anthony Travel. Participants share rooms. Participants on most men's and women's teams were assigned two to a room, one per bed for overnight travel. Two men's teams (soccer and skiing) and two women's teams (skiing and swimming) assign 3 to a room on occasion. The beach volleyball participants stated that 3-4 participants were assigned per room. The participants had no complaints about these arrangements.

Length of Stay Before and After Competitive Events

Teams arrive either the day before or in sufficient time to warm up prior to a competitive event and leave immediately after the event in order to return to campus, except when commercial air travel is involved. In that case, participants may sometimes have to stay overnight and fly back the next day.

Dining Arrangements and Per Diem Allowances (Meal Costs) for Each Team

Teams eat as a group with one of the coaches or an administrator paying the full bill, or participants are given money for the meal. Baseball, men's and women's cross country/ track participants were provided per diem and all other teams received team meals or a combination of team and per diem. All men's and women's participants stated that meals or per diem provided was sufficient and rated quality of the food good to excellent except men's and women's track and beach volleyball. The male and female track participants interviewed stated that the per diem for California was \$20 plus one meal which was "a stretch" because of food cost in California.

Recommendations/Comments

1. Overall, the Provision of Travel and Per Diem Allowances is equivalent.

2. UNM should review housing and dining arrangements when teams are traveling.
 - a. Travel budgets should be reviewed and adjusted to ensure that the policy of two per room, one per bed can be adhered to for all teams.
 - b. The sport administrator for track should review, with student-athletes and coaches, the per diem and meal allowances for travel to high cost cities/areas and make adjustments to ensure participants receive sufficient per diem or meals.

**4. Opportunity to Receive Coaching and the Assignment and Compensation of Coaches
[34 C.F.R. Section 106.41(c) (5)-(6)]⁵**

Availability of Coaching Personnel in 2016-2017

Below is a chart comparing the current full-time, part-time and graduate assistant coaches for men's and women's teams. The men's and women's skiing and men's and women's cross country/track teams are not compared. These teams are combined under one coaching staff for men and women. There are 2 full-time, one GA and one volunteer student coach for the skiing teams. There are five full-time (one less than NCAA maximum) and three volunteer coaches for men's and women's cross country/track. Some teams, both men's and women's, have volunteer coaches. While they are noted, they are not a part of the comparison below.

| SPORT | MEN | WOMEN |
|------------------|--------------|-------------|
| Baseball | 3 FT, 1 VOL. | NA |
| Basketball | 4 FT | 4 FT |
| Beach Volleyball | NA | 1 FT |
| Football | 10 FT, 4 GAs | NA |
| Golf | 2 FT, 1 VOL | 2 FT, 1 VOL |
| Soccer | 3 FT, 1 VOL | 3 FT, 1 VOL |
| Softball | NA | 3 FT |
| Swimming/Diving | NA | 3 FT |
| Tennis | 2 FT | 2 FT, 1 VOL |
| Volleyball | NA | 2 FT |

There are twenty-three full-time coaches and four (4) GAs for six men's teams. The GAs are in football and cannot be full-time under NCAA rules. There are twenty full-time coaches for eight women's teams. The Head Volleyball Coach currently serves as the Head Beach Volleyball Coach

⁵ While Opportunity to Receive Coaching and Academic Tutoring [34 C.F.R. Section 106.41(c)(5)] and the Assignment and Compensation of Coaches and Tutors [34 C.F.R. Section 106.41(c)(6)] are separate in both the Title IX regulation and the Policy Interpretation, the above combination significantly simplifies the review of each

and one assistant works with both teams. This means that for beach volleyball there are two 0.5 FTE coaches and indoor volleyball there are two 0.5 FTE and a 1 FTE coaches.

All men's and women's teams, except beach volleyball and volleyball, have the maximum number of coaches allowed under NCAA rules and fill those positions with full-time staff.

Assignment (Qualifications) and Compensation of Coaches

The men's and women's swimming/diving and men's and women's cross country/track teams are also excluded from this analysis. All coaches are qualified, most having participated at both the high school or club and college levels in the sport they coach. Some have competed on national teams and played and coached professionally. While some coaches also have coaching experience at the high school, club and professional level, **the average number of years of experience at the college level for coaches of men's sports is 17.48 years and the average for women's sports is 12.15 years. The difference is not significant.**

In order for there to be a violation of Title IX with respect to coaching salaries, there must be a difference in the availability of coaches or the qualifications of coaches, and the differences must be shown to have a disparate impact on women student-athletes. **There is not a problem in the availability or qualifications of coaches. If there is some problem with respect to the delivery of coaching services to the student-athletes, Title IX jurisdiction can be asserted in this area but there was no problem with the delivery of coaching services.** Otherwise, coaching salaries would fall under other federal laws: Equal Pay Act, the Fair Labor Standards Act and Title VII of the 1964 Civil Rights Act. **After reviewing base salaries provided by UNM and receiving no complaints or questions regarding head or assistant coaches, it appears coaching salaries are competitive with their peer coaches in their respective sports and not a Title IX problem.**

Recommendations/Comments

The Opportunity to Receive Coaching and the Assignment and Compensation of Coaches is equivalent.

5. Opportunity to Receive Tutoring and the Assignment and Compensation of Tutors [34 C.F.R. Section 106.41(c)(5) -(6)]

Academic support staff and assigned teams:

| STAFF | ASSIGNED TEAMS | TRAVEL |
|-----------------------------|--|--------|
| Associate AD | Oversees the Lobo Center for Student-Athlete Success and Staff | None |
| Assistant Director/Learning | All teams | |

| | | |
|--------------------------------|---|---|
| Specialist | | None |
| Senior Student Success Manager | Football (defense) | Football (not in 2017) |
| Senior Student Success Manager | Men's basketball, and softball | Men's basketball and occasional with softball |
| Senior Student Success Manager | Women's basketball, men's and women's cross country/track and volleyball (beach & indoor) | None |
| Student Success Manager | Swimming & diving, women's soccer and men's golf | None |
| Student Success Manager | Baseball, men's and women's skiing, men's and women's tennis, women's golf and men's soccer | None |
| Student Success Manager | Football | Football (not in 2017) |

The staff is housed in the state-of-the-art the Lobo Center for Student-Athlete Success. The Center provides individual and small group tutor rooms, computer labs, offices and many more technologically advanced services for student-athletes. There is a lobby/lounge area for student-athletes to study or relax. Nutritional snacks and recovery drinks are provided in this area also.

Tutoring Program/Center: UNM has an extensive Tutoring Program in the Lobo Center. The primary goal of the tutorial program is to provide student-athletes with supplemental instruction. The Lobo Center staff has a budget to pay tutors (\$60,000). Most tutors are undergraduate students and are paid \$9.00 to \$15.00/hour. All male and female student-athletes may request a tutor for any subject with their assigned Student Success Manager. Tutor appointments may be scheduled during Lobo Center hours. UNM also pays (\$3,000/class) for student-athletes to enroll in the University 101 class which helps to acclimate students to college life (academics and social). **No teams receive priority in scheduling tutors and tutors were rated as good to excellent by all student-athletes interviewed.**

All student athletes indicated they were knowledgeable about the academic services available to them, including how to obtain tutors. All academic staff were rated as good to excellent by all coaches and participants interviewed with respect to their availability and the assistance they provide their assigned teams.

Recommendations/Comments

The Opportunity to Receive Tutoring and the Assignment and Compensation of Tutors is equivalent.

6. Provision of Locker Rooms, Practice and Competitive Facilities [34 C.F.R. Section

106.41(c)(7)

LOCKER ROOMS

| SPORT | LOCATION | RATING |
|--------------------------------------|---|--|
| Baseball | RD & Joan Dale Hubbard Clubhouse | Excellent-New construction |
| Basketball Men and Women | Dreamstyle Arena/The Pit NBA locker room and players' lounge. | Student-Athletes: Excellent MBKB Head Coach-needs updating (been 10 yrs.), leaks and AC goes out. |
| Beach Volleyball | Johnson Center | Share with indoor volleyball |
| Football | Dreamstyle Stadium | Good-work in progress/restroom & shower area poor and not maintained |
| Golf Men and Women | Patty Howard Golf Complex/Excellent | Excellent-both student-athletes MGO Head Coach-Excellent WGO Head Coach-Good, needs some updates and a TV. |
| Men's Soccer | UNM Soccer Complex | Good – "beautiful" |
| Women's soccer | UNM Soccer Complex | Good |
| Softball | Lobo Softball Fieldhouse | Needs updating – too small (freshman share lockers), no team lounge, training room, no mud room, no Lobo logo and no TV. "not comparable to baseball" |
| Swimming/diving | Seidler Natatorium | Fair - Inside general locker room. Had break-ins. Missing name plates on lockers. |
| Tennis Men and Women | Linda Estes Tennis Complex | Excellent by both. |
| Cross Country/Track Men and Women | No locker room | NA |
| Volleyball & Beach Volleyball | Johnson Center | Needs renovation (been 12 yrs.) Not cleaned, roaches, rats, mold, showers do not work (no hot water) and drainage poor. No training room, no Lobo's logos and no TV. |

UNM provides locker rooms that were rated as good to excellent for all men's and women's teams except beach/indoor volleyball, football, softball and swimming/diving.

Beach volleyball, because all but one participant is on both rosters, shares a locker room with the indoor team. Sharing a locker room at this time with indoor volleyball is not a Title IX problem. The football, swimming/diving and volleyball locker rooms are in need of updating, cleaning and

maintenance attention. There are significant differences (no players' lounge, mud room, training room and a larger locker area) in the Hubbard Clubhouse for baseball and the softball clubhouse which has caused an inequity. Please note that in reviewing facilities with Title IX policy interpretations, like sports are not compared; however, in practice baseball and softball facilities are compared and have been the number one Title IX complaint to the OCR.

PRACTICE AND COMPETITIVE FACILITIES

| SPORT | FACILITY/ QUALITY | AVAILABILITY/ EXCLUSIVE USE | MAINTENANCE & PREPARATION |
|---------------------------|--|---|--|
| Baseball | Santa Ana Star Field | Exclusive use of practice field. | Maintenance and Preparation by grounds crew/Good |
| Basketball Men & Women | Dreamstyle Arena/The Pit MBK-needs updating and new sound system (in-progress). WBK – Good Davalos Basketball Center | Used by men's and women's basketball and University. | Maintenance by contractor/Good Preparation by Game Operations/Good |
| Beach Volleyball | Beach Practice & Play-Lucky 66 Bowl/Good practice courts. Bowling alley and Bar/Grill. Indoor-Johnson Center/old building but make it work. | Off-campus facility used by the public but UNM gets priority in scheduling practice times and matches | Maintenance and Preparation by Beach: Lucky 66 staff/Good Indoor: Rec Sports and Event Staff/Good |
| Football | Dreamstyle Stadium-Turf Field/Good 2 Practice fields-natural/Good Indoor Turf/Good | Exclusive use of practice fields and stadium. Indoor shared with other teams. | Maintenance and Preparation by grounds crew Stadium staff/Good |
| Golf Men & Women | UNM South Championship Golf Course/Good Lobo Golf Practice Facility/Excellent | Share course with members of golf clubs. | Professional groundskeepers at all facilities/Fair |
| SPORT | FACILITY/ QUALITY | AVAILABILITY/ EXCLUSIVE USE | MAINTENANCE & PREPARATION |
| Skiing | Skiing Training Facilities-six ski areas /Excellent-"best in the world". | Share with the public. | Maintenance and Preparation by ski area staff/Excellent. |
| Soccer Men & Women | UNM Soccer Complex/Good. 2 Practice Fields/Good. | Game field inside track. Practice fields- | Maintenance by Grounds crew/Good Preparation by Game |

| | | Exclusive use of both for men and women. | Operations/Good |
|-------------------------|---|--|---|
| Softball | Lobo Softball Field/Good. Practice-indoor hitting facility/Good. | Exclusive use. | Maintenance and Preparation by grounds crew/Excellent |
| Swimming/ Diving | UNM Natatorium/Good for training but not competition. | Share with campus community but have priority | Maintenance -/Good as can be for older facility. Preparation- coaches /Good |
| Tennis Men & Women | Linda Estes tennis Complex/Excellent. McKinnon Family Tennis Stadium/Excellent. | Share with members but have priority. | Maintenance by UNM facility staff/Good Preparation by coaches and officials/Good |
| Track/XC Men & Women | GFO UNM Track Stadium/Good-need resurfacing soon. Albuquerque Convention Center/Good. Cross Country-UNM North Golf Course/Good. | Outdoor- Exclusive use. Indoor-community. Cross country-public | Maintenance of indoor and outdoor track facilities by facility staff/Good Maintenance of cross country by park staff/Good Preparation by Game Ops/Coaches |
| Volleyball | Johnson Center/Good-older building that has some issues (Asbestos) but make it work. | Share with Rec Sports but have priority | Maintenance by Univ. Facilities staff/Good Preparation by Game Operations/Good |

Recommendations/Comments:

1. Overall, locker rooms are equivalent except for softball compared to baseball.
 - a. Softball Clubhouse – The differences in the newly constructed baseball clubhouse and the softball clubhouse need to be addressed as soon as possible.
 - b. Beach volleyball sharing a locker room with indoor volleyball does not appear to be a Title IX problem at this time because there is just one beach only player. All remaining participants play both.
 - c. Cleaning and Maintenance – The cleaning and maintenance of locker rooms affects one men's team (football) and two women's teams (swimming/diving and volleyball).

2. Overall, Practice and Competition facilities are equivalent with the exception of beach volleyball.
 - a. Beach volleyball is provided an off-campus facility for practice and competition. The addition of beach volleyball allows UNM to comply with Test 2 requirements. However, the OCR usually gives an institution 4-5 years to establish the sport which means, if an off-campus facility is being used, to provide a playing and practice facility equal to other athletic facilities on campus.
 - b. Softball Clubhouse – If UNM uses the current indoor hitting facility to expand the softball clubhouse, another indoor hitting should be provided, he same as baseball.

7. Provision of Medical and Training Facilities and Services [34 C.F.R. 106.41(c)(8)]

Health, Accident and Injury Insurance Coverage

Primary coverage on all student-athletes is through their parents' or student health insurance. At whatever point the primary coverage stops, the Athletic Department's secondary coverage begins. Walk-ons must provide proof of insurance and proof of a physical. If a participant has no coverage, the Athletic Department pays the entire cost through its own insurance.

Weight Room Facility - There are three weight room facilities: Tow Diehm-Football Weight Room, Olympic Weight Room (Tent) and The Pit. The football and The Pit weight room facilities were rated as good to excellent by the head coaches and student-athletes that use those facilities. The Olympic Weight Room/Tent was rated as fair to good, but coaches and student-athletes know that it is a temporary space.

Strength and Conditioning Staff: The services provided by the strength and conditioning staff was rated as good to excellent by all head coaches and student-athletes interviewed.

| STAFF | EMPLOY STATUS/CERT. | SPORT ASSIGNMENTS |
|--------------------------------------|------------------------|--|
| Director of Athletic Performance | FT/NASE, CSCS | Football and supervise all |
| STAFF | EMPLOY STATUS/CERT. | SPORT ASSIGNMENTS |
| Assistant Performance Coach | FT/CSCS, CSCCA | Football and baseball |
| Associate Athletic Performance Coach | FT/CSCS, USAW | Volleyball, ski, alpine and men's golf |
| Assistant Performance Coach | FT/CSCS | Track, men's and women's tennis and women's soccer |

| | | |
|-----------------------------|---------|---|
| Assistant Performance Coach | FT/CSCS | Men's basketball (travels) and women's golf |
| Assistant Performance Coach | FT/CSCS | Women's basketball and softball |
| GA Performance Coach | GA/CSCS | Track and men's soccer |

Nutrition: The primary fueling station is in the Lobo Center for Student Athlete Success. This area provides nutritional snacks (bagels, peanut butter, granola bars and etc.) and protein shakes. The three weight rooms have chocolate milk delivered (paid by weight room budget) that is provided to all male and female student athletes for recovery drinks after workouts. If recovery drinks and nutritional snacks are in locker rooms, it is paid for out of the sport's budget. UNM does not employ full-time Nutritionist but had hired a local dietician that will work with student-athletes identified as at-risk for nutritional and dietary issues.

Sports Medicine Training Room(s): The main training room is the Tow Diem Athletic Training Room and is used by football, men's golf, men's and women's track and men's and women's skiing. It was rated as excellent by all head coaches and student-athletes interviewed. There is a training room at The Pit and it is used by men's and women's basketball and women's golf. A third training room is at the Maloof Building-Complex and it is used by baseball, softball, men's and women's soccer and men's and women's tennis. The fourth training room is at the Johnson Center and it is used by volleyball, beach volleyball and swimming/diving. **All training rooms were rated as good to excellent by coaches and student-athletes interviewed. The main training room has an X-Ray machine on site. The training room at the Johnson Center was old and needed updates (new modalities) and not the cleanest.**

Medical Staff (Physicians): UNM Athletics has an agreement with a local hospital that provides the services of primary care physicians, orthopedist/orthopedic surgeons, primary care and ortho fellows and access to other specialist (dental, vision, gynecology, etc.). UNM also has access to and hires Chiropractors and Massage Therapist when needed. Doctors on the staff perform all pre-participation physicals for student-athletes. UNM has a full- and part-time nurse on staff and located in the Tow Diem training room. One of the Nurses is a licensed pharmacist and there is a Pharmacy in the training room also.

A primary care physician and orthopedist travels with football. A primary care physician or an orthopedist travels with men's or women's basketball to Conference and NCAA postseason competition. In addition, physicians are present at home football, men's and women's basketball and volleyball games. If UNM hosts any conference tournaments, they will cover them as well. Physicians are on call for all other home events. In the fall a primary care physician and orthopedist come to the training room to perform a clinic two times each week. A non-operative Orthopedist comes to the training room once a week to treat Triad issues and bone stress management. **The services and access to physicians was rated good to excellent by coaches and student-athletes interviewed.**

Mental Health: Currently UNM is using the Student Health and Counseling Center staff physicians for dealing with mental health issues.

Sports Medicine Staff (Athletic Trainers), Sport Assignments and Travel:

| STAFF/EMPLOY STATUS/CERT. | SPORT ASSIGNMENTS | TRAVEL |
|--|---------------------------------------|------------------------------------|
| Head Athletic Trainer/FT/LAT, ATC, NASM-CEs | Football and men's golf | Football |
| Assistant Athletic Trainer/FT/ATC, LAT | Football and men's and women's skiing | Football |
| Assistant Athletic Trainer/FT/ATC, LAT | Women's basketball and women's golf | Women's basketball |
| Assistant Athletic Trainer/FT/ATC, LAT, CSCS, NASM-CES | Men's basketball | Yes |
| Assistant Athletic Trainer/FT/ATC, LAT | Baseball | Yes |
| Assistant Athletic Trainer/FT/ATC, LAT | Volleyball and beach volleyball | Yes both |
| Graduate Assistant/ATC, LAT | Football and spirit. | Yes both |
| Graduate Assistant/ATC, LAT | Men's and women's track and football | Football and occasional with track |
| Graduate Assistant/ATC, LAT | Football, men's and women's track | Football |
| Graduate Assistant/ATC, LAT | Softball | Yes |
| Graduate Assistant/ATC, LAT | Men's and women's tennis | Both occasionally |
| Graduate Assistant/ATC, LAT | Swimming & Diving | Yes |

The services provided by the athletic training staff was rated good to excellent by the coaches and student-athletes interviewed.

Recommendations/Comments

1. The Strength and Conditioning area is equivalent as it relates to quality of strength coaches, facility, and the scheduling of workout times for men's and women's teams. The volleyball and softball participants stated that the Olympic Sport Tent was crowded. After talking with the strength coach that oversees the Tent scheduling, it does not appear to be a significant problem and will be remedied when a new Olympic sport weight room is built.
2. The Sports Medicine/Athletic Training area is equivalent as it relates to quality of services provided by athletic trainers and medical staff and facilities (athletic training rooms)

provided for men's and women's teams.

UPDATE: UNM added two Assistant Athletic Trainers to the staff with start dates for those positions being 7/1/2018. These two positions will align UNM Sports Medicine staff with other comparable NCAA Division I FBS athletic programs in this area. (4/27/18)

3. Providing nutritional snacks and recovery drinks appears to be equivalent. As the area grows and coaches want to provide more nutritional items, UNM must monitor what is actually provided to the men's and women's teams.

Recommendation: UNM should consider allowing the Head Strength Coach coordinate purchasing and distribution of all snacks and drinks to the teams. The budget to purchase these items should be in the strength and conditioning program budget and under his control. Putting additional funds in each sport budget can cause inequities in the use of the funds between men's and women's teams.

8. Provision of Housing and Dining Facilities and Services [34 C.F.R. Section 106.41(c)(9)]

During periods of time when school is not in session (Fall Preseason, Winter Break, Spring Break, Summer Break) but teams are required to be on campus to practice and /or compete, the following is provided for housing and dining:

Housing During Break

Students-athletes live in dormitories or apartments on and off campus. The same housing is available for teams who must be on campus to practice and/or compete during vacation periods during the term or vacation periods outside the term (Christmas break, after spring term) when classes are not in session. The men's and women's soccer participants stated that they may have to stay with teammates who live in houses for a couple of days during preseasons. The baseball participants stated that if they participate in post season after school is out, the freshman (live on campus) stay in a hotel paid for by coaches. The men's and women's skiing and men's and women's cross country/track participants stated that they did not come early, or this situation had not occurred. The head coaches and participants interviewed had no complaints about these arrangements.

Dining During Breaks

During vacation periods and semester breaks participants are provided per diem or team meals or a combination of both. Again, men's and women's skiing, men's and women's tennis and men's and women's track participants stated that they did not come in early or this situation had not occurred. The head coaches and participants interviewed had no complaints about these arrangements.

Pre- and Post-Game Meals for Home Competition

Pre-Game Meals are provided or offered for men's and women's teams, except softball, men's and women's tennis and swimming and diving. men's and women's skiing did not have a home event.

Post-Game Meals/Snack/Money are provided or offered for men's and women's teams, except baseball, volleyball, men's tennis, men's and women's track, swimming and diving.

Recommendations/Comments

1. Housing and Dining during Breaks is equivalent.
2. Comment: It appears that with the new Head Softball Coach a lot of things will change and improve from the 2016-2017 season. The CFO will review the budget with the coach to ensure sufficient funding to provide pre- and/or post game meals.

9. **Publicity [34 C.F.R. Section 106.41(c) (10)]**

Sports Information Department (SID)/Athletic Communications

The SID staff provides quality web sites with online media guides for all men's and women's teams. Social Media is used extensively to advertise games, promotions, updates on current stats and events and press releases for each team. Game programs or roster cards are provided for home competition for all teams. The SI staff also provides stat and game operations crews for home competition for all teams.

Sports Information/ Media Relations Staff and Assigned Teams

| STAFF/EMPLOYMENT | SPORT ASSIGNMENTS | TRAVEL |
|---------------------------------------|---|---|
| Assistant AD-Communications/FT | Football, men's and women's skiing and women's tennis | Football |
| STAFF/EMPLOYMENT | SPORT ASSIGNMENTS | TRAVEL |
| Associate Director Communications/FT | Men's basketball and softball | Men's basketball and softball (limited) |
| Assistant Director Communications /FT | Women's basketball and men's soccer | Women's basketball |
| Assistant Director Communications /FT | Women's soccer and baseball | Baseball (limited) |
| Assistant Director Communications /FT | Volleyball/Beach and men's and women's cross country/track/Social Media | Volleyball |

| | | |
|-----------------|--|-----------|
| | Graphic Design | |
| Student Workers | Men's and women's golf and swimming and diving | No travel |

At the time of the review, there were two open positions on the SID staff. One open position had been recently vacated and the second position had been vacant for a while but not filled. The SID stated that the two open positions would be filled which would give the SID staff six full-time positions. Six full-time SID means three to four teams assigned to each staff which appears to be sufficient to maintain quality services to all men's and women's teams.

Overall, the services provided by the SID staff were rated as good to excellent by coaches and student-athletes interviewed. The Head Baseball Coach rated the SID assigned to the team as good but stated there is a lot of turnover. He also stated that he shares an SID with women's basketball and does not see him until basketball is over. The Head Men's Basketball Coach stated that he shares an SID with softball and feels that this area is understaffed. The Head Men's Golf Coach stated that the student intern assigned to the team in 2017-2018 was a freshman and not as good as past interns.

Marketing and Promotions

Football, men's and women's basketball, men's and women's soccer, volleyball, baseball and softball teams are the primary focus of all marketing and promotions efforts. However, all twenty-two athletic teams receive some form of promotions (schedule posters, digital media and Lobo radio show).

Marketing and Promotions Staff and Assigned Teams:

The Associate AD for Marketing (open position) oversees the Marketing and Revenue Generation area. The Associate AD position is assisted by the Director of Sales, Senior Marketing Manager and a Marketing Assistant. The staff works with all men's and women's teams and with the Athletic Communications staff in marketing and promoting teams. UNM also has a contract with an outside sports marketing firm, Learfield. Learfield manages Lobo Sports Properties that sells sponsorships and ticket packages.

Publications

Schedule Poster - All men's and women's teams receive a schedule poster. Men's and women's golf, softball, men's and women's track and men's and women's tennis had not received their poster at the time of the review. The Head Men's Soccer Coach stated that his poster was late, but he wants the poster published in June.

Schedule cards - Provided for football, men's and women's basketball, men's and women's soccer, baseball, softball and volleyball (4 men's and 4 women's teams).

Newspaper ads - Published for football and men's and women's basketball separately. Olympic sport (fall and spring season) newspaper ads are published for the group of sports competing in each season.

Game Programs/Roster Cards - All men's and women's teams that have home competition receive a game program or roster card. Football and men's and women's basketball receive souvenir yearbooks for fans to purchase. Men's and women's basketball receive full-color mini posters/roster card for purchase by fans also. The remaining sports receive a roster card that is produced by the Communications staff.

Digital Media - Social Media & Lobo TV (streaming)

Digital media content (graphics, blogs, video recaps TV show, etc.) is provided for game announcements and game promotions for all men's and women's sports via Social Media (Twitter, Instagram, Facebook, etc.) and Lobo TV.

Media Sponsorships for Radio and TV marketing are provided for football and men's and women's basketball home games. The same is provided occasionally for baseball, men's and women's soccer, softball and volleyball.

Game Promotions are also provided in various ways:

Cross promotions (i.e., volleyball at football game) and Social Media promotions are provided for all men's and women's teams. Lobo Sports Properties sells game-day promotions [in-game (i.e.t-shirt throws) and theme game (pink out, military night)], signage and PA announcements for football, men's and women's basketball, men's and women's soccer, baseball, softball and volleyball (4 men's teams and 3 women's teams). In-game promotions and theme game promotions (camp night, pink-out, etc.) were provided, to some extent, for all men's and women's teams.

The head coaches and/or participants of four men's teams (golf, soccer, tennis and track) and six women's teams (golf, tennis, soccer, swimming, track and volleyball) stated that they do their own game promotions or have no promotions at home events due to lack of staff and resources. Women's basketball participants stated that the pink jerseys did not come in for their Breast Cancer Awareness games. The Assistant Football Coach and Head Softball Coach stated that this area is understaffed and deficient in providing services.

On campus promotions include signage and Social Media mostly.

2016-17 and 2017-18 Team Broadcast – Number of Games Streamed to Date

| SPORT | MEN | WOMEN |
|--------------|---------------------|--------------|
| Baseball | 50 games/7 Facebook | NA |

| | | |
|-----------------|---|---|
| Basketball | 2 Games/9 Coach's Show | 28 games/9 Coach's Shows |
| Beach | NA | 0 |
| Football | 0 games/2 NLI Signing Day/24 Coach's Shows/1 Spring Showcase/6 The Rush is On | NA |
| Golf | 0 | 0 |
| Skiing | 0 | 0 |
| Soccer | 23 games/6 Fish Off the Pitch | 16 games |
| Softball | NA | 36 games/3 Facebook |
| Swimming/Diving | NA | 0 |
| Tennis | 0 | 0 |
| Volleyball | NA | 30 games |
| TOTALS | 75 games/55 Coach's Shows & Special Broadcast | 110 games/12 Coach's Shows & Special Broadcast |

Recommendations/Comments

1. The Sports Information (Media Relations) area appears to be equivalent. Once the vacant positions have been filled, services provided to all teams should be more consistent and improve.

UPDATE: in the near future, UNM will add/fill these positions: Associate Director of Communications, Assistant Director of Communications and Lobo TV Productions Director to the Athletic Communications.

2. Overall, the marketing and promotions of men's and women's teams appear to be limited, but equivalent. There are two issues that should be addressed by the Athletic Communication and Marketing & Promotions staffs:

UPDATE: At the time of the review the Director of Marketing position was vacant and remains vacant. When UNM fills that position it should provide the staff with guidance and better organization to ensure each head coach receives the attention necessary when marketing and promoting their teams.

- a. There were four men's teams (golf, soccer, tennis and track) and six women's teams (golf, tennis, soccer, swimming, track and volleyball) that had limited or no game promotions due to lack of staff and resources.

Recommendation: UNM Marketing & Promotions staff should meet with head coaches and discuss game-day promotions for each team. Lobo Sports Properties

should be involved to determine if corporate sponsorships could provide resources used for game-day and in-game promotions. A schedule or promotions plan should be developed and implemented for each team's scheduled home competition.

- b. Three men's teams (golf, tennis and track) and four women's teams (golf, softball, track and tennis) had not received their poster at the time of the review. Posters should be produced and distributed to teams in a timely manner.

Recommendation: The UNM Communications and Marketing & Promotions Staffs should include production timelines for publication of schedule posters in the marketing and promotions plans mentioned above. The production timelines (taking pictures, review of schedule, review of graphic design) should include deadlines for coaches to have each step of the process completed.

10. Recruitment of Student Athletes [34 C.F.R. Section 106.41 (c)]

The Opportunity to Recruit

The opportunity to recruit is virtually synonymous with the opportunity to receive coaching (i.e., availability of coaches). If there are problems in the opportunity to receive coaching due to a lack of coaches, either full and/or part-time, there will usually be a problem in the opportunity to recruit. **The availability of coaches is equivalent at UNM. The maximum number of coaches allowed by NCAA rules were provided for the men's and women's teams. The opportunity to recruit is also equivalent.**

Financial and Other Resources

This is a very difficult area of Title IX, one that is often misinterpreted because some formula for spending is sought in determining compliance. There is no such formula. The standard is whether the needs of the men's and women's programs overall are met on an equivalent basis. Exacerbating the difficulty is the fact that needs fluctuate annually, and each team has different needs.

After determining which items of a team's budget constituted recruitment expenditures, each head coach was asked to address the sufficiency of recruitment funds. The Men's and Women's Basketball Coaches stated that because of UNM's location, they had to fly everywhere to recruit but the recruiting budgets were low but sufficient to recruit where they need to. The Head Football Coach stated that the recruiting budget was adequate. **The head coaches stated that budgets were not sufficient to meet the needs of their recruiting efforts, but they supplement the recruiting budget with fundraised money when needed.**

"Other resources" for recruitment include such items as courtesy cars/car allowances and cell phones which fall under the jurisdiction of Title IX because these are used in recruitment.

Otherwise, both are a fringe benefit of employment, more appropriately addressed under Title VII.

Courtesy Cars/car Allowances: All head and assistant coaches for men's and women's basketball and football are provided courtesy cars to use in recruiting. Volleyball is provided a courtesy car for the head and one assistant coach. The head coaches of the remaining teams are provided courtesy cars for use in recruiting. This means that there were fourteen (14) cars provided for men's teams and eleven (11) provided for women's teams. Several head coaches stated that they would rather receive a car allowance/stipend and handle the purchase and maintenance of the car.

Cell Phones: UNM does not provide cell phones or cell phone stipends to any head or assistant coach. This is unusual for a Division I Athletic program. There are internet-based recruiting programs for recruiting services and NCAA recruitment monitoring that are used extensively by Division I coaches. The Head Volleyball Coach stated that UNM Compliance had asked the coaches to use the NCAA program Jump Forward on their personal phones, but they may not have data plans to support the program. It is noted that most athletic programs (I work with) provide cell phone stipends instead of providing cell phones and data plans.

UPDATE: UNM is looking into providing cell phones for coaches to use in recruiting.

Benefits, Opportunities and Treatment of Prospective Student-Athletes

The following number of prospects made official visits:

| SPORT | 2016-2017 MEN | 2016-2017 WOMEN | 2017-2018 MEN | 2017-2018 WOMEN |
|---------------------|------------------|--------------------|------------------|--------------------|
| Baseball | 18 | NA | 18 | NA |
| Basketball | 12 | 11 | 9 | 7 |
| Beach | NA | 0 | NA | 0 |
| Football | 49 | NA | 37 | NA |
| Golf | 4 | 2 | 5 | 2 |
| Skiing | 0 | 0 | 0 | 0 |
| Soccer | 16 | 13 | 8 | 7 |
| Softball | NA | 8 | NA | 8 |
| Swimming/Diving | NA | 20 | NA | 29 |
| Tennis | 2 | 5 | 1 | 2 |
| Track/Cross Country | 11 | 25 | 8 | 14 |
| Volleyball | NA | 7 | NA | 2 |
| TOTALS | 112 | 91 | 84 | 71 |

Official Visits: Prospective student-athletes are both flown in and driven by automobile. They are lodged on campus (with student-athletes) or in local hotels and provided meals and entertainment on and off campus within NCAA rules. Men's soccer and men's and women's cross country/track do not provide/reimburse mileage and men's soccer did not provide host money. The Head Women's Soccer Coach stated that prospective student-athletes are asked to pay for their official visit expenses and the Head Men's Tennis Coach stated that he rarely does paid official visits due to budget restraints. **The funding for recruiting is limited which means that funding for paid official visits is limited also but appears to be equally limited for men's and women's teams.**

Recommendations/Comments

Recruitment of Student Athletes is equivalent.

Recommendation: Because recruitment of prospective student-athletes is so competitive at the Division I level UNM should consider reviewing the tools provided to coaches for recruiting. As stated above, cell phones/stipends and courtesy car stipends are an integral part of recruiting at most all Division I schools. Because it has become increasingly more difficult to get, maintain and expensive to pay taxes on courtesy cars, car allowances or monthly stipends are provided to head and assistant coaches (especially for sports other than football and basketball).

11. Support Services [34 C.F.R. Section 106.41(c)]

Coaches' primary duty is to teach skills and strategy to student-athletes. Teaching skills and strategy relates to the planning and conduct of practice sessions and competition.

Coaches' secondary (administrative) duties relate to the administration of the overall sport program and include developing competitive schedules, ordering and equipment, planning for away competition (travel, meal and lodging accommodations), planning and conducting recruiting, completing required documents related to sport and governing body policies and procedures, marketing and promotions for the sport program and monitoring student-athlete academic success/eligibility.

The administrative and clerical support provided to an athletic program can affect the overall provision of opportunity to male and female athletes, particularly to the extent that the provided services enable coaches to perform better their coaching functions.

In the provisions of support services, compliance will be assessed by examining, among other factors, the equivalence of:

1. The amount of administrative assistance provided to men's and women's programs;
2. The amount of secretarial and clerical assistance provided to men's and women's

- programs”; and
3. Office space, equipment and supplies. (OCR’s 1990 Title IX Athletics Investigator’s Manual clarifies that this is the third factor that is also part of the support series review.)

Administrative Assistance

Administrative support is difficult to quantify, but difference between the men’s and women’s programs are likely to be revealed in coaches’ availability to athletes; in effect, the number of hours’ coaches must spend on secondary duties. In this area it is important to note that the athletic department is organized in such a way that the number of hours performing secondary duties (administrative/clerical) does not limit availability of the coaches to perform primary duties (teach skills and strategy to student-athletes).

The Director of Athletics (AD) oversees the entire intercollegiate athletics program for men and women and reports to the President of UNM.

Reporting to the AD:

- The Deputy AD for Internal Operations/SWA – Oversees athletic performance areas, training room, equipment room, compliance, facilities and sport oversight for men’s and women’s basketball and women’s golf.
- The Deputy AD FOR External Operations – Oversees marketing, communications, ticket office, LoboTV, Learfield Sports, concessions, UNM's trademarks and licensing program, and UNM's Nike contract and sport oversight for baseball, cross country, football, men's golf and track and field.
- Senior Associate AD – Chief Financial Officer - Oversees all fiscal operations and budget management for UNM Athletics, including the development and administration of capital and operating budgets, strategic financial planning and the establishment and management of financial control systems.
- Senior Associate AD – Facilities - Oversees all athletic facilities, facilities master plan, project management, construction, Lobo Energy, UNM's security plan and the Alumni Letterman's Association.
- Senior Associate AD – Administration - Oversees human resources, equity and diversity, Title IX, Cleary Act and staff development and training and sport oversight for men’s and women’s skiing and swimming/diving.
- Associate AD – Sports Administration – Oversees Lobo Courtesy Car Program and sport oversight for men's and women's tennis, men's and women's soccer, softball, volleyball and beach volleyball.

Directors of Operations – Two men’s teams (basketball and football) and three women’s teams (basketball, soccer, and volleyball) stated that they have a Director of Operations to assist the coaching staffs. The women’s soccer DOPs is a volunteer and the volleyball DOPs is paid out of the volleyball fundraising account. Since secretarial/clerical assistance

is not provided (see next section), the head coaches several head coaches stated that having a Director of Operations (shared DOPs for like sports) would be beneficial.

Secretarial and Clerical Assistance

Clerical staff can be categorized as administrative assistants, secretaries or clericals. Clericals are professional staff or undergraduate students or even team managers. It is not required that there be the same number of equally qualified staff for men's and women's teams, even in like sports (men's and women's basketball). Compliance with this component means that men's and women's coaches spend similar amounts of time (hours/week) performing tasks that could be defined as clerical tasks.

Secretarial/Clerical assistance is provided for the men's basketball and women's basketball staffs. The football staff has two student workers that serve in this capacity. The coaches of the remaining sports handle all secretarial/clerical work. There were no complaints about the lack of secretarial/clerical assistance.

Office Equipment and Supplies

Office space, equipment and supplies are evaluated to ensure that there are no negative or limiting effect on the coaches' ability to efficiently perform their primary duties.

Office equipment and supplies are equivalent – computers, printers, phones, faxes and other office equipment are available for all men's and women's coaching staffs and located in or close to their offices. Office supplies are also provided as needed.

Office Space is equivalent - All men's and women's coaching staffs are provided private offices except men's and women's tennis. The head tennis head coaches have a private office but the assistant coaches for each share one office.

Recommendations/Comments

Support Services is equivalent.

Memorandum of Understanding

TO: Eddie Nunez, Director of Athletics

FROM: Nicole Dopson, Director of Financial Operations

CC: Robert Robinson, Senior Associate Athletic Director
Kara Camp, Accountant 3 for Academic Affairs Fiscal Shared Service

DATE: 5/23/18

SUBJECT: **FY19 Athletics' Fiscal Shared Service Agreement**

This MOU is to finalize the agreement that the Department of Athletics will participate in the Academic Affairs Fiscal Shared Service Center for FY19. This agreement includes the following duties and responsibilities, which are summarized below and detailed in Attachment A. The fiscal advisor assigned to support Athletics is Kara Camp who will act as the primary contact for this unit. However, within the Fiscal Shared Service team additional accounting staff will help with fiscal processing and the director of the center will advise on high level reporting, strategic planning and fiscal analysis; therefore the unit will have access to the entire Fiscal Shared Service team.

Fiscal Duties and Responsibilities:

1. **Fiscal transactional processing:** includes purchasing, reimbursements, payments, collections, money lists and other transactions directly related to fiscal processes
2. **Account reconciliations and forecasts:** multi-year forecasts will be built for each index, monitored and reconciled on a monthly basis
3. **Financial reporting efforts:** includes both internal reporting efforts such as budget development, mid-year projections and categorization of reserves; and external reporting efforts such as the NCAA and EADA annual reports
4. **Fiscal analysis and strategic planning with program leadership:** provide trend analysis, investigate opportunities for new revenue sources and expenditure controls, etc.

Please note the Fiscal Shared Service team acts only as advisors to the department's leadership team and does not make managerial decisions, nor is responsible for the decisions made by the leadership within the unit. The ultimate fiscal responsibility resides within the department's leadership team and director of the unit.

A communication plan will be developed and weekly office hours will be assigned at the direction of Athletics' director (or designee) based on the needs of the unit. Additional information regarding implementation of fiscal shared services can be found in the initial Fiscal Shared Service Proposal attached to this agreement.

Annual Evaluation of Performance:

The Fiscal Shared Service team's goal is to provide quality services, therefore the unit will have the opportunity to provide annual feedback on the performance of the fiscal advisor and the effectiveness of the entire Fiscal Shared Service team during annual staff performance reviews. The fiscal advisor reports directly to the Director of Financial Operations for Academic Affairs, however has responsibility to the director and/or designee of the unit. The director and/or designee will have direct input on the fiscal advisor's annual performance evaluation. If the director is not receiving the support and/or quality of service expected the director of Fiscal Shared Services can assign another fiscal advisor to the unit per approval from the unit director.

Annual Service Fee:

As detailed in the initial Fiscal Shared Service Proposal, additional assessment for this unit will be necessary in order to determine what the appropriate structure should be moving forward. Given this review and the current fiscal situation of Athletics, the annual service fee for FY19 will be waived. The waiver of this fee is dependent on the agreement that the implementation plan in the proposal is followed. If shared services is proven to be successful and cost efficient for the unit an annual service fee will be assessed beginning in FY20 and in future years will be open for renegotiation based on the needs of the unit.

I acknowledge the terms of this agreement, and any changes made to this agreement must be renegotiated between both the parties authorizing this agreement.



Eddie Nunez, Director of Athletics

6.26.18

Date



Nicole Dopson, Director of Financial Operations

7/3/18

Date

ATTACHMENT A

| Fiscal Shared Services |
|---|
| Athletics (ADC/Ivl. 3) all exhibits in this org. |
| Accounting Duties |
| <i>Monthly reconciliations and monthly meetings with program leadership</i> |
| <i>Monthly AR reconciliations</i> |
| <i>Multi-Year forecasts</i> |
| <i>Journal and budget entries</i> |
| <i>Reimbursements and payments in Chrome River</i> |
| <i>Fiscal related EPAFs</i> |
| <i>Labor redistributions</i> |
| <i>Finance approval queues (Banner, Lobomart and Chrome River)</i> |
| <i>Fiscal guidance and strategic planning with program leadership</i> |
| <i>Fiscal communications, guidance and training</i> |
| Purchasing Duties |
| <i>Purchasing with Lobomart (PO processing)</i> |
| <i>Internal purchasing (PR processing)</i> |
| <i>Purchasing with UNM pcard (1)</i> |
| Internal Reporting- |
| <i>Budget Development (Budget and Salary Planner)</i> |
| - Budget development for all program indices |
| <i>Categorization of Reserves (CAR)</i> |
| - Development and presentation of CAR |
| <i>Mid-Year Projections</i> |
| - Development and presentation of projections |
| <i>Telecom/cell phone review (annual review)</i> |
| <i>Fiscal Analysis, special projects and other reporting efforts</i> |
| External Reporting- |
| Athletics Annual Reporting |
| - EADA report (financial part) |
| - NCAA report (financial part) |

(1) This duty will be dependent on the pcard holder review and final recommendation

MEMORANDUM

TO: UNM Athletics Budget Task Force
Chaouki Abdallah, Provost and EVP for Academic Affairs
David W. Harris, EVP for Administration, COO, and CFO

FROM: Nicole Dopson, Director of Financial Operations for Academic Affairs

DATE: May 3, 2018

SUBJECT: Fiscal Shared Services Proposal for Athletics

On April 17, 2018 the Board of Regents approved a deficit reduction plan, which included a variety of cost containment strategies including the concept of centralizing fiscal functions and oversight. This proposal details how this concept can be put into practice and fully implemented through the Academic Affairs Fiscal Shared Service Center. Information regarding the effectiveness of the center can be found in Attachment A. Given the current success of the center and the capacity of the center I believe Athletics can save a minimum of \$150,000 in recurring savings through this effort.

Based on my initial review of Athletics I recommend the following duties and responsibilities move to the service center, which are detailed in Attachment B.

1. **Fiscal transactional processing:** includes purchasing, reimbursements, payments, collections, money lists and other transactions directly related to fiscal processes
2. **Account reconciliations and forecasts:** multi-year forecasts will be built for each index, monitored and reconciled on a monthly basis
3. **Financial reporting efforts:** includes both internal reporting efforts such as budget development, mid-year projections and categorization of reserves; and external reporting efforts such as the NCAA and EADA annual reports
4. **Fiscal analysis and strategic planning with program leadership:** provide trend analysis, investigate opportunities for new revenue sources and expenditure controls, etc.

If this proposal is adopted the following steps will need to be taken to ensure successful onboarding to shared services with the ultimate goal of providing guidance to determine a long-term sustainable fiscal structure that meets the needs of Athletics. A timeline for these next steps is outlined in Attachment C.

Phase I: Assessment of Athletics Fiscal Structure

A full review of the fiscal structure and business practices will need to be assessed by the shared service team. This will require the team to work with HR to meet with the Athletics fiscal staff to get a full understanding of their duties and responsibilities within the department. In addition to meeting with fiscal staff the team will need to meet with Athletics' leadership to better understand the expectations of the shared service team, which would include availability (hours of operations), accessibility to fiscal staff, communication style (via email, phone in person, etc.), etc.

The shared service team will need to get access to all fiscal related documentation and special reporting portals needed to perform the duties listed in this request. This access will include access to all financial

approval queues. During this phase additional review will take place to assess other fiscal related business functions, which will include an assessment of payroll, inventory and cash management practices. We would like to collaborate with Internal Audit on these reviews and will work closely with them on the pending audit recommendation to ensure Athletics is in compliance with the University's fiscal policies. Once the assessment has been completed, I will meet with the Athletics' leadership to discuss my final recommendation for the full implementation of shared services. A fiscal shared service agreement will be drafted based on this assessment, which will take into effect in FY19.

Phase II: Implementation to Fiscal Shared Services

Depending on the outcome of the assessment, which could possibly lead to staffing changes I will work with HR to develop a plan to implement any staff shifts to the shared service team. Once the team has been established, we will work closely with all Athletics' staff to begin implementing shared service practices. Routine meetings and office hours will be established to ensure all fiscal needs are being met, and that necessary communications are continuing as seamless as possible. In order to manage and provide mentorship to staff of the Athletics' fiscal team, all staff will report directly to me and will be located in the shared services office in Scholes Hall.

Phase III: Continuous Review and Evaluation of Fiscal Shared Services

Fiscal shared services is a customer oriented service center, therefore as written into the agreement continuous evaluation of the services provided is part of the agreement. Given the scope and size of Athletics and the additional interest in this department, I would recommend evaluations be setup each quarter throughout the fiscal year to be sure all needs are being met with high quality of services. These evaluations would include an assessment from both Athletics' leadership and staff to be able to provide feedback on what is and is not working. Based on the feedback received the shared service team will adjust services as needed.

We understand the complexity of this organization and need to provide quality services, while maintaining compliance with the University's policies and procedures. By working closely with the central accounting offices in the Controller's Division, Budget Office and Internal Audit, I believe we can get Athletics to a sustainable fiscal structure that has the ability to continue to enhance the experience for our student athletes, community and University as a whole.

Academic Affairs Fiscal Shared Service Center**Why Shared Services?**

Pressures from continued budget reductions lead the director of financial operations in Academic Affairs to explore fiscal shared services as an option to absorb budget shortfalls. After researching shared services and discussion with other institutions and governmental agencies that have moved to shared services a pilot was setup to test fiscal shared services. In FY16 the first unit joined the fiscal shared service center, which has now grown to over 16 units ranging from departments to entire colleges/schools. The center is structured to maximize the skills and abilities of all levels of staff. By organizing duties based on expertise, transactional like duties can be handled by student employees, which frees up capacity for accounting staff to oversee multiple units' accounting and reporting efforts. Overall, the center has saved the University approximately \$1.6M in recurring funds. Savings from these efforts primarily came from the elimination of fiscal positions.

Although the initial purpose was focused around cost savings, additional efficiencies have been gained, which include higher quality of services, better practices and alignment with University policies and procedures, simplified processes which reduce redundancies and allow for fiscal transactions to be completed faster, and improved fiscal controls.

How Shared Services Works?

The service center is on a volunteer basis, therefore each unit has the option to renew its annual service level agreement on a year to year basis. Each unit has a custom service agreement which can vary from fiscal transitional processing to complete fiscal oversight. Having a service level agreement holds the service center accountable to the agreed upon services and quality of support, which is essential to the relationship of the service center and the units the center is serving. Each year the center sends out a survey to evaluate the quality of service the center is providing; this gives the service center opportunity to make improvements on how to better serve each unit.

Each unit is assigned with a fiscal advisor in the center as its point of contact, however the center is comprised of accounting staff that have a variety of accounting experience in both academic and non-academic units across campus. In addition to the fiscal staff, the center values its efforts on hiring undergraduate and graduate students to serve as accounting interns. This gives students an opportunity to get hands-on experience in their field of study, whether it is accounting, finance, and/or business related fields. The center works collectively as a team, using a centralized approach to uniform fiscal processes and structures, provide mentorship opportunities, and cross train staff, therefore if there is turn-over units will continue to receive the same level of service without disruption.

Given the variations of units across campus the service center serves, it is imperative that fiscal advisors have a good understanding of the units' practices and overall mission. Fiscal advisors are tasked frequently to gain knowledge outside of just fiscal practices in order to gain a better understanding of the units they serve. The more the fiscal advisor knows and understands the needs of the unit, the better the fiscal advisor will serve the unit. Ultimately, the mission of the service center is to provide high quality fiscal services, while upholding the University's policies and procedures.

ATTACHMENT B

| Fiscal Shared Services |
|---|
| Athletics (ADC/lvl. 3) all exhibits in this org. |
| Accounting Duties |
| <i>Monthly reconciliations and monthly meetings with program leadership</i> <i>Monthly AR reconciliations</i> <i>Multi-Year forecasts</i> <i>Journal and budget entries</i> <i>Reimbursements and payments in Chrome River</i> <i>Fiscal related EPAFs</i> <i>Labor redistributions</i> <i>Finance approval queues (Banner, Lobomart and Chrome River)</i> <i>Fiscal guidance and strategic planning with program leadership</i> <i>Fiscal communications, guidance and training</i> |
| Purchasing Duties |
| <i>Purchasing with Lobomart (PO processing)</i> <i>Internal purchasing (PR processing)</i> <i>Purchasing with UNM pcard (1)</i> |
| Internal Reporting- |
| <i>Budget Development (Budget and Salary Planner)</i> - Budget development for all program indices <i>Categorization of Reserves (CAR)</i> - Development and presentation of CAR <i>Mid-Year Projections</i> - Development and presentation of projections <i>Telecom/cell phone review (annual review)</i> <i>Fiscal Analysis, special projects and other reporting efforts</i> |
| External Reporting- |
| <i>Athletics Annual Reporting</i> - EADA report (financial part) - NCAA report (financial part) |

(1) This duty will be dependent on the pcard holder review and final recommendation

Athletics Implementation Timeline for Shared Services***Phase I: Assessment of Athletics Fiscal Structure (May-June 2018)***

- 1. Budget Development, Reconciliation, and Forecasting**
 - a. **Chart of accounts review** (look for opportunities to restructure accounts to better manage each program and easily report on monthly basis burn-rate analysis, budget to actuals by unit, etc.)
 - i. **Completed 4/23/17** (FY19 budget was built under the revised structure)
 - b. **Create multi-year forecasts and FY19 budget** (future projections, not just yearly budgets) for reconciliations
 - i. **Completed 4/23/17** (FY19-23 forecasts have been created)
 - ii. Establish internal index list to account for where transactions should post
- 2. Fiscal staffing assessment**
 - a. Work with HR to review current Athletics fiscal staff to determine an appropriate fiscal staffing structure through shared services
 - i. May-June 2018
- 3. Audit existing practices**
 - a. **Pcard:** holders, type of transactions, approvers, etc. (work with Purchasing to make a recommendation on number of holders needed, internal practices around allowable and unallowable transactions, thresholds on pcard purchases for pre-approvals)
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018
 - b. **Inventory management:** review current practices regarding Nike contract, major and minor equipment, and other items (promotional items)
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018
 - c. **Cash management:** review current practices and validate appropriate training for those who manage cash collections in Athletics
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018

Phase II: Implementation to Fiscal Shared Services (June-August 2018)

- 1. Establish an annual Fiscal Shared Service Agreement**
 - a. June 2018 (effective FY19, however will continue support through FY18)
- 2. Budget Development, Reconciliation, and Forecasting**
 - a. **Establish annual budgets** with coaches and program directors
 - i. June 2018
 - ii. Possibly have pre and post sport meetings with coaches to review budgets for their program (vary throughout the year based on the sports' schedules)

- b. **Monthly reconciliation meetings/office hours:** setup monthly meetings with AD and CFO to review budget to actuals, trends, burn-rates and discuss future forecasting, and office hours at Athletics
 - i. June 2018
 - c. Establish appropriate **fiscal approval queues** in order to implement fiscal control
 - i. June 2018
 - d. Migrate **fiscal transactional processing** to fiscal shared services/pcard management to purchasing
 - i. June 2018
- 3. **Fiscal Staffing Assessment**
 - a. Implement proposed fiscal staffing structure to shared services
 - i. July 2018
- 4. **Establish Athletics Policy and Procedures Manual:** work with CFO to develop a business manual detailing out fiscal controls, which include thresholds on purchasing amounts, pre-approvals for expenses, and overall best practices around inventory and fiscal management
 - a. July-August 2018
- 5. **Implement other audit recommendations:** based on initial review some current business practices may have recommendations for change, through the implementation phase these recommendations will be addressed
 - a. July-August 2018

Phase III: Continuous Review and Evaluation of Fiscal Shared Services (July 2018 forward)

- 1. **Establish evaluations of fiscal shared services**
 - a. September 2018
 - b. December 2018
 - c. March 2019
 - d. June 2019

MEMORANDUM

TO: Board of Regents

FROM: Garnett S. Stokes, President

DATE: April 17, 2018

SUBJECT: FY18 Adjustment Request (BAR) for Main Campus Athletics Exhibit 21
FY19 Main Campus Athletics Exhibit 21 Budget Proposal including overall elimination of deficit and satisfying the NM Higher Education Department (HED) Enhanced Fiscal Oversight Program

In consensus with the request made by the Board of Regents at the Budget Summit held on March 22, 2018, I established the UNM Athletics Budget Task Force on March 27, 2018 to address the UNM Athletics' financial situation and the on-going concerns of the New Mexico Higher Education Department. This committee was tasked with determining adequate expenditure authority for the FY18 budget, developing a balanced FY19 budget, and addressing the recurring and accumulated deficit through a sustainable deficit reduction plan to ultimately eliminate these recurring fiscal issues going forward.

The committee has met multiple times since the formation of the task force, and through these discussions and additional analysis the committee has validated current revenues and expenses for FY18, has proposed a budget for FY19 based on realistic revenue and expenditure projections and proposed a balanced budget for FY20 forward. The projected budgets/actuals for FY18 and FY19 are summarized below and are detailed in **Attachment A**.

| | FY18 Revised Budget | FY18 Projected Actuals | Net Change | FY19 Proposed Budget | Net Change |
|-------------------|--------------------------------|---------------------------------------|-----------------------|-------------------------------------|-----------------------|
| Revenue | 33,276,861 | 32,745,994 | (530,867) | 32,097,208 | (648,786) |
| Expenses | 33,276,861 | 33,564,697 | 287,836 | 34,373,643 | 808,946 |
| Net Margin | - | (818,703) | (818,703) | (2,276,435) | (1,457,732) |

Recurring Deficit:

After investigating all fiscal activities for Athletics it was important to first address the recurring deficit and then to address the accumulated deficit forward. Below is the breakdown of the projected recurring deficit, which includes a projected 1% increase accounting for potential inflationary costs, such as expenditure increases, compensation, taxes, tuition and fee increases, etc.

Recurring Deficit

| | |
|---|---------------------------|
| FY20 Projected Recurring Deficit (1) | (2,600,435) |
| Inflationary costs (1% on total expenses) | (337,236) |
| Recurring deficit | <u>(2,937,671)</u> |

Cost containment

| | |
|---------------------------------|-----------|
| Reduction in sports | 1,900,000 |
| Fiscal Shared Services | 150,000 |
| Advising Shared Services | 150,000 |
| Other Shared Services | 100,000 |
| Expenditure reductions/controls | 150,000 |

Grant-aid subsidies

| | |
|--------------------------|---------|
| Tuition waivers | 725,000 |
| Room and board discounts | 250,000 |

Total Recurring Reductions **3,425,000**

Net Change (2) **487,329**

(1) See Attachment A

(2) \$487K would be used for the deficit reduction plan

The committee looked closely at opportunities to collaborate across campus by reallocating resources directly related to student needs, such as grant-in-aid subsidies; find ways to consolidate administrative functions to reduce costs; develop procedures to better manage expenditures; and assess athletic programs for long-term sustainability. The recurring deficit reduction plan proposed above incorporates these strategies collectively, which will generate \$3.4M in cost reduction/reallocation resources. This amount will allow Athletics to no longer operate in a recurring deficit, while freeing up additional resources to contribute to a deficit reduction plan.

If approved, implementation of these reduction/reallocation strategies would be fully implemented in FY20, however to address these strategies within a reasonable timeframe, bridge funding for FY18 and FY19 will be needed in order to balance these budgets.

Deficit Reduction Plan:

After reviewing multiple deficit reduction plan options the committee proposed, each taking a balanced approach by assessing athletic programs and expenses, centralizing core administrative functions through central control, and providing tuition and other student cost waivers to our student athletes, I propose the following plan in order to eliminate the accumulated deficit. The proposed plan's fiscal impact is detailed in **Attachment B** and summarized below.

Proposed 10 Year Deficit Reduction Plan (FY20-FY29): The proposed plan utilizes funding from the land sale proceeds to bridge Athletics through FY18 and FY19, until the recurring deficit is resolved in FY20. In FY20 Athletics begins to pay down the remaining accumulated deficit by \$487,329 per year until the accumulated deficit is paid off in FY29. In total the land sale proceeds would contribute **\$1,603,246** to this reduction plan.

ATTACHMENT A

| | FY18 Revised Budget | FY18 Projected Actuals | FY19 Proposed Budget | FY20 Proposed Budget (Recurring) |
|--|--------------------------------|---------------------------------------|-------------------------------------|---|
| Revenue | | | | |
| NCAA/Mountain West Conference | 5,200,000 | 4,638,299 | 4,750,000 | 4,750,000 |
| Media Rights/Sponsorship/Licensing/Commissions/Naming Rights | 5,965,500 | 5,865,500 | 6,625,000 | 6,625,000 |
| Ticket Sales/Game Guarantees | 7,222,000 | 7,330,182 | 6,590,000 | 6,590,000 |
| Student Fees | 3,883,402 | 3,851,603 | 3,681,708 | 3,681,708 |
| Fundraising | 3,072,800 | 2,200,000 | 2,400,000 | 2,400,000 |
| State Appropriation | 2,617,300 | 2,617,300 | 2,641,500 | 2,641,500 |
| Facility Rental/Merchandise/Misc/GIK/other revenues | 4,591,826 | 4,739,077 | 4,435,000 | 4,435,000 |
| Transfers to/from Campus | 1,074,033 | 1,504,033 | 974,000 | - |
| Deficit Reduction | (350,000) | - | - | - |
| Total | 33,276,861 | 32,745,994 | 32,097,208 | 31,123,208 |
| Expenses | | | | |
| Personnel | 14,178,956 | 14,452,231 | 15,281,877 | 14,631,877 |
| Supplies/Services/Fees | 9,132,400 | 7,475,983 | 7,469,683 | 7,469,683 |
| Travel | 2,955,745 | 3,543,489 | 3,540,989 | 3,540,989 |
| Recruiting | 686,823 | 812,777 | 812,777 | 812,777 |
| Grant-in-Aid | 5,024,660 | 5,352,532 | 5,340,632 | 5,340,632 |
| Student/Food Costs | 630,627 | 1,103,558 | 1,103,558 | 1,103,558 |
| Plant Maintenance | 667,650 | 824,127 | 824,127 | 824,127 |
| Total | 33,276,861 | 33,564,697 | 34,373,643 | 33,723,643 |
| Net Balance (1) | - | (818,703) | (2,276,435) | (2,600,435) |

(1) Does not include current accumulated deficit or proposed 10 year deficit reduction plan. See attachment B for details regarding proposed deficit reduction plan.

Proposed 10 Year Deficit Reduction Plan: FY20-FY29 (includes \$1.7M land sale proceeds contribution)

| Accumulated Deficit | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Beginning balance | (4,713,999) | (4,713,999) | (4,713,999) | (4,226,670) | (3,739,342) | (3,252,013) | (2,764,685) | (2,277,356) | (1,790,028) | (1,302,699) | (815,370) | (328,042) |
| Net balance | (818,703) | (2,276,435) | (2,600,435) | - | - | - | - | - | - | - | - | - |
| Projected ending balance | (5,532,702) | (6,990,434) | (7,314,434) | (4,226,670) | (3,739,342) | (3,252,013) | (2,764,685) | (2,277,356) | (1,790,028) | (1,302,699) | (815,370) | (328,042) |
| One-time Resources | | | | | | | | | | | | |
| Land sale proceeds | 814,207 | 789,039 | | | | | | | | | | |
| Athletics vacancy savings | 4,496 | 96,396 | | | | | | | | | | |
| Institutional support | | 641,000 | | | | | | | | | | |
| Grant-aid subsidies | | 750,000 | | | | | | | | | | |
| Recurring Reductions/Resources (1) | | | | | | | | | | | | |
| Cost containment | | | 2,112,764 | | | | | | | | | |
| Grant-aid subsidies | | | 975,000 | | | | | | | | | |
| Deficit reduction plan | | | | 487,329 | 487,329 | 487,329 | 487,329 | 487,329 | 487,329 | 487,329 | 487,329 | 328,042 |
| Ending balance | (4,713,999) | (4,713,999) | (4,226,670) | (3,739,342) | (3,252,013) | (2,764,685) | (2,277,356) | (1,790,028) | (1,302,699) | (815,370) | (328,042) | 0 |
| Land sale proceeds contribution | <u>1,603,246</u> | | | | | | | | | | | |

(1) Includes contingency for inflationary costs at 1% of expenses and funding to pay down the accumulated deficit.



Athletics' Revised FY18 Budget and Projected Actuals (Exhibit P21)
Updated FY18 Projected Actuals through May 31st, 2018

Schedule A: (FY18 Revised Budget and Projected Actuals) This schedule details out pooled revenues and directed revenues by sport for FY18 revised budget and FY18 projected year-end actuals. Please note that a majority of revenues are pooled centrally into Athletics and are not distributed by sport, however ticket sales and game guarantees are distributed by sport.

Projected expenses are based on actual posted expenses through May 31st, 2018, including salary and fringe expenses through the fiscal year-end. Additional non-labor expenses will continue to post through fiscal year-end on June, 30th, 2018.

Schedule B: (Expenses by Sports) This schedule details out FY18 revised expense budget, FY18 projected expense actuals and FY19 expense budget by sport. Grant-in-Aid expenses have been detailed out by sport, as well as current transfers to sport enhancement accounts. Additional transfers will be processed through the end of the fiscal year.

Please note that FY18 projected actuals accounts for all salary and fringe expenses through the fiscal year end, however non-salary expenses are only projected based on actuals through May 31st, 2018. Additional non-labor expenses will continue to post through fiscal year-end on June, 30th, 2018.

Schedule C: (Summary by Sport) This schedule summarizes FY18 revised expense budget and FY18 projected expense budget by sport. Please note that FY18 projected actuals projects all salary and fringe expenses through the fiscal year end, however non-salary expenses are only projected based on actuals through May 31st, 2018. Additional non-labor expenses will continue to post through fiscal year-end on June, 30th, 2018.

Schedule D: (Lobo Club Fundraising Information) This schedule details Lobo Club fundraising efforts, operating budget, and Lobo Scholarship Fund (LSF) transfer by sport.


Schedule A
FY18 and FY19 Budget and FY18 Projected Actuals by Exhibit P21

| Revenue/Expense Description | FY18 Original Budget | FY18 Revised Budget | FY18 Projected Actuals (1) (2) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
|--|----------------------|---------------------|--------------------------------|-------------------|---|-------------------------------------|
| Pooled Revenues (1) | | | | | | |
| NCAA/Mountain West Conference | 5,200,000 | 4,638,299 | 4,766,295 | 4,750,000 | (127,996) | 111,701 |
| Media Rights/Sponsorship/Licensing/Commissions/Naming Rights | 5,965,500 | 5,865,500 | 5,808,500 | 6,625,000 | 57,000 | 759,500 |
| Student Fees | 4,000,000 | 3,851,603 | 3,851,603 | 3,681,708 | - | (169,895) |
| Fundraising | 3,100,000 | 2,200,000 | 2,200,000 | 2,400,000 | - | 200,000 |
| State Appropriation | 2,617,300 | 2,617,300 | 2,617,300 | 2,641,500 | - | 24,200 |
| Facility Rental/Merchandise/GIK | 2,681,626 | 2,540,077 | 2,498,032 | 2,400,000 | 42,045 | (140,077) |
| Special Events and Other Revenues | 2,450,000 | 2,199,000 | 2,958,294 | 2,035,000 | (759,294) | (164,000) |
| Transfers to/from Campus | (146,043) | 1,504,033 | 1,588,784 | 974,000 | (84,751) | (530,033) |
| Land Proceed Transfer | - | 814,207 | 814,207 | 789,039 | - | (25,168) |
| Sub-total | 25,868,383 | 26,230,019 | 27,103,016 | 26,296,247 | (872,997) | 66,228 |
| Directed Revenues (by Sports) | | | | | | |
| Men's Basketball Tickets | 4,200,000 | 3,653,733 | 3,653,733 | 3,800,000 | - | 146,267 |
| Football Tickets | 1,900,000 | 1,539,833 | 1,539,833 | 1,200,000 | - | (339,833) |
| Women's Basketball Tickets | 330,000 | 398,630 | 398,630 | 375,000 | - | (23,630) |
| Other Sports Tickets (3) | 115,000 | 194,362 | 144,832 | 115,000 | 49,530 | (79,362) |
| Football Game Guarantees | 1,100,000 | 1,543,624 | 1,600,000 | 1,100,000 | (56,376) | (443,624) |
| Sub-total | 7,645,000 | 7,330,182 | 7,337,028 | 6,590,000 | (6,846) | (740,182) |
| Total | 33,513,383 | 33,560,201 | 34,440,043 | 32,886,247 | (879,842) | (673,954) |
| Expenses (2) | | | | | | |
| Salaries | 10,717,382 | 10,986,161 | 10,959,073 | 11,272,844 | 27,088 | 286,683 |
| Payroll Benefits | 3,461,574 | 3,461,574 | 3,118,080 | 3,271,643 | 343,494 | (189,931) |
| Communication Charges | 60,949 | 60,899 | 84,338 | 110,268 | (23,439) | 49,369 |
| Other Expense | 4,150,256 | 3,336,718 | 2,961,851 | 782,164 | 374,867 | (2,554,554) |
| Patient Care Costs | 58,550 | 53,550 | 149,079 | 98,300 | (95,529) | 44,750 |
| Plant Maintenance | 123,750 | 272,827 | 270,803 | 250,457 | 2,024 | (22,370) |
| Services | 3,757,852 | 3,193,323 | 4,314,887 | 4,967,038 | (1,121,564) | 1,773,715 |
| Student Costs | 577,077 | 1,525,559 | 1,240,404 | 894,190 | 285,155 | (631,369) |
| Grant-in-Aid | 5,024,660 | 4,876,981 | 4,876,981 | 4,800,000 | - | (76,981) |
| Supplies | 1,477,057 | 968,343 | 1,507,598 | 2,055,696 | (539,255) | 1,087,353 |
| Travel | 3,552,976 | 4,272,966 | 3,914,361 | 3,809,977 | 358,605 | (462,989) |
| Utilities | 551,300 | 551,300 | 441,724 | 573,670 | 109,576 | 22,370 |
| Total | 33,513,383 | 33,560,201 | 33,839,180 | 32,886,247 | (278,979) | (673,954) |
| Net | - | - | 600,863 | - | (600,863) | - |

(1) Revenues based on projected actuals through fiscal year-end 6/30/18

(2) Expenses based on fiscal year to date on non-salary expenses through 5/31/18, however projects salaries and fringes through 6/30/18

(3) Other sports tickets include mens and womens soccer and track, baseball, softball, and volleyball

FY18-19 Budgeted Expenses and FY18 Projected Actuals by Sport Exhibit P21 (1)

| Football | | | | | |
|--------------------------------|------------------------|---|------------------------|--|--|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 2,642,615 | 2,651,220 | 2,615,585 | (8,605) | (27,030) |
| Payroll Benefits | 758,914 | 793,844 | 804,797 | (34,930) | 45,883 |
| Communication Charges | 7,300 | 22,177 | 28,550 | (14,877) | 21,250 |
| Other Expense | 69,785 | 49,836 | 128,776 | 19,949 | 58,991 |
| Patient Care Costs | 20,500 | 40,748 | 18,000 | (20,248) | (2,500) |
| Plant Maintenance | - | 109,135 | 83,407 | (109,135) | 83,407 |
| Services | 887,279 | 760,671 | 1,003,600 | 126,608 | 116,321 |
| Student Costs | 125,000 | 378,555 | - | (253,555) | (125,000) |
| Grant-in-Aid | 1,724,282 | 1,724,282 | - | - | (1,724,282) |
| Supplies | 329,655 | 332,344 | 305,350 | (2,689) | (24,305) |
| Travel | 1,381,500 | 1,402,495 | 1,275,550 | (20,995) | (105,950) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | 9,658 | 7,800 | (9,658) | 7,800 |
| Total | 7,946,829 | 8,274,965 | 6,271,415 | (328,136) | (1,675,414) |

| Men's Baseball | | | | | |
|--------------------------------|------------------------|---|------------------------|--|--|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 357,673 | 357,934 | 370,172 | (261) | 12,499 |
| Payroll Benefits | 107,302 | 107,438 | 114,609 | (136) | 7,307 |
| Communication Charges | 1,630 | 140 | 1,460 | 1,490 | (170) |
| Other Expense | 4,980 | 6,171 | 7,852 | (1,191) | 2,872 |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | - | 3,900 | - | 3,900 |
| Services | - | 26,164 | 66,260 | (26,164) | 66,260 |
| Student Costs | 5,000 | 11,726 | - | (6,726) | (5,000) |
| Grant-in-Aid | 233,545 | 233,545 | - | - | (233,545) |
| Supplies | 132,905 | 115,980 | 78,230 | 16,925 | (54,675) |
| Travel | 170,675 | 217,565 | 168,100 | (46,890) | (2,575) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 1,013,710 | 1,076,664 | 810,583 | (62,954) | (203,127) |

| Women's Softball | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 183,877 | 190,509 | 180,000 | (6,632) | (3,877) |
| Payroll Benefits | 55,058 | 56,834 | 65,294 | (1,776) | 10,237 |
| Communication Charges | 1,300 | 2,419 | 2,400 | (1,119) | 1,100 |
| Other Expense | 10,028 | 4,002 | 3,942 | 6,026 | (6,086) |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 6,705 | 2,300 | (6,705) | 2,300 |
| Services | 39,304 | 10,993 | 8,800 | 28,311 | (30,504) |
| Student Costs | 2,000 | - | - | 2,000 | (2,000) |
| Grant-in-Aid | 238,818 | 238,818 | - | - | (238,818) |
| Supplies | 21,023 | 35,254 | 27,300 | (14,231) | 6,277 |
| Travel | 140,588 | 141,441 | 140,100 | (853) | (488) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 691,996 | 686,975 | 430,136 | 5,020 | (261,860) |

| Men's Basketball | | | | | |
|--------------------------------|------------------|----------------------------|------------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 1,847,476 | 1,882,566 | 1,998,965 | (35,090) | 151,489 |
| Payroll Benefits | 541,784 | 550,821 | 402,335 | (9,037) | (139,449) |
| Communication Charges | 4,900 | 8,950 | 15,560 | (4,050) | 10,660 |
| Other Expense | 79,613 | 33,591 | 59,150 | 46,022 | (20,463) |
| Patient Care Costs | 10,000 | 9,128 | 7,500 | 872 | (2,500) |
| Plant Maintenance | 6,000 | 15,901 | 34,900 | (9,901) | 28,900 |
| Services | 759,164 | 632,165 | 746,240 | 126,999 | (12,924) |
| Student Costs | 66,300 | 91,347 | - | (25,047) | (66,300) |
| Grant-in-Aid | 275,374 | 275,374 | - | - | (275,374) |
| Supplies | 69,950 | 101,184 | 103,850 | (31,234) | 33,900 |
| Travel | 514,950 | 558,197 | 506,500 | (43,247) | (8,450) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | 730 | - | (730) | - |
| Total | 4,175,511 | 4,159,954 | 3,875,000 | 15,557 | (300,511) |

| Women's Basketball | | | | | |
|--------------------------------|------------------|----------------------------|------------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 732,613 | 757,472 | 768,086 | (24,859) | 35,473 |
| Payroll Benefits | 210,049 | 217,907 | 258,590 | (7,858) | 48,541 |
| Communication Charges | 2,800 | 1,472 | 2,920 | 1,328 | 120 |
| Other Expense | 20,064 | 13,263 | 16,319 | 6,801 | (3,745) |
| Patient Care Costs | 3,500 | 245 | - | 3,255 | (3,500) |
| Plant Maintenance | 500 | 7,070 | 7,400 | (6,570) | 6,900 |
| Services | 328,846 | 276,513 | 290,250 | 52,333 | (38,596) |
| Student Costs | 28,500 | 25,342 | - | 3,158 | (28,500) |
| Grant-in-Aid | 239,448 | 239,448 | - | - | (239,448) |
| Supplies | 71,800 | 39,347 | 48,850 | 32,453 | (22,950) |
| Travel | 337,371 | 302,011 | 261,000 | 35,360 | (76,371) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | 1,325 | - | (1,325) | - |
| Total | 1,975,491 | 1,881,415 | 1,653,415 | 94,076 | (322,076) |

| Men's Soccer | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 233,268 | 240,142 | 246,469 | (6,874) | 13,201 |
| Payroll Benefits | 68,391 | 71,021 | 84,310 | (2,630) | 15,919 |
| Communication Charges | 1,900 | 1,260 | 2,420 | 640 | 520 |
| Other Expense | 13,175 | 2,545 | 5,628 | 10,630 | (7,547) |
| Patient Care Costs | - | 510 | 1,000 | (510) | 1,000 |
| Plant Maintenance | - | - | - | - | - |
| Services | 42,661 | 24,947 | 34,025 | 17,714 | (8,636) |
| Student Costs | 3,750 | 673 | - | 3,077 | (3,750) |
| Grant-in-Aid | 213,722 | 213,722 | - | - | (213,722) |
| Supplies | 9,725 | 25,925 | 31,125 | (16,200) | 21,400 |
| Travel | 121,024 | 179,422 | 128,750 | (58,398) | 7,726 |
| Sport Enhancements (transfers) | - | (66,782) | - | 66,782 | - |
| Utilities | - | - | - | - | - |
| Total | 707,615 | 693,385 | 533,727 | 14,231 | (173,888) |

| Women's Soccer | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 190,000 | 200,178 | 196,000 | (10,178) | 6,000 |
| Payroll Benefits | 57,000 | 59,301 | 70,889 | (2,301) | 13,889 |
| Communication Charges | 950 | 550 | 1,060 | 400 | 110 |
| Other Expense | 8,897 | 2,352 | 3,491 | 6,545 | (5,406) |
| Patient Care Costs | - | 1,524 | - | (1,524) | - |
| Plant Maintenance | - | - | - | - | - |
| Services | 22,462 | 16,830 | 4,200 | 5,632 | (18,262) |
| Student Costs | 6,500 | 3,447 | - | 3,053 | (6,500) |
| Grant-in-Aid | 304,393 | 304,393 | - | - | (304,393) |
| Supplies | 3,300 | 11,253 | 15,250 | (7,953) | 11,950 |
| Travel | 128,770 | 136,669 | 123,100 | (7,899) | (5,670) |
| Sport Enhancements (transfers) | - | (15,318) | - | 15,318 | - |
| Utilities | - | - | - | - | - |
| Total | 722,272 | 721,178 | 413,990 | 1,094 | (308,282) |

| Men's Golf | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 163,000 | 164,153 | 163,000 | (1,153) | - |
| Payroll Benefits | 48,900 | 49,030 | 60,816 | (130) | 11,916 |
| Communication Charges | - | 454 | 320 | (454) | 320 |
| Other Expense | 1,290 | 1,026 | 2,534 | 264 | 1,244 |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | - | 1,300 | - | 1,300 |
| Services | - | 4,431 | 3,450 | (4,431) | 3,450 |
| Student Costs | 1,321 | 1,207 | - | 114 | (1,321) |
| Grant-in-Aid | 97,381 | 97,381 | - | - | (97,381) |
| Supplies | 2,692 | 13,167 | 21,475 | (10,475) | 18,783 |
| Travel | 62,690 | 107,212 | 67,250 | (44,522) | 4,560 |
| Sport Enhancements (transfers) | - | (58,191) | - | 58,191 | - |
| Utilities | 1,800 | 510 | 520 | 1,290 | (1,280) |
| Total | 379,074 | 380,381 | 320,665 | (1,306) | (58,409) |

| Women's Golf | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 139,905 | 140,464 | 144,905 | (559) | 5,000 |
| Payroll Benefits | 41,972 | 42,093 | 54,064 | (122) | 12,093 |
| Communication Charges | - | 314 | 560 | (314) | 560 |
| Other Expense | 1,021 | 1,278 | 7,319 | (257) | 6,298 |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | - | - | - | - |
| Services | 4,200 | 15,809 | 8,800 | (11,609) | 4,600 |
| Student Costs | 568 | 6,939 | - | (6,371) | (568) |
| Grant-in-Aid | 113,191 | 113,191 | - | - | (113,191) |
| Supplies | 8,428 | 11,822 | 13,560 | (3,394) | 5,132 |
| Travel | 55,821 | 54,522 | 60,000 | 1,299 | 4,179 |
| Sport Enhancements (transfers) | - | (7,430) | - | 7,430 | - |
| Utilities | - | 510 | 350 | (510) | 350 |
| Total | 365,106 | 379,512 | 289,558 | (14,406) | (75,548) |

| Men's Tennis | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 103,000 | 105,161 | 104,900 | (2,161) | 1,900 |
| Payroll Benefits | 30,900 | 31,131 | 38,577 | (231) | 7,677 |
| Communication Charges | - | 248 | 290 | (248) | 290 |
| Other Expense | 809 | 1,275 | 2,750 | (466) | 1,941 |
| Patient Care Costs | 1,000 | - | - | 1,000 | (1,000) |
| Plant Maintenance | - | 532 | - | (532) | - |
| Services | 9,406 | 18,482 | 15,810 | (9,076) | 6,404 |
| Student Costs | 3,000 | 2,029 | - | 971 | (3,000) |
| Grant-in-Aid | 53,071 | 53,071 | - | - | (53,071) |
| Supplies | 15,248 | 19,399 | 28,300 | (4,151) | 13,052 |
| Travel | 48,800 | 59,224 | 53,700 | (10,424) | 4,900 |
| Sport Enhancements (transfers) | - | (14,378) | - | 14,378 | - |
| Utilities | - | - | - | - | - |
| Total | 265,234 | 276,172 | 244,327 | (10,938) | (20,907) |

| Women's Tennis | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 105,000 | 105,745 | 67,000 | (745) | (38,000) |
| Payroll Benefits | 31,500 | 31,691 | 39,176 | (191) | 7,676 |
| Communication Charges | 100 | 605 | 610 | (505) | 510 |
| Other Expense | 2,086 | 1,245 | 7,481 | 841 | 5,395 |
| Patient Care Costs | - | 75 | - | (75) | - |
| Plant Maintenance | - | - | - | - | - |
| Services | 7,000 | 14,953 | 17,910 | (7,953) | 10,910 |
| Student Costs | 2,000 | 1,536 | - | 464 | (2,000) |
| Grant-in-Aid | 157,622 | 157,622 | - | - | (157,622) |
| Supplies | 15,367 | 13,440 | 13,615 | 1,927 | (1,752) |
| Travel | 49,538 | 51,727 | 50,500 | (2,189) | 962 |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 370,213 | 378,638 | 196,292 | (8,425) | (173,921) |

| Cross Country (M/W) | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 153,188 | 158,729 | 153,188 | (5,542) | 1 |
| Payroll Benefits | 45,956 | 46,739 | 57,154 | (783) | 11,198 |
| Communication Charges | - | - | - | - | - |
| Other Expense | 9,482 | 3,795 | 2,885 | 5,687 | (6,597) |
| Patient Care Costs | - | 642 | - | (642) | - |
| Plant Maintenance | - | - | - | - | - |
| Services | 6,710 | 26,129 | 6,750 | (19,419) | 40 |
| Student Costs | 4,000 | 1,699 | - | 2,301 | (4,000) |
| Grant-in-Aid | 314,034 | 314,034 | - | - | (314,034) |
| Supplies | 15,519 | 32,068 | 17,813 | (16,549) | 2,295 |
| Travel | 110,490 | 103,258 | 97,600 | 7,232 | (12,890) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 659,378 | 687,093 | 335,390 | (27,715) | (323,988) |

| Track (M/W) | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 153,188 | 158,729 | 153,188 | (5,542) | 1 |
| Payroll Benefits | 45,956 | 46,739 | 57,154 | (783) | 11,198 |
| Communication Charges | 2,540 | 500 | 560 | 2,040 | (1,980) |
| Other Expense | 9,482 | 3,795 | 3,078 | 5,687 | (6,404) |
| Patient Care Costs | - | 642 | - | (642) | - |
| Plant Maintenance | - | 5,505 | 12,350 | (5,505) | 12,350 |
| Services | 6,710 | 26,129 | 6,750 | (19,419) | 40 |
| Student Costs | 4,000 | 1,699 | - | 2,301 | (4,000) |
| Grant-in-Aid | 314,034 | 314,034 | - | - | (314,034) |
| Supplies | 15,519 | 32,068 | 17,813 | (16,549) | 2,295 |
| Travel | 110,490 | 103,258 | 97,600 | 7,232 | (12,890) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 661,918 | 693,097 | 348,493 | (31,179) | (313,425) |

| Women's Volleyball | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 132,919 | 138,269 | 121,514 | (5,350) | (11,405) |
| Payroll Benefits | 39,876 | 40,545 | 42,351 | (669) | 2,475 |
| Communication Charges | 2,100 | 1,159 | 1,605 | 941 | (495) |
| Other Expense | 32,456 | 2,460 | 3,372 | 29,996 | (29,084) |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 15,264 | 15,300 | (15,264) | 15,300 |
| Services | 49,877 | 38,732 | 42,950 | 11,145 | (6,927) |
| Student Costs | 10,500 | 7,911 | - | 2,589 | (10,500) |
| Grant-in-Aid | 229,360 | 229,360 | - | - | (229,360) |
| Supplies | 17,600 | 15,683 | 25,650 | 1,917 | 8,050 |
| Travel | 92,021 | 97,260 | 84,650 | (5,239) | (7,371) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 606,708 | 586,643 | 337,392 | 20,065 | (269,316) |

| Sand Volleyball | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 132,919 | 132,919 | 113,514 | - | (19,405) |
| Payroll Benefits | 39,876 | 39,876 | 42,351 | - | 2,475 |
| Communication Charges | - | - | - | - | - |
| Other Expense | 5,000 | 546 | 1,174 | 4,454 | (3,826) |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 3,000 | 3,000 | (3,000) | 3,000 |
| Services | - | 3,150 | - | (3,150) | - |
| Student Costs | - | 26 | - | (26) | - |
| Grant-in-Aid | 38,957 | 38,957 | - | - | (38,957) |
| Supplies | - | 505 | 500 | (505) | 500 |
| Travel | 15,000 | 31,763 | 22,750 | (16,763) | 7,750 |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 231,751 | 250,741 | 183,289 | (18,990) | (48,462) |

| Skiing (M/W) | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 132,163 | 138,616 | 132,162 | (6,453) | (1) |
| Payroll Benefits | 39,649 | 47,777 | 49,310 | (8,128) | 9,661 |
| Communication Charges | - | 310 | 350 | (310) | 350 |
| Other Expense | 165,098 | 2,387 | 14,874 | 162,711 | (150,224) |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 7,524 | 9,600 | (7,524) | 9,600 |
| Services | - | 7,491 | 7,000 | (7,491) | 7,000 |
| Student Costs | - | 1,159 | - | (1,159) | - |
| Grant-in-Aid | 137,010 | 137,010 | - | - | (137,010) |
| Supplies | - | 29,999 | 26,260 | (29,999) | 26,260 |
| Travel | - | 108,536 | 102,950 | (108,536) | 102,950 |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 473,920 | 480,810 | 342,506 | (6,889) | (131,414) |

| Swimming/Diving | | | | | |
|--------------------------------|----------------|----------------------------|----------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 146,000 | 146,000 | 146,000 | - | - |
| Payroll Benefits | 43,800 | 43,800 | 54,473 | - | 10,673 |
| Communication Charges | 550 | 303 | 350 | 248 | (200) |
| Other Expense | 2,194 | 1,938 | 3,251 | 256 | 1,057 |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | - | - | - | - |
| Services | 525 | 918 | 1,200 | (393) | 675 |
| Student Costs | 3,800 | 428 | - | 3,372 | (3,800) |
| Grant-in-Aid | 192,740 | 192,740 | - | - | (192,740) |
| Supplies | 17,500 | 31,195 | 32,195 | (13,695) | 14,695 |
| Travel | 112,708 | 96,609 | 95,900 | 16,099 | (16,808) |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 519,817 | 513,930 | 333,369 | 5,886 | (186,448) |

| Spirit | | | | | |
|--------------------------------|---------------|----------------------------|---------------|---|-------------------------------------|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | - | 4,533 | - | (4,533) | - |
| Payroll Benefits | - | 617 | - | (617) | - |
| Communication Charges | - | 225 | - | (225) | - |
| Other Expense | 612 | 1,526 | 960 | (914) | 348 |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 300 | 500 | (300) | 500 |
| Services | 6,856 | 11,332 | 11,525 | (4,476) | 4,669 |
| Student Costs | - | - | - | - | - |
| Grant-in-Aid | - | - | - | - | - |
| Supplies | 11,000 | 18,141 | 19,800 | (7,141) | 8,800 |
| Travel | 20,500 | 73,843 | 32,200 | (53,343) | 11,700 |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 38,968 | 110,516 | 64,985 | (71,548) | 26,017 |

| Pooled Grant-in-aid (all sports) (2) | | | | | |
|---|--------------------|-----------------------------------|--------------------|--|--|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | - | - | - | - | - |
| Payroll Benefits | - | - | - | - | - |
| Communication Charges | - | 325 | - | (325) | - |
| Other Expense | 100,000 | 29,765 | 88,205 | 70,235 | (11,795) |
| Patient Care Costs | - | - | - | - | - |
| Plant Maintenance | - | 4,837 | - | (4,837) | - |
| Services | - | 20,669 | - | (20,669) | - |
| Student Costs | 101,666 | 372,830 | 5,880,317 | (271,164) | 5,778,651 |
| Grant-in-Aid | - | - | - | - | - |
| Supplies | 32,000 | 16,878 | - | 15,122 | (32,000) |
| Travel | - | - | - | - | - |
| Sport Enhancements (transfers) | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Total | 233,666 | 445,304 | 5,968,522 | (211,638) | 5,734,856 |

| Administration/Events/Other Operating (4) | | | | | |
|--|--------------------|-----------------------------------|--------------------|--|--|
| Expense Description | FY18 Budget | FY18 Projected Actuals (3) | FY19 Budget | FY18 Budget to Projected Actuals Variance | FY19 Budget to FY18 Budget Variance |
| Salaries | 3,437,359 | 3,285,735 | 3,598,196 | 151,624 | 160,837 |
| Payroll Benefits | 1,254,693 | 840,878 | 975,393 | 413,815 | (279,300) |
| Communication Charges | 34,829 | 42,928 | 51,253 | (8,099) | 16,424 |
| Other Expense | 2,800,647 | 2,799,055 | 419,123 | 1,592 | (2,381,524) |
| Patient Care Costs | 18,550 | 95,566 | 71,800 | (77,016) | 53,250 |
| Plant Maintenance | 266,327 | 95,029 | 76,500 | 171,298 | (189,827) |
| Services | 1,022,323 | 2,378,380 | 2,691,518 | (1,356,057) | 1,669,195 |
| Student Costs | 1,157,654 | 331,852 | - | 825,802 | (1,157,654) |
| Supplies | 179,113 | 644,631 | 1,228,760 | (465,518) | 1,049,647 |
| Travel | 800,030 | 218,762 | 255,650 | 581,268 | (544,380) |
| Utilities | 549,500 | 428,991 | 565,000 | 120,509 | 15,500 |
| Total | 11,521,025 | 11,161,806 | 9,933,193 | 359,218 | (1,587,831) |

| | | | | | |
|--------------|-------------------|-------------------|-------------------|------------------|------------------|
| Total | 33,560,201 | 33,839,180 | 32,886,247 | (278,979) | (673,954) |
|--------------|-------------------|-------------------|-------------------|------------------|------------------|

(1) Does not include special events and bowl games

(2) A majority of grant-in-aid was pooled into one account for FY18, however has been broken out by sport based on actuals through 5/31/18. In FY19 grant-in-aid was budgeted in a pooled account, however will be allocated by sport based on actuals each semester the expenses post.

(3) Fiscal year to date on non-salary expenses through 5/31/18, however projects salaries and fringes through 6/30/18

(4) Includes Events Management, Special Events, Bowl Games, Championships, Gifts-in-Kind, Parking, Concessions, Ticket Office, Administration, Business Office, Leagues and Clubs, Compliance, Advisement, Facility Rentals, Sports Camps, Utilities, Student Assistance Funds, Life skills, LobocClub, Pre Season Training, Athletic Vans, Insurance, Marketing and Media Relations



Schedule C

FY18 Budgeted Expenses and Projected Actuals by Sport Exhibit P21 (1)

| FY18 Revised Budget | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|-----------|----------------|------------------|------------------|--------------------|--------------|----------------|------------|--------------|--------------|----------------|---------------------|-------------|--------------------|-----------------|--------------|------------------|----------------|------------------|------------|------------|
| Expense Description | Football | Men's Baseball | Women's Softball | Men's Basketball | Women's Basketball | Men's Soccer | Women's Soccer | Men's Golf | Women's Golf | Men's Tennis | Women's Tennis | Cross Country (M/W) | Track (M/W) | Women's Volleyball | Sand Volleyball | Skiing (M/W) | Swimming/ Diving | Spirit Program | Grant-In Aid (2) | Total | % of Total |
| Salaries | 2,642,615 | 357,673 | 183,877 | 1,847,476 | 732,613 | 233,268 | 190,000 | 163,000 | 139,905 | 103,000 | 105,000 | 153,188 | 153,188 | 132,919 | 132,919 | 132,163 | 146,000 | - | - | 7,548,802 | 34.25% |
| Payroll Benefits | 758,914 | 107,302 | 55,058 | 541,784 | 210,049 | 68,391 | 57,000 | 48,900 | 41,972 | 30,900 | 31,500 | 45,956 | 45,956 | 39,876 | 39,876 | 39,649 | 43,800 | - | - | 2,206,881 | 10.01% |
| Communication Charges | 7,300 | 1,630 | 1,300 | 4,900 | 2,800 | 1,900 | 950 | - | - | - | 100 | - | 2,540 | 2,100 | - | - | 550 | - | - | 26,070 | 0.12% |
| Other Expense | 69,785 | 4,980 | 10,028 | 79,613 | 20,064 | 13,175 | 8,897 | 1,290 | 1,021 | 809 | 2,086 | 9,482 | 9,482 | 32,456 | 5,000 | 165,098 | 2,194 | 612 | 100,000 | 536,071 | 2.43% |
| Patient Care Costs | 20,500 | - | - | 10,000 | 3,500 | - | - | - | - | 1,000 | - | - | - | - | - | - | - | - | - | 35,000 | 0.16% |
| Plant Maintenance | - | - | - | 6,000 | 500 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,500 | 0.03% |
| Services | 887,279 | - | 39,304 | 759,164 | 328,846 | 42,661 | 22,462 | - | 4,200 | 9,406 | 7,000 | 6,710 | 6,710 | 49,877 | - | - | 525 | 6,856 | - | 2,171,000 | 9.85% |
| Student Costs | 125,000 | 5,000 | 2,000 | 66,300 | 28,500 | 3,750 | 6,500 | 1,321 | 568 | 3,000 | 2,000 | 4,000 | 4,000 | 10,500 | - | - | 3,800 | - | 101,666 | 367,905 | 1.67% |
| Grant-in-Aid | 1,724,282 | 233,545 | 238,818 | 275,374 | 239,448 | 213,722 | 304,393 | 97,381 | 113,191 | 53,071 | 157,622 | 314,034 | 314,034 | 229,360 | 38,957 | 137,010 | 192,740 | - | - | 4,876,981 | 22.13% |
| Supplies | 329,655 | 132,905 | 21,023 | 69,950 | 71,800 | 9,725 | 3,300 | 2,692 | 8,428 | 15,248 | 15,367 | 15,519 | 15,519 | 17,600 | - | - | 17,500 | 11,000 | 32,000 | 789,230 | 3.58% |
| Travel | 1,381,500 | 170,675 | 140,588 | 514,950 | 337,371 | 121,024 | 128,770 | 62,690 | 55,821 | 48,800 | 49,538 | 110,490 | 110,490 | 92,021 | 15,000 | - | 112,708 | 20,500 | - | 3,472,936 | 15.76% |
| Sport Enhancements (transfers) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.00% |
| Utilities | - | - | - | - | - | - | - | 1,800 | - | - | - | - | - | - | - | - | - | - | - | 1,800 | 0.01% |
| Total | 7,946,829 | 1,013,710 | 691,996 | 4,175,511 | 1,975,491 | 707,615 | 722,272 | 379,074 | 365,106 | 265,234 | 370,213 | 659,378 | 661,918 | 606,708 | 231,751 | 473,920 | 519,817 | 38,968 | 233,666 | 22,039,176 | 100.00% |

| FY18 Projected Actuals (FYTD through 5/31/18 with projected year-end salary expense) (3) | | | | | | | | | | | | | | | | | | | | | |
|--|-----------|----------------|------------------|------------------|--------------------|--------------|----------------|------------|--------------|--------------|----------------|---------------------|-------------|--------------------|-----------------|--------------|------------------|----------------|------------------|------------|------------|
| Expense Description | Football | Men's Baseball | Women's Softball | Men's Basketball | Women's Basketball | Men's Soccer | Women's Soccer | Men's Golf | Women's Golf | Men's Tennis | Women's Tennis | Cross Country (M/W) | Track (M/W) | Women's Volleyball | Sand Volleyball | Skiing (M/W) | Swimming/ Diving | Spirit Program | Grant-In Aid (2) | Total | % of Total |
| Salaries | 2,651,220 | 357,934 | 190,509 | 1,882,566 | 757,472 | 240,142 | 200,178 | 164,153 | 140,464 | 105,161 | 105,745 | 158,729 | 158,729 | 138,269 | 132,919 | 138,616 | 146,000 | 4,533 | - | 7,673,338 | 33.84% |
| Payroll Benefits | 793,844 | 107,438 | 56,834 | 550,821 | 217,907 | 71,021 | 59,301 | 49,030 | 42,093 | 31,131 | 31,691 | 46,739 | 46,739 | 40,545 | 39,876 | 47,777 | 43,800 | 617 | - | 2,277,203 | 10.04% |
| Communication Charges | 22,177 | 140 | 2,419 | 8,950 | 1,472 | 1,260 | 550 | 454 | 314 | 248 | 605 | - | 500 | 1,159 | - | 310 | 303 | 225 | 325 | 41,410 | 0.18% |
| Other Expense | 49,836 | 6,171 | 4,002 | 33,591 | 13,263 | 2,545 | 2,352 | 1,026 | 1,278 | 1,275 | 1,245 | 3,795 | 3,795 | 2,460 | 546 | 2,387 | 1,938 | 1,526 | 29,765 | 162,796 | 0.72% |
| Patient Care Costs | 40,748 | - | - | 9,128 | 245 | 510 | 1,524 | - | - | - | 75 | 642 | 642 | - | - | - | - | - | - | 53,513 | 0.24% |
| Plant Maintenance | 109,135 | - | 6,705 | 15,901 | 7,070 | - | - | - | - | 532 | - | - | 5,505 | 15,264 | 3,000 | 7,524 | - | 300 | 4,837 | 175,774 | 0.78% |
| Services | 760,671 | 26,164 | 10,993 | 632,165 | 276,513 | 24,947 | 16,830 | 4,431 | 15,809 | 18,482 | 14,953 | 26,129 | 26,129 | 38,732 | 3,150 | 7,491 | 918 | 11,332 | 20,669 | 1,936,507 | 8.54% |
| Student Costs | 378,555 | 11,726 | - | 91,347 | 25,342 | 673 | 3,447 | 1,207 | 6,939 | 2,029 | 1,536 | 1,699 | 1,699 | 7,911 | 26 | 1,159 | 428 | - | 372,830 | 908,552 | 4.01% |
| Grant-in-Aid | 1,724,282 | 233,545 | 238,818 | 275,374 | 239,448 | 213,722 | 304,393 | 97,381 | 113,191 | 53,071 | 157,622 | 314,034 | 314,034 | 229,360 | 38,957 | 137,010 | 192,740 | - | - | 4,876,981 | 21.51% |
| Supplies | 332,344 | 115,980 | 35,254 | 101,184 | 39,347 | 25,925 | 11,253 | 13,167 | 11,822 | 19,399 | 13,440 | 32,068 | 32,068 | 15,683 | 505 | 29,999 | 31,195 | 18,141 | 16,878 | 895,652 | 3.95% |
| Travel | 1,402,495 | 217,565 | 141,441 | 558,197 | 302,011 | 179,422 | 136,669 | 107,212 | 54,522 | 59,224 | 51,727 | 103,258 | 103,258 | 97,260 | 31,763 | 108,536 | 96,609 | 73,843 | - | 3,825,014 | 16.87% |
| Sport Enhancements (transfers) (4) | - | - | - | - | - | (66,782) | (15,318) | (58,191) | (7,430) | (14,378) | - | - | - | - | - | - | - | - | - | (162,099) | -0.71% |
| Utilities | 9,658 | - | - | 730 | 1,325 | - | - | 510 | 510 | - | - | - | - | - | - | - | - | - | - | 12,733 | 0.06% |
| Total | 8,274,965 | 1,076,664 | 686,975 | 4,159,954 | 1,881,415 | 693,385 | 721,178 | 380,381 | 379,512 | 276,172 | 378,638 | 687,093 | 693,097 | 586,643 | 250,741 | 480,810 | 513,930 | 110,516 | 445,304 | 22,677,374 | 100.00% |
| Variance | (328,136) | (62,954) | 5,020 | 15,557 | 94,076 | 14,231 | 1,094 | (1,306) | (14,406) | (10,938) | (8,425) | (27,715) | (31,179) | 20,065 | (18,990) | (6,889) | 5,886 | (71,548) | (211,638) | (638,197) | 0.00% |

(1) Does not include special events and bowl games
(2) A majority of grant-in-aid was pooled into one account, however has been broken out by sport based on actuals through 5/31/18
(3) Fiscal year to date on non-salary expenses through 5/31/18, however projects salaries and fringes through 6/30/18
(4) Account for transfers to sports enhancements accounts through 5/31/18, still pending additional transfers through the end of the fiscal year

Schedule D

Lobo Club Fundraising Information and Operating Budget

| Total Fundraising | |
|-------------------|-------------------------------|
| Year | Total |
| 2016-17 | \$14.8 million |
| 2017-18 | \$6 million <i>*estimated</i> |
| 2018-19 | \$7 million <i>*estimated</i> |
| Total | \$27.8 million |

The Lobo Club raises funds through a variety of ways:

- Lobo Scholarship fund
- Gift-in-Kind
- Sport Enhancement Funds
- Major Private Giving
- Suites/Club Seat Sales
- Special Events

* Total fundraising on an annual basis is counted towards the University's Changing Worlds 2020 campaign. These amounts include cash gifts, pledges and documented bequest gifts.

** Two major naming rights gifts are reflected in the 2016-17 total.

| Lobo Scholarship Fund Transfer | |
|--------------------------------|---------------------------------|
| Year | Total |
| 2016-17 | \$2.6 million |
| 2017-18 | \$2.2 million <i>*estimated</i> |
| 2018-19 | \$2.4 million <i>*estimated</i> |
| Total | \$7.2 million |

The Lobo Scholarship Fund:

- The grant-in-aid transfer to Athletics on an annual basis.
- Donations are tied to seating (FB, MBB, WBB) philanthropic giving and special event revenue.
- Recent assessment shows 75% - 80% of giving is transactional tied to seating.
- A majority of the funds are received in the time period between May and October.
- The reduction in the 2017-18 total reflects the decrease in basketball season seat sales and negative publicity from the prior season.

| Sport Enhancement Funds | |
|-------------------------|---------------------------------|
| Year | Total |
| 2016-17 | \$828,236 |
| 2017-18 | \$667,135 <i>*as of 3.31.18</i> |
| 2018-19 | \$725,000 <i>*estimated</i> |
| Total | \$2,220,371 |

Sport Enhancement Funds:

- Funds privately raised by the individual sport programs and the Lobo Club.
- The purpose of these funds are to offset expenses and to enhance the sport programs.
- The funds are held by the Lobo Club and expended by sport programs with prior approval from department personnel (compliance office, business office, sport administrator and Director of Athletics).

| Pit Suite/Club Seat Revenue | |
|-----------------------------|---------------------------------|
| Year | Total |
| 2016-17 | \$929,378 |
| 2017-18 | \$856,518 <i>*as of 3.31.18</i> |
| 2018-19 | \$700,000 <i>*estimated</i> |
| Total | \$2,485,896 |

Pit Suite and Club Seat Revenues:

- Funds generated by the sale of premium seating in Dreamstyle Arena.
- Funds are transferred to the Pit Renovation Fund.

| Gift-in-Kind | |
|--------------|----------------------------------|
| Year | Total |
| 2016-17 | \$1,854,163.00 |
| 2017-18 | \$1,820,700.00 <i>*estimated</i> |
| 2018-19 | \$1,840,000.00 <i>*estimated</i> |
| Total | \$5,514,863.00 |

Gift-in-Kind:

- Community support given to UNM through the Lobo Club, such as goods and services intended to offset operating expenses.

2017-18 Lobo Club Operating Budget

| OPERATING EXPENSES | |
|-------------------------------|----------------------|
| | Budget |
| Accounting and Auditing | \$ 30,000.00 |
| Automobile | \$ 1,000.00 |
| Bank Charges/Credit Card Fees | \$ 65,000.00 |
| Board Stewardship | \$ 2,500.00 |
| Equipment | \$ 1,000.00 |
| Table Sponsorships | \$ 5,000.00 |
| Cultivation/Stewardship | \$ 80,000.00 |
| Employee Recruitment | \$ 2,000.00 |
| Staff Travel | \$ 2,000.00 |
| Insurance | \$ 2,000.00 |
| Chapter Development | \$ 1,250.00 |
| Postage | \$ 4,500.00 |
| Telephone | \$ 10,000.00 |
| Dues & Membership | \$ 7,000.00 |
| Miscellaneous | \$ 2,000.00 |
| Marketing | \$ 7,000.00 |
| Donor Software | \$ 15,000.00 |
| Office Supplies | \$ 12,000.00 |
| Website | \$ 1,000.00 |
| Ambassador Program | \$ 5,000.00 |
| Member Premiums & Benefits | \$ 13,000.00 |
| | <u>\$ 15,000.00</u> |
| | \$ 281,250.00 |

| 2016-17 Lobo Club Operating Budget | | | |
|------------------------------------|----------------------|--------|-------------------|
| OPERATING EXPENSES | | Budget | Actuals |
| Accounting and Auditing | \$ 30,000.00 | \$ | 29,010.00 |
| Automobile | \$ 1,000.00 | \$ | 412.00 |
| Bank Charges & CC Fees | \$ 65,000.00 | \$ | 53,031.00 |
| Board Stewardship | \$ 2,500.00 | \$ | 5,093.00 |
| Table Sponsorships | \$ 5,000.00 | \$ | 1,500.00 |
| Cultivation and Stewardship | \$ 80,000.00 | \$ | 56,538.00 |
| Staff Traveling | \$ 5,000.00 | \$ | 3,581.00 |
| Insurance | \$ 1,250.00 | \$ | 1,144.00 |
| Chapter Development | \$ 4,500.00 | | |
| Postage | \$ 10,000.00 | \$ | 8,778.00 |
| Telephones/Cell Phone | \$ 7,000.00 | \$ | 5,750.00 |
| Dues and Memberships | \$ 2,000.00 | \$ | 11.00 |
| Miscellaneous | \$ 7,000.00 | \$ | 11,667.00 |
| Marketing/Solicitations | \$ 15,000.00 | \$ | 8,150.00 |
| Neulion | \$ 12,000.00 | \$ | 12,000.00 |
| Office Supplies | \$ 1,000.00 | \$ | 672.00 |
| Website | \$ 5,000.00 | \$ | 3,625.00 |
| Ambassador Drive | \$ 10,000.00 | \$ | 11,078.00 |
| Member Premiums & Benefits | \$ 15,000.00 | \$ | 17,830.00 |
| Employee Recruitment | \$ 2,000.00 | \$ | 146.00 |
| Equipment | \$ 1,000.00 | \$ | 394.00 |
| | | | |
| TOTALS | \$ 281,250.00 | | 230,410.00 |

Total Fundraising Breakdown FY 16/17

| | |
|--------------------|-----------------------|
| Total | \$14.8 Million |
| LSF | \$ 2,400,000.00 |
| Sport Enhancements | \$ 828,236.00 |
| Pit Club Seats | \$ 929,378.00 |
| Gift In Kind | \$ 1,854,163.00 |
| Special Events | \$ 175,000.00 |
| Major Giving | \$ 8,650,000.00 |

Lobo Scholarship Fund (LSF) Breakdown by Sport

| | 16/17 LSF Paid | 2016 GIK Pledged | Total |
|----------|----------------|------------------|----------------|
| FB Only | \$131,613.40 | \$151,081.24 | \$282,694.64 |
| MBB Only | \$1,179,538.16 | \$240,281.57 | \$1,419,819.73 |
| FB & MBB | \$1,085,239.13 | \$1,223,964.40 | \$1,702,514.37 |
| | | | |
| | \$2,396,390.69 | \$1,615,327.21 | \$3,405,028.74 |

| | 17/18 LSF Paid | 2017 GIK Pledged | Total |
|----------|----------------|------------------|----------------|
| FB Only | \$119,477.11 | \$188,620.00 | \$308,097.11 |
| MBB Only | \$976,518.72 | \$214,269.71 | \$1,190,788.43 |
| FB & MBB | \$954,646.46 | \$1,828,489.35 | \$1,498,885.54 |
| | | | |
| | \$2,050,642.29 | \$2,231,379.06 | \$2,997,771.08 |

*** Numbers represent total giving to the scholarship fund by these groups.

*** Built in these numbers are amounts that are above and beyond giving from what is required

MEMORANDUM

TO: UNM Athletics Budget Task Force
Chaouki Abdallah, Provost and EVP for Academic Affairs
David W. Harris, EVP for Administration, COO, and CFO

FROM: Nicole Dopson, Director of Financial Operations for Academic Affairs

DATE: May 3, 2018

SUBJECT: Fiscal Shared Services Proposal for Athletics

On April 17, 2018 the Board of Regents approved a deficit reduction plan, which included a variety of cost containment strategies including the concept of centralizing fiscal functions and oversight. This proposal details how this concept can be put into practice and fully implemented through the Academic Affairs Fiscal Shared Service Center. Information regarding the effectiveness of the center can be found in Attachment A. Given the current success of the center and the capacity of the center I believe Athletics can save a minimum of \$150,000 in recurring savings through this effort.

Based on my initial review of Athletics I recommend the following duties and responsibilities move to the service center, which are detailed in Attachment B.

1. **Fiscal transactional processing:** includes purchasing, reimbursements, payments, collections, money lists and other transactions directly related to fiscal processes
2. **Account reconciliations and forecasts:** multi-year forecasts will be built for each index, monitored and reconciled on a monthly basis
3. **Financial reporting efforts:** includes both internal reporting efforts such as budget development, mid-year projections and categorization of reserves; and external reporting efforts such as the NCAA and EADA annual reports
4. **Fiscal analysis and strategic planning with program leadership:** provide trend analysis, investigate opportunities for new revenue sources and expenditure controls, etc.

If this proposal is adopted the following steps will need to be taken to ensure successful onboarding to shared services with the ultimate goal of providing guidance to determine a long-term sustainable fiscal structure that meets the needs of Athletics. A timeline for these next steps is outlined in Attachment C.

Phase I: Assessment of Athletics Fiscal Structure

A full review of the fiscal structure and business practices will need to be assessed by the shared service team. This will require the team to work with HR to meet with the Athletics fiscal staff to get a full understanding of their duties and responsibilities within the department. In addition to meeting with fiscal staff the team will need to meet with Athletics' leadership to better understand the expectations of the shared service team, which would include availability (hours of operations), accessibility to fiscal staff, communication style (via email, phone in person, etc.), etc.

The shared service team will need to get access to all fiscal related documentation and special reporting portals needed to perform the duties listed in this request. This access will include access to all financial

approval queues. During this phase additional review will take place to assess other fiscal related business functions, which will include an assessment of pcard, inventory and cash management practices. We would like to collaborate with Internal Audit on these reviews and will work closely with them on the pending audit recommendation to ensure Athletics is in compliance with the University's fiscal policies. Once the assessment has been completed, I will meet with the Athletics' leadership to discuss my final recommendation for the full implementation of shared services. A fiscal shared service agreement will be drafted based on this assessment, which will take into effect in FY19.

Phase II: Implementation to Fiscal Shared Services

Depending on the outcome of the assessment, which could possibly lead to staffing changes I will work with HR to develop a plan to implement any staff shifts to the shared service team. Once the team has been established, we will work closely with all Athletics' staff to begin implementing shared service practices. Routine meetings and office hours will be established to ensure all fiscal needs are being met, and that necessary communications are continuing as seamless as possible. In order to manage and provide mentorship to staff of the Athletics' fiscal team, all staff will report directly to me and will be located in the shared services office in Scholes Hall.

Phase III: Continuous Review and Evaluation of Fiscal Shared Services

Fiscal shared services is a customer oriented service center, therefore as written into the agreement continuous evaluation of the services provided is part of the agreement. Given the scope and size of Athletics and the additional interest in this department, I would recommend evaluations be setup each quarter throughout the fiscal year to be sure all needs are being met with high quality of services. These evaluations would include an assessment from both Athletics' leadership and staff to be able to provide feedback on what is and is not working. Based on the feedback received the shared service team will adjust services as needed.

We understand the complexity of this organization and need to provide quality services, while maintaining compliance with the University's policies and procedures. By working closely with the central accounting offices in the Controller's Division, Budget Office and Internal Audit, I believe we can get Athletics to a sustainable fiscal structure that has the ability to continue to enhance the experience for our student athletes, community and University as a whole.

ATTACHMENT A**Academic Affairs Fiscal Shared Service Center****Why Shared Services?**

Pressures from continued budget reductions lead the director of financial operations in Academic Affairs to explore fiscal shared services as an option to absorb budget shortfalls. After researching shared services and discussion with other institutions and governmental agencies that have moved to shared services a pilot was setup to test fiscal shared services. In FY16 the first unit joined the fiscal shared service center, which has now grown to over 16 units ranging from departments to entire colleges/schools. The center is structured to maximize the skills and abilities of all levels of staff. By organizing duties based on expertise, transactional like duties can be handled by student employees, which frees up capacity for accounting staff to oversee multiple units' accounting and reporting efforts. Overall, the center has saved the University approximately \$1.6M in recurring funds. Savings from these efforts primarily came from the elimination of fiscal positions.

Although the initial purpose was focused around cost savings, additional efficiencies have been gained, which include higher quality of services, better practices and alignment with University policies and procedures, simplified processes which reduce redundancies and allow for fiscal transactions to be completed faster, and improved fiscal controls.

How Shared Services Works?

The service center is on a volunteer basis, therefore each unit has the option to renew its annual service level agreement on a year to year basis. Each unit has a custom service agreement which can vary from fiscal transitional processing to complete fiscal oversight. Having a service level agreement holds the service center accountable to the agreed upon services and quality of support, which is essential to the relationship of the service center and the units the center is serving. Each year the center sends out a survey to evaluate the quality of service the center is providing; this gives the service center opportunity to make improvements on how to better serve each unit.

Each unit is assigned with a fiscal advisor in the center as its point of contact, however the center is comprised of accounting staff that have a variety of accounting experience in both academic and non-academic units across campus. In addition to the fiscal staff, the center values its efforts on hiring undergraduate and graduate students to serve as accounting interns. This gives students an opportunity to get hands-on experience in their field of study, whether it is accounting, finance, and/or business related fields. The center works collectively as a team, using a centralized approach to uniform fiscal processes and structures, provide mentorship opportunities, and cross train staff, therefore if there is turn-over units will continue to receive the same level of service without disruption.

Given the variations of units across campus the service center serves, it is imperative that fiscal advisors have a good understanding of the units' practices and overall mission. Fiscal advisors are tasked frequently to gain knowledge outside of just fiscal practices in order to gain a better understanding of the units they serve. The more the fiscal advisor knows and understands the needs of the unit, the better the fiscal advisor will serve the unit. Ultimately, the mission of the service center is to provide high quality fiscal services, while upholding the University's policies and procedures.

ATTACHMENT B

| Fiscal Shared Services |
|---|
| Athletics (ADC/lvl. 3) all exhibits in this org. |
| Accounting Duties |
| <i>Monthly reconciliations and monthly meetings with program leadership</i> <i>Monthly AR reconciliations</i> <i>Multi-Year forecasts</i> <i>Journal and budget entries</i> <i>Reimbursements and payments in Chrome River</i> <i>Fiscal related EPAFs</i> <i>Labor redistributions</i> <i>Finance approval queues (Banner, Lobomart and Chrome River)</i> <i>Fiscal guidance and strategic planning with program leadership</i> <i>Fiscal communications, guidance and training</i> |
| Purchasing Duties |
| <i>Purchasing with Lobomart (PO processing)</i> <i>Internal purchasing (PR processing)</i> <i>Purchasing with UNM pcard (1)</i> |
| Internal Reporting- |
| <i>Budget Development (Budget and Salary Planner)</i> - Budget development for all program indices <i>Categorization of Reserves (CAR)</i> - Development and presentation of CAR <i>Mid-Year Projections</i> - Development and presentation of projections <i>Telecom/cell phone review (annual review)</i> <i>Fiscal Analysis, special projects and other reporting efforts</i> |
| External Reporting- |
| <i>Athletics Annual Reporting</i> - EADA report (financial part) - NCAA report (financial part) |

(1) This duty will be dependent on the pcard holder review and final recommendation

Athletics Implementation Timeline for Shared Services***Phase I: Assessment of Athletics Fiscal Structure (May-June 2018)***

- 1. Budget Development, Reconciliation, and Forecasting**
 - a. **Chart of accounts review** (look for opportunities to restructure accounts to better manage each program and easily report on monthly basis burn-rate analysis, budget to actuals by unit, etc.)
 - i. **Completed 4/23/17** (FY19 budget was built under the revised structure)
 - b. **Create multi-year forecasts and FY19 budget** (future projections, not just yearly budgets) for reconciliations
 - i. **Completed 4/23/17** (FY19-23 forecasts have been created)
 - ii. Establish internal index list to account for where transactions should post
- 2. Fiscal staffing assessment**
 - a. Work with HR to review current Athletics fiscal staff to determine an appropriate fiscal staffing structure through shared services
 - i. May-June 2018
- 3. Audit existing practices**
 - a. **Pcard:** holders, type of transactions, approvers, etc. (work with Purchasing to make a recommendation on number of holders needed, internal practices around allowable and unallowable transactions, thresholds on pcard purchases for pre-approvals)
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018
 - b. **Inventory management:** review current practices regarding Nike contract, major and minor equipment, and other items (promotional items)
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018
 - c. **Cash management:** review current practices and validate appropriate training for those who manage cash collections in Athletics
 - i. Review completed June 2018
 - ii. Implementation on new practices July 2018

Phase II: Implementation to Fiscal Shared Services (June-August 2018)

- 1. Establish an annual Fiscal Shared Service Agreement**
 - a. June 2018 (effective FY19, however will continue support through FY18)
- 2. Budget Development, Reconciliation, and Forecasting**
 - a. **Establish annual budgets** with coaches and program directors
 - i. June 2018
 - ii. Possibly have pre and post sport meetings with coaches to review budgets for their program (vary throughout the year based on the sports' schedules)

- b. **Monthly reconciliation meetings/office hours:** setup monthly meetings with AD and CFO to review budget to actuals, trends, burn-rates and discuss future forecasting, and office hours at Athletics
 - i. June 2018
 - c. Establish appropriate **fiscal approval queues** in order to implement fiscal control
 - i. June 2018
 - d. Migrate **fiscal transactional processing** to fiscal shared services/pcard management to purchasing
 - i. June 2018
- 3. Fiscal Staffing Assessment**
 - a. Implement proposed fiscal staffing structure to shared services
 - i. July 2018
- 4. Establish Athletics Policy and Procedures Manual:** work with CFO to develop a business manual detailing out fiscal controls, which include thresholds on purchasing amounts, pre-approvals for expenses, and overall best practices around inventory and fiscal management
 - a. July-August 2018
- 5. Implement other audit recommendations:** based on initial review some current business practices may have recommendations for change, through the implementation phase these recommendations will be addressed
 - a. July-August 2018

Phase III: Continuous Review and Evaluation of Fiscal Shared Services (July 2018 forward)

- 1. Establish evaluations of fiscal shared services**
 - a. September 2018
 - b. December 2018
 - c. March 2019
 - d. June 2019

Appendix M: Completion of Recommendations by UNM Internal Audit

The following contains the twenty recommendations for sound fiscal management and oversight of the UNM Athletics Department established by the UNM Internal Audit. Twelve of the twenty recommendations have been implemented. The remaining eight will be completed by September 1, 2018.

Recommendation 1:

a) Development of a comprehensive business manual.

STATUS: Completion by September 1, 2018.

b) Performance of account reconciliations on a regular basis throughout the year.

STATUS: Implemented through Fiscal Shared Service Agreement with Academic Affairs Fiscal Services, May 3, 2018, Appendix K.

c) Amortize a \$500,000 investment (Levy Restaurants) over the remaining term of the contract.

STATUS: Implemented by Fiscal Shared Services Center.

d) Record funds intended for specific purposes and their corresponding expenses in their own index.

STATUS: Implemented through Fiscal Shared Service Agreement.

Recommendation 2: The Athletics Chief Financial Officer should conduct a thorough review of expenses throughout the year to ensure expenses, by budgeted line item, are within budget.

Budgeted expenses should be adjusted at least quarterly to reflect actual revenues.

STATUS: Implemented through Fiscal Shared Service Agreement.

Recommendation 3: The Director for Intercollegiate Athletics should review revenues and expenses quarterly to ensure the approved deficit reduction plan is implemented.

STATUS: Implemented through Fiscal Shared Service Agreement.

Recommendation 4: The Director for Intercollegiate Athletics should consult with the University of New Mexico Board of Regents and University Counsel to revise and update the May 17, 2015 Memorandum of Agreement between the Board of Regents, UNM Foundation, and the UNM Lobo Club to clearly define roles and responsibilities of all parties in the agreement.

STATUS: Projected completion by September 1, 2018.

Recommendation 5: The Athletics Chief Financial Officer should ensure that sports enhancement fundraising and donor cultivation activity is charged to the enhancement funds within Lobo Club.

STATUS: Implemented through Fiscal Shared Service Agreement.

Recommendation 6: The Athletics Chief Financial Officer should develop formal fund establishment documentation for the Agency fund that outlines the purpose and use of the fund.

STATUS: Projected completion by September 1, 2018.

Recommendation 7: The Athletics Chief Financial Officer should complete a thorough assessment of financial reporting in the Banner Accounting System and determine which transactions are not being recorded correctly by Athletics program.

STATUS: Complete, including FY19 budget and forecasts.

Recommendation 8: The Athletics CFO should ensure P-Card reviewers are conducting thorough reviews to ensure that transactions are recorded to the appropriate account.

STATUS: Completed. Fiscal Shared Services Center oversees approval queues with review by senior accounting staff and monthly reconciliation.

Recommendation 9: The Athletics CFO should ensure that supporting documentation submitted for cash advances clearly supports the business purpose and identifies how cash advance needs are calculated.

STATUS: Projected implementation by September 1, 2018.

Recommendation 10: Required training for PCard holders and enforcement of cash management policies.

STATUS: Projected completion by September 1, 2018.

Recommendation 11: The Athletics department should have sufficient Chrome River reviewers and approvers.

STATUS: Completed. Fiscal Shared Services Center conducts review and approval.

Recommendation 12: The Vice President for Human Resources should: address identified payroll weaknesses; make sure extra compensation payments are not duplicated in the future; and, review the data entry process for Non-Standard Payments to avoid overpayments.

STATUS: Completed and ongoing oversight by Human Resources.

Recommendation 13: Strengthening of internal controls over courtesy car program.

STATUS: Completed.

Recommendation 14: Monitoring of contracts entered into by UNM Athletics Department by UNM Legal Counsel.

STATUS: UNM Legal Counsel are engaged in monitoring contracts with Learfield Communications and Pepsi.

Recommendation 15: The Director for Intercollegiate Athletics should ensure all Athletics contracts are reviewed by a designated Contract Review Officer and ensure contracts and agreements are not entered by an Athletics employee who is not authorized to enter contracts and agreements.

STATUS: Existing contract review completed and process to ensure appropriate contract management has been implemented.

Recommendation 16: Establish strong internal controls for expenses charged to endowed funds to ensure compliance with donor intent.

STATUS: Under review with implementation by September 1, 2018.

Recommendation 17: The Interim Executive Director of the Lobo Club should regularize and enforce sales and fiscal management of athletic facility (Pit) suites and seats.

STATUS: Implemented.

Recommendation 18: The Director of Intercollegiate Athletics should require NCAA and MWC tournament tickets to be purchased through the Lobo Club, which may then sell or distribute tickets as it deems necessary.

STATUS: Implemented.

Recommendation 19: The Assistant Athletics Director for Events should ensure that cash deposits from parking fee collections are made by the next working day and separate cash reconciliation and deposit duties.

STATUS: Implemented.

Recommendation 20: The Director of Intercollegiate Athletics should implement processes to ensure compliance with the Department of Labor Fair Labor Standards Act for payroll process of part-time and on-call Events Management employees.

STATUS: Implementation by September 1, 2018.