

**UNM ALUMNI ASSOCIATION AND RELATIONS
AUDIT OF FINANCIAL AND OPERATIONAL
EFFICIENCY**

THE UNIVERSITY OF NEW MEXICO

**Report 2019-01
October 3, 2018**



**THE UNIVERSITY OF
NEW MEXICO**

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ABBREVIATIONS

Association.....	University of New Mexico Alumni Association
I&G	Instructional and General Funding
Internal Audit.....	University of New Mexico Internal Audit Department
MOA	Memorandum of Agreement
P-Card	Purchasing Card
Relations	University of New Mexico Alumni Relations
University.....	The University of New Mexico
UNM	The University of New Mexico

EXECUTIVE SUMMARY

BUSINESS PROCESSES

The University of New Mexico Alumni Association (Association) has established processes in place for its business operations; however, it does not have a formal and approved comprehensive business operations manual that covers the key operational processes.

A written comprehensive business manual is an important tool to provide training and also guidance during employee turnover.

The University of New Mexico Alumni Relations (Relations) office follows University Purchasing and Accounts Payable policies and procedures.

FINANCIAL ANALYSIS

UNM Association and Relations Funding and Expenditures

Alumni Association

Royalties and commissions funding is the Association's largest funding source at 51.3%, followed by investment revenues at 37.6% of its total funding.

The Merrill Lynch investment account provides a funding source to make contributions to support the University.

Alumni Relations

I&G funding is Relations' largest funding source at 76.4%, while endowments and gifts make up 23.5% of Relations' funding.

As a result of the Association's contribution, UNM Administration reduced the Alumni Relations' I&G base allocation by \$200,000 from \$638,892 to \$438,892. Although the Association's supplement was a one-time contribution to the Relations' office for FY 2018, the Relations' I&G base allocation has been reduced by \$200,000 for FY 2019. The Relations' I&G funding is not sufficient to support operating costs of the Relations'

The Association received \$487,501 from the special collegiate registration plate program and had \$385,876 in investment revenue during FY 2018.

The Association's Board of Directors approved one-time contributions of \$200,000 for the Alumni Relation's office and \$150,000 to support UNM Branding activities.

Alumni Revenues and Expenses - FY 2018		
Revenues	Association	Relations
Royalties and Commissions	\$ 525,796	\$ -
Endowments and Gifts	-	134,815
Instruction and General	-	438,892
Investment	385,876	-
Other	113,757	577
Total Revenues	\$ 1,025,429	\$ 574,284
Operating Expenses		
Salaries and Benefits	\$ -	\$ 588,792
Program Support	249,593	-
Mirage Magazine	220,001	-
Services and Fees	3,303	27,039
Professional Services	148,141	14,134
Repairs and Maintenance	-	62,324
Scholarships and Awards	-	31,500
Other	97,022	67,105
Total Operating Expenses	\$ 718,060	\$ 790,894
Non-Operating Revenues (Expenses)		
University Support	\$ (200,000)	\$ 200,000
Branding	(150,000)	-
Total Non-Operating Expenses	(350,000)	200,000
Revenues Over (Under) Expenses	\$ (42,631)	\$ (16,610)
Reserves, beginning of year	\$ 8,896,301	\$ 323,572
Adjustments	\$ -	\$ (43,710)
Reserves, end of year	\$ 8,853,670	\$ 263,252

Although the Association has an investment policy for the management of funds, Alumni Association management does not have a documented long-term strategic plan for requests and use of funds

A signed agreement between the University and the Alumni Association is not in place for the Association's rights to the University's license plate sales.

At June 30, 2018, there was unrecorded revenues in Alumni Relations books of approximately \$17,000 of rental income for events that had occurred prior to fiscal year end.

office during FY 2019 without additional contribution.

Investment Income

The Association's investment account generated \$385,876 in revenues during FY 2018, which included \$235,635 in investment earnings and \$150,241 in net realized gains. Investment income is unrestricted and may be used for operating expenses, or can be returned to the investment's principal for growth.

The Association has developed a comprehensive long-term investment policy that specifically addresses how the Association's investments should be managed.

License Plate Sales

The Association received \$487,501 during FY 2018. Funds are transferred from the Motor Vehicle Department to a UNM bank account, and are recorded in a Banner agency account.

Chapel and Hodgins Hall Rental Deposits

The Association receives cash deposits for the rental of the Chapel and Hodgins Hall. Payments are submitted to the Association through its website, deposited in the Association's private bank account, and subsequently transferred to the University. The current process for the collection and recording of deposits increases the risk of revenues not being properly recorded.

Reserves

As of June 30, 2018, UNM Association and Relations had \$8,853,670 and \$263,252 in carry-over reserves available for FY 2019. The Association's investment reserves are unrestricted and may be used for any activity

Alumni Reserves - FYE 2018		
	Association	Relations
License Plate Royalties	\$ 380,672	\$ -
Investments and Other	8,472,998	-
Instruction and General	-	72,769
Endowed Spending		97,316
Non-Endowed Spending		57,094
Chapel	-	36,073
Total	\$ 8,853,670	\$ 263,252

Alumni Relations employees that handle or have access to cash did not complete the cash management training when cash handling duties were assigned.

Internal Audit did not identify exceptions during testing of disbursements.

approved by the Association’s Board of Directors.

The Relations I&G reserves are unrestricted and may be used for any Relations activities as long as they comply with UNM policies and procedures. However, reserves for endowed and non-endowed spending, and the Chapel are designated for specific purposes. The following presents reserves, by funding source, available for FY 2019.

CASH MANAGEMENT

The UNM Alumni Association receives cash receipts from royalty and commission activities (license plate sales and credit card program), and gifts and contributions. Royalties from license plate sales are received on a monthly basis via ACH transfer from the New Mexico Motor Vehicle Department, and gifts and contributions are received by check.

DISBURSEMENTS

The UNM Relations office follows University Purchasing and Accounts Payable policies and procedures. Although the Alumni Association does not have written policies and procedures, it has established processes in place for the review and approval of cash disbursements and credit card use.

ENDOWMENTS

Compliance with Donor Intent

UNM Relations is responsible for ensuring that disbursements from endowed spending accounts comply with donor intent.

Internal Audit did not identify noncompliance with donor intent during testing of disbursements from endowment funds.

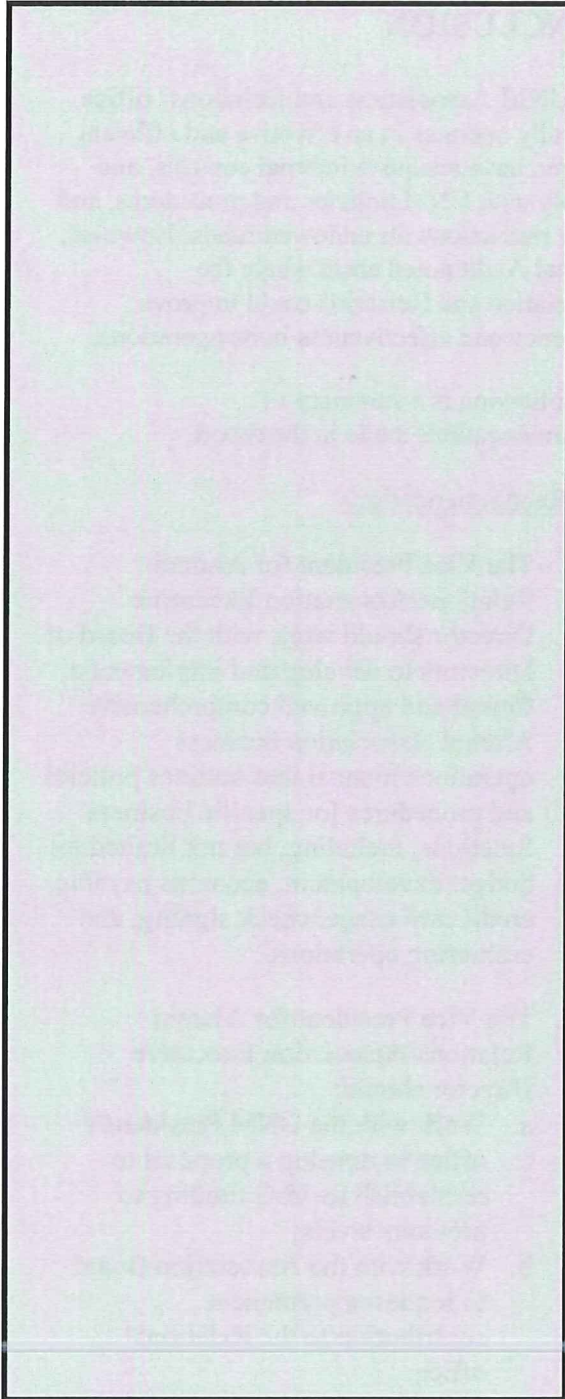
CONCLUSION

The UNM Association and Relations' office generally operates in an effective and efficient manner, have adequate internal controls, and comply with UNM policies and procedures, and donor restrictions for endowed funds. However, Internal Audit noted areas where the Association and Relations could improve efficiency and effectiveness in its operations.

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

Key Recommendations

1. The Vice President for Alumni Relations/Association Executive Director should work with the Board of Directors to develop and implement a formal and approved comprehensive Alumni Association business operations manual that outlines policies and procedures for specific business functions, including, but not limited to: budget development, accounts payable, credit card usage, check signing, and cashiering operations.
2. The Vice President for Alumni Relations/Association Executive Director should:
 - a. Work with the UNM President's office to develop a proposal to reestablish its I&G funding to previous levels;
 - b. Work with the Association Board to request a permanent contribution to the Relations' office.
 - c. Perform a cost savings analysis to determine where management should control and reduce expenses.



3. The Vice President for Alumni Relations/Association Executive Director should work with the Alumni Board to develop a long-term strategic plan for the use of investment funds. The plan should include expectations of need and/or requests on a long-term basis, which will provide the Board with an advanced notice of expected need and/or use of funds for future years.
4. The Vice President for Alumni Relations/Association Executive Director should work with the President's office and UNM Legal Counsel to execute a signed agreement for the Association's rights to license plate royalties.
5. The Vice President for Alumni Relations/Association Executive Director should revise the current processes for the collection and recording of Chapel and Hodgins Hall rental deposits. The Vice President for Alumni Relations/Association Executive Director should work with the UNM Cashier's office to set up a Touch Net account that will deposit funds directly in the Relations' UNM bank account.
6. The Vice President for Alumni Relations should implement internal controls that ensure employees that handle, or have access to, cash take the cash management training when duties are assigned.

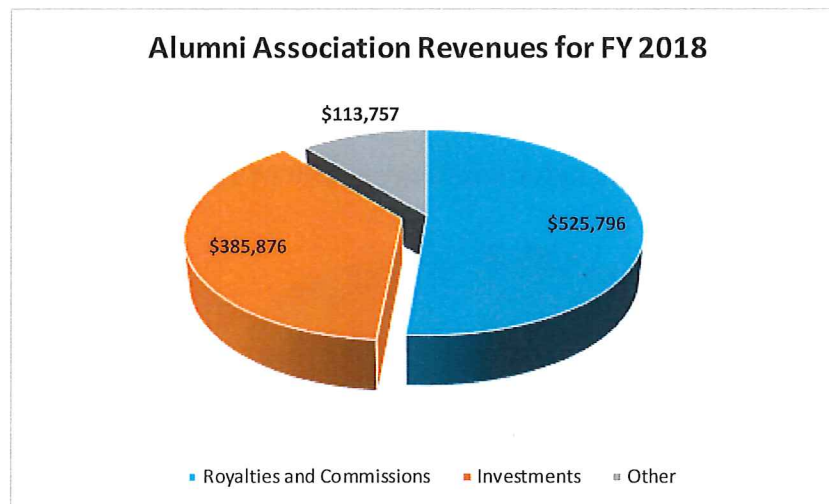
INTRODUCTION

BACKGROUND

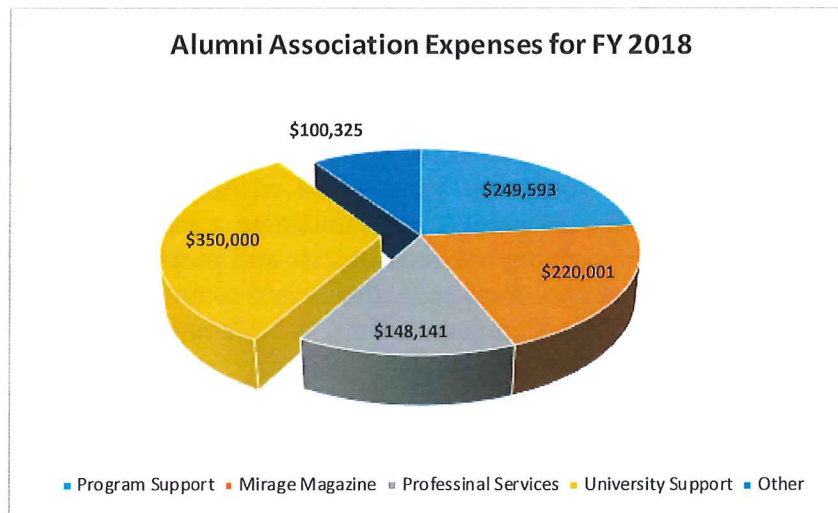
The University of New Mexico Alumni Association (Association) is a Component Unit of the University. It is a not-for-profit organization incorporated on August 29, 1962 to provide and coordinate events and activities for the purpose of maintaining a positive relationship between the University and its alumni. In carrying out such objects and purposes, the Association shall seek to create, foster, develop, and encourage individually and community interest in support of the University of New Mexico. As a Component Unit, the Alumni Association is required to have its financial statements audited annually.

The UNM Alumni Association is governed by a national board of 36 members and four ex-officio members. The board is charged with guiding the Association "to be a vital partner in the continued excellence of the University of New Mexico through the significant engagement of alumni." The entire board meets three times each year; the executive committee meets monthly.

The Association's Board of Directors adopts an annual budget which specifies contemplated expenditures, as well as how expenditures are to be funded. The Association's funding sources are primarily from royalties from the sale of UNM license plates and investment income generated from its Merrill Lynch investment account. Monies received for license plate royalties are deposited in a UNM agency account. The Association's revenues and expenses for FY 2018 are illustrated below:



Source: Alumni Association Financial Statements

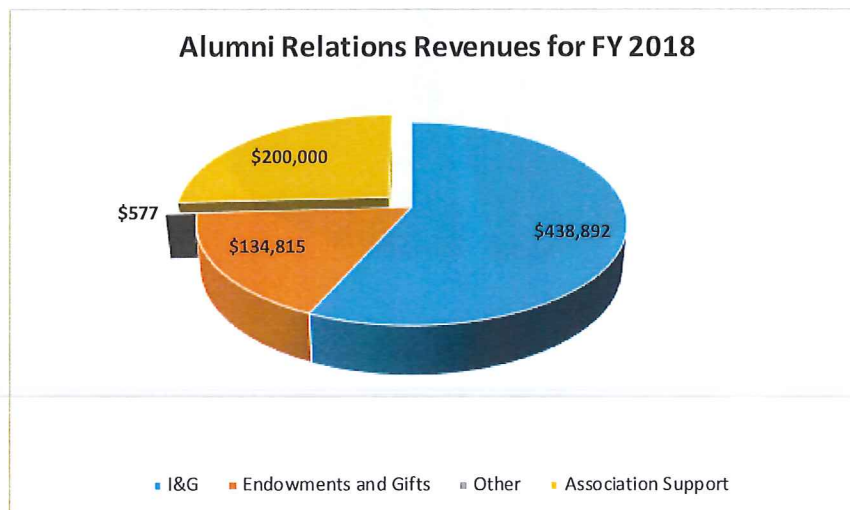


Source: Alumni Association Financial Statements

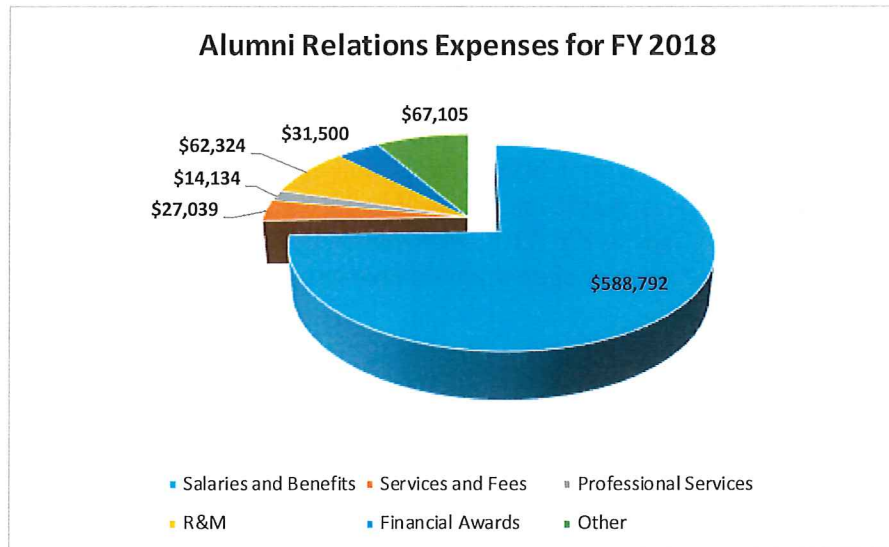
UNM Relations

The UMM Alumni Relations Office (Relations) is a reporting unit within the University President’s Administrative Offices. The Relations office is responsible for the collection and disbursement of funds received from Instruction and General (I&G) and Endowments and Gifts. Financial activity related to the Relations office must follow UNM policies and procedures. The Relations I&G funding is used to support staffing for both Relations and the Association.

UNM Relations revenues and expenses for FY 2018 is illustrated below:



Source: Banner Accounting System



Source: Banner Accounting System

PURPOSE AND OBJECTIVES

The audit was initiated as part of a management request from the President's Office. The purpose of our audit was to review the business processes at the Alumni Association and Relations Office to determine whether adequate internal controls are in place, and to determine if the Association and Relations Office complies with policies and procedures. The objectives of this audit were to perform a financial analysis for FY 2018, and evaluate and/or test the following UNM Association and Relations processes and transactions:

- Cash receipts
- Cash disbursements, including accounts payable and purchasing, and Purchasing Card (P-Card)/credit card transactions
- Endowed and non-endowed gifts

The primary objective was to determine whether each process evaluated reflects sound internal controls, best practices, and compliance with University policies and procedures and rules and regulations, when applicable.

SCOPE AND PROCEDURES PERFORMED

Our audit focused on the business operations, and included a financial analysis of revenues, expenses, and reserves for FY 2018. 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 management and staff.
- **Transaction Sample Selection and Compliance Testing:** To test internal controls and compliance with UNM policies and procedures for cash receipts, purchasing and accounts payable and P-Card/credit cards, we selected samples of transactions occurring during FY 2018. Internal Audit also performed compliance test work on a sample basis for endowment disbursements.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

BUSINESS PROCESSES

A written comprehensive business manual is an important tool to provide training and also guidance during employee turnover. The Association has established processes in place for its business operations; however, it does not have a formal and approved comprehensive business operations manual that covers the key operational processes. The procedures that lack documentation include, but are not limited to, functions such as: budget development, accounts payable, credit card usage, check signing, and cashiering operations.

The Relations Office follows University Purchasing and Accounts Payable policies and procedures.

Recommendation 1:

The Vice President for Alumni Relations/Association Executive Director should work with the Board of Directors to develop and implement a formal and approved comprehensive Alumni Association business operations manual that outlines policies and procedures for specific business functions, including, but not limited to: budget development, accounts payable, credit card usage, check signing, and cashiering operations.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: December 1, 2018</i>
<i>Assigned to: Alumni Association Executive Director, Alumni Senior Fiscal Service Tech, and the Executive Committee of the Alumni Association</i>
<i>Corrective Action Planned: The Association agrees that it will benefit from more clearly established protocols on its financial operations. A financial operations policy is in the development stages, pending feedback and review by the leadership of the Alumni Association. This policy will establish protocol and process for the areas listed above.</i>

FINANCIAL ANALYSIS

UNM Association and Relations Funding and Expenditures

Alumni Association

Funding for the Association primarily comes from two sources: royalties and commissions, and Investment income/net realized gains. Royalties and commissions funding is the Association's largest funding source at 51.3%, followed by Investment revenues at 37.6%, equaling approximately 90% of total Association funding. Commission revenue is passive income from various programs by which the Association receives a percentage of revenue based on various UNM Alumni sponsored programs, such as its participation in a credit card program which generated \$25,971 of commission revenue. The Association received the majority of its royalty revenue in FY 2018 from the special collegiate registration plate (Section 66-3-416, NMSA 1978, as amended) in the amount of \$487,501.

Investment revenues consist of investment dividends and net realized gains on the Association's Merrill Lynch investment account. During FY2018, the Association's investment account generated \$235,635 in dividends, which are unrestricted funds available for Alumni use, and \$150,241 in net realized gains. Investment income was generated on the Merrill Lynch investment balances of approximately \$8.6 million, which is an unrestricted funding source available for Alumni operating and non-operating expenses approved by the Association's Board of Directors.

Other revenues consist of program revenues of \$53,590 and contributions of \$60,167. Program revenues are generated from Association activities such as Homecoming, the Mirage alumni magazine, and other Association events.

For fiscal year ending June 30, 2018, the Association had total revenues of \$1,025,429 and operating and non-operating expenses of \$1,068,060, resulting in expenses exceeding revenues by \$42,631. Although expenses exceeded revenues during FY2018, it was attributed to non-operating transfers of \$350,000 from the Association to support the University. The Association's Board of Directors approved one-time contributions of \$200,000 for the Alumni Relations' office and \$150,000 to support UNM Branding activities. The Merrill Lynch investment account provides a funding source to make such contributions to support the University. The Association has \$8,853,670 in carry-over funding sources for FY 019, if needed.

Alumni Relations

Funding for the UNM Relations office primarily comes from two sources: Instruction and General (I&G) and Endowments and Gifts. I&G funding is Relations largest funding source at 76.4%, while endowments and gifts make up 23.5% of Relations' funding. I&G funding is used for the support of Alumni staffing.

Expenses of the Relations Office exceeded revenues by \$16,610 during FY 2018, which may be attributed to unrecorded income of approximately \$17,000 for the rental of the Chapel and

Hodgins Hall. See further information regarding the Chapel and Hodgins Hall rental deposits “Chapel and Hodgins Hall Rental Deposits” section of the report. The following presents revenues, expenses, and reserves, by funding source, for FY 2018.

Alumni Revenues and Expenses - FY 2018		
Revenues	Association	Relations
Royalties and Commissions	\$ 525,796	\$ -
Endowments and Gifts	-	134,815
Instruction and General	-	438,892
Investment	385,876	-
Other	113,757	577
Total Revenues	\$ 1,025,429	\$ 574,284
<u>Operating Expenses</u>		
Salaries and Benefits	\$ -	\$ 588,792
Program Support	249,593	-
Mirage Magazine	220,001	-
Services and Fees	3,303	27,039
Professional Services	148,141	14,134
Repairs and Maintenance	-	62,324
Scholarships and Awards	-	31,500
Other	97,022	67,105
Total Operating Expenses	\$ 718,060	\$ 790,894
<u>Non-Operating Revenues (Expenses)</u>		
University Support	\$ (200,000)	\$ 200,000
Branding	(150,000)	-
Total Non-Operating Expenses	(350,000)	200,000
Revenues Over (Under) Expenses	\$ (42,631)	\$ (16,610)
Reserves, beginning of year	\$ 8,896,301	\$ 323,572
Adjustments ¹	\$ -	\$ (43,710)
Reserves, end of year	\$ 8,853,670	\$ 263,252

Source: Banner Accounting System and Alumni Association

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 June 9, 2017, the Association’s Board of Directors approved a contribution of \$200,000 to the University to help with the budget shortfall that the University was experiencing. This contribution was paid in four quarterly installments of \$50,000 each beginning September 2017 through June of 2018. A letter from the Alumni Association President to the UNM Interim President stated, *“The Association is pleased that it currently has the resources to enable it to do its part to help the University in its time of need with this one-time contribution. Should the need arise, we (or our successors) will bring any future requests of this nature from you or your successor to the Association’s Board for consideration.”*

As a result of the Association’s contribution, UNM Administration reduced the Alumni Relations’ I&G base allocation by \$200,000 from \$638,892 to \$438,892. Although the Association’s supplement was a one-time contribution to the Relations office for FY2018, the Relations’ I&G base allocation has been reduced by \$200,000 for FY2019. However, so far a request has not been submitted to, nor has the Association’s Board considered such contributions to the Alumni Relations office for FY 2019. Thus, the Relations’ I&G funding is not sufficient to support operating costs of the Relations office during FY2019 without additional contribution.

Recommendation 2:

The Vice President for Alumni Relations/Association Executive Director should:

- a. Work with the UNM President’s Office to develop a proposal to reestablish its I&G funding to previous levels;
- b. Work with the Association Board to request permanent contribution to the Relations office. This may require amending the Memorandum of Agreement (MOA) between the University and the Association.
- c. Perform a cost savings analysis to determine where management should control and reduce expenses. This will reduce the risk of expenses exceeding revenues in future years.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: TBD</i>
<i>Assigned to: Alumni Association Executive Director, Executive Committee of the Alumni Association.</i>
<i>Corrective Action Planned: As a component unit, the Association works to support the University in its overall goals and mission, however it also recognizes that the Alumni Relations Office is part of the University and that its operations, staff and adherence to policy is dictated</i>

in large part by the policies set by the University. The interdependent nature of the Association and the Office requires that both work together to inform, involve and engage current and future alumni in the life of the University. With new leadership in place for both UNM and the Association, this is an appropriate time to establish mutually agreed upon levels of support and processes which will ultimately benefit both and provide an opportunity for improvement and a framework for future assessment.

The Association believes that the work of the Office of Alumni Relations is critical to the University and that UNM should reassess its current I & G allocation to the office, reinstating it to such a level that, at minimum, there is a commitment to salaries for positions as established in 'FY19 through FY '24, including any such salary increases that are granted by the Board of Regents. For FY '19, a strategy will be developed to address the current anticipated shortfalls. Ongoing contributions to the salaries for the Office of Alumni Relations staff made by the Association create a potential imbalance between the staff's role as employees of the University and the Association's role as a separate 501c(3) with no paid staff. The Association does not wish to overstep its boundaries in any way which would prevent appropriate University staff at a management/senior level from taking any job-performance corrective action needed.

Assessment of expenses and analysis of potential savings will be ongoing, and the Association will participate as appropriate in providing feedback on measures designed to provide savings where possible without a significant reduction in programs or services to alumni.

The Association will look to engage in dialogue with the President's office in the coming year to provide information which will help support the above request.

Investment Income

The Association's investment account generated \$385,876 in revenues during FY 2018, which included \$235,635 in investment earnings and \$150,241 in net realized gains. Investment income is unrestricted and may be used for operating expenses, or can be returned to the investment's principal for growth.

In November 2015, the Association developed a comprehensive long term investment policy that specifically addresses how the Association's investments should be managed. The investment policy was established to assure, to the extent possible, the long term viability and health of the "Endowment" account. The "Endowment" account's purpose is to provide the funding that may be needed by the Association to assure adequate long term funding for its mission, activities and supporting initiatives approved by the Association's board.

The Association's investment policy states, "*The UNM Alumni Association has an annual spending policy as 4% of the rolling 60 months average balance of the Endowment and 4% of any other liquid assets of the Association. Spending should come from unallocated cash, then from securities in order of liquidity upon recommendation of The Consultant.*" The Board has

also implemented processes, as part of its ongoing budgeting and oversight process, for the use of other Association investment and cash accounts. These investment processes, and “Endowment” and other investment performance is carefully reviewed throughout the year by the Finance Committee of the board, which is comprised of outstanding business, finance and investment professionals.

Although the Association has an investment policy for the management of funds, Alumni Association management does not have a documented long-term strategic plan for requests and use of funds from the Merrill Lynch investment account.

Recommendation 3:

The Vice President for Alumni Relations/Association Executive Director should work with the Alumni Board to develop a long-term strategic plan for the use of investment funds. The plan should include expectations of need and/or requests on a long-term basis, which will provide the Board with an advanced notice of expected need and/or use of funds for future years. This will ensure income generated from the Association’s investment account is utilized in the most effective and desirable manner, as approved by the Board, for the support of the University and Alumni activities.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: June 30, 2019</i>
<i>Assigned to: Alumni Association Executive Director, Alumni Association Finance Committee, Alumni Association Executive Committee</i>
<i>Corrective Action Planned: The Association believes that the strategy for the use of its endowment is embedded within its current investment policy. The Association also believes that its current process provides an appropriate level of discussion and implementation of the use of its investment funds. The Finance Committee serves as the primary team tasked with reviewing the Association’s Investment Account, performance and the Investment Policy set forth by the Association. The Committee is currently engaged in a review of these areas, and has initiated the first steps required to make recommendations to the Board on updates and revisions.</i>

License Plate Sales

The Alumni Association receives funds for the sale of UNM license plates. The Association received \$487,501 during FY 2018. Funds are transferred from the Motor Vehicle Department to a UNM bank account, and are recorded in a Banner agency account. These funds are primarily used for the Alumni’s Mirage magazine, Alumni events, IT support, and audit services.

New Mexico State Statute 66-3-416: Special Collegiate Registration Plate; Procedure; Fee states, *“Revenues received by each higher educational institution from special collegiate registration plate fees are appropriated to the higher educational institutions to carry out any purpose of that institution.”*

On June 12, 2015, the UNM Board of Regents passed a resolution granting the Association rights to the license plate royalties. However, a signed agreement between the University and the Association is not in place for the Association's rights to the University's license plate sales.

Recommendation 4:

The Vice President for Alumni Relations/Association Executive Director should work with the President’s office and UNM Legal Counsel to execute a signed agreement for the Association’s rights to license plate royalties. This agreement should specify how funds will be expended to carry out any purposes identified by the University.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: December 1, 2018</i>
<i>Assigned to: Alumni Association Executive Director</i>
<i>Corrective Action Planned: Although the Association feels that the resolution passed by the Regents in 2015 remains the primary source of codifying the designation of the License Plate royalties to the Association, the Association is in agreement that a more strongly defined agreement is needed to ensure the continued allocation of royalties from current and future license plate revenue to the Association. Leadership of the organization will work with University Counsel to produce a more formalized agreement.</i>

Chapel and Hodgins Hall Rental Deposits

The Association receives cash deposits for the rental of the Chapel and Hodgins Hall. Payments are submitted to the Association through its website and deposited in the Association’s private bank account. Since the Chapel and Hodgins Hall are UNM facilities, the deposits (rental income) are subsequently transferred to a UNM bank account. The current process for the collection and recording of deposits increases the risk of revenues not being properly recorded. At June 30, 2018, there was unrecorded revenues in Alumni Relations books of approximately \$17,000 of rental income for events that had occurred prior to fiscal year end; however, funds were not transferred from the Association’s bank account to the University.

Recommendation 5:

The Vice President for Alumni Relations/Association Executive Director should revise the current processes for the collection and recording of Chapel and Hodgins Hall rental deposits. The Vice President for Alumni Relations/Association Executive Director should work with the UNM Cashier's office to set up a Touch Net account that will deposit funds directly in the Relation's UNM bank account. Thus, rental activity will be recorded directly in the Relations' Banner accounts, reducing the risk of unrecorded revenues.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: February 1, 2019</i>
<i>Assigned to: Alumni Association Executive Director</i>
<i>Corrective Action Planned: The Alumni Chapel and Hodgins Hall serve as a connecting point for alumni, campus and the community as a whole and the Alumni Relations Office staff welcomes the opportunity to continue to provide the highest levels of service possible to ensure their continued accessibility to all. The Alumni Relations Office will work with the appropriate staff in the Cashier's Office, IT and any other offices deemed necessary to establish a more streamlined means for depositing revenue generated from the rental of these facilities directly into the appropriate University accounts while still allowing for Alumni Relations Office staff to do the work needed to provide high levels of customer service.</i>

Reserves

Reserves represent unrestricted carry-over funds available for spending at the beginning of the year. At the end of the fiscal year, unspent funds are carried over into the new fiscal year. The reserve balance carry forward represents actual dollars after net income (loss) from the prior year.

As of June 30, 2018, UNM Association and Relations had \$8,853,670 and \$263,252 in carry-over reserves available for FY 2019. The Association's investment reserves are unrestricted and may be used for any activity approved by the Association's Board of Directors. However, Association reserves for license plate royalties can be used at the discretion of Alumni management and must follow UNM policies and procedures.

The Relations' I&G reserves are unrestricted and may be used for any Relations activities as long as they comply with UNM policies and procedures. However, reserves for endowed and

non-endowed spending, and the Chapel are designated for specific purposes. The following presents reserves, by funding source, available for FY 2019.

Alumni Reserves - FYE 2018		
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Total	\$ 8,853,670	\$ 263,252

Source: Banner Accounting System and Alumni Association

CASH MANAGEMENT

The UNM Alumni Association primarily receives cash receipts from royalty and commission activities (license plate sales and credit card program) and gifts and contributions. Royalties from license plate sales are received on a monthly basis via ACH transfer from the New Mexico Motor Vehicle Department, while gifts and contributions are received by check.

UAP 7200: Cash Management, Section 1.1. Mandatory Cash Handling Training states, *“Individuals responsible for handling cash and their direct supervisor must take the online “Cash Management” training course offered by the University Employee and Organizational Development Department. Supervisors are responsible for ensuring that new employees, students, and volunteers responsible for monies take the required training as soon as possible after being assigned cash handling duties, but no later than sixty (60) days after the assignment date.”*

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 assessed internal controls over the cash receipts process and tested for compliance with UNM policy 7200: Cash Management. There were no exceptions regarding timely deposits of cash receipts. However, the UNM Alumni Relations office does not have processes in place to ensure employees that handle, or have access, to cash complete cash management training. Alumni Relations employees that handle or have access to cash did not complete the cash management training when cash handling duties were assigned. However, cash management training was completed by all Alumni employees that handle, or have access to, cash prior to the completion of audit fieldwork.

Recommendation 6:

All Alumni employees that handle, or have access to, cash should take Cash Management training as required by UAP 7200: Cash Management. The Vice President for Alumni Relations/Association Executive Director should implement internal controls that ensure employees that handle, or have access to, cash take the cash management training when duties are assigned.

Response from the Vice President for Alumni Relations/Association Executive Director:

Action Items
<i>Targeted Completion Date: October 5, 2018</i>
<i>Assigned to: Alumni Association Executive Director</i>
<i>Corrective Action Planned: In order to ensure that all staff in the Alumni Relations Office are compliant with University policies, all staff will have documented completion of the Cash Management training course.</i>

DISBURSEMENTS

The Relations office follows University Purchasing and Accounts Payable policies and procedures. Although the Association does not have written policies and procedures, it has established processes in place for the review and approval of cash disbursements and credit card use.

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

ENDOWMENTS

Endowed funds include gifts totaling over \$10,000 that continue on in perpetuity. The spending allocation from the funds can only be spent in accordance with the donor's intent. UNM Relations receives endowed funds through an endowment spending distribution transferred from the UNM Foundation on an annual basis. Relations' endowments are primarily intended for student scholarships.

Compliance with Donor Intent

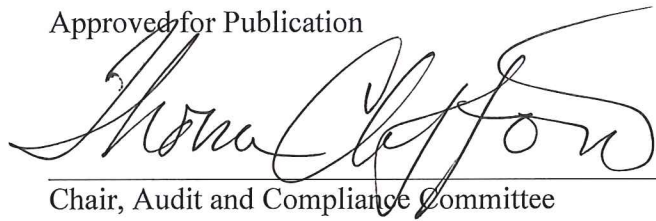
The UNM Foundation provides donor intent information to the Alumni Relations office. Relations is responsible for ensuring that disbursements from endowed spending accounts comply with donor intent. Internal Audit performed test work to ensure disbursements were in compliance with donor intent. No exceptions were noted.

APPROVALS



Manu Patel, CPA
Director, Internal Audit Department

Approved for Publication



Chair, Audit and Compliance Committee