

UNIVERSITY PRESIDENT'S TRAVEL, ENTERTAINMENT, AND OTHER EXPENSES

Report 2019-08
September 26, 2019



THE UNIVERSITY OF
NEW MEXICO.

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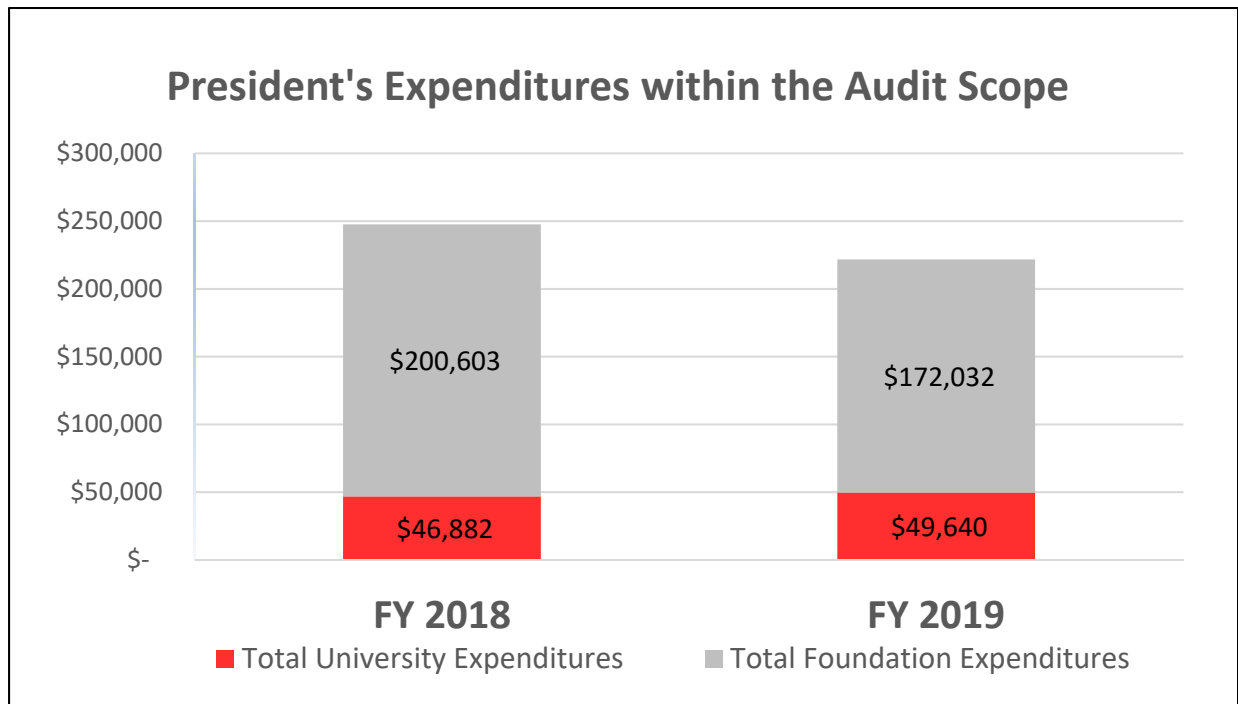
ABBREVIATIONS

ACC	Audit and Compliance Committee
Foundation	UNM Foundation
FY 2018	Fiscal Year 2018 (7/1/17 – 6/30/18)
FY 2019	Fiscal Year 2019 (7/1/18 – 6/30/19)
I & G	Instruction & General Funds
IA	UNM Internal Audit Department
IRS	Internal Revenue Service (U.S. federal agency)
UAP	University Administrative Policies
UNM / University	University of New Mexico

EXECUTIVE SUMMARY

As required by Regents' Policy 3.9: Benefits of the University President, and per the President's employment agreement, the Internal Audit Department (IA) conducted an audit of the President's travel, entertainment, and other expenses for the period of July 1, 2018 through June 30, 2019. The purpose of the audit was to determine compliance with Regents', University, and University of New Mexico Foundation (Foundation) policies, the President's employment agreement, and reporting requirements of the Internal Revenue Service (IRS).

IA examined the President's and President's spouse's travel, entertainment, and other expenses of \$49,640 and \$172,032 expended from the University Instruction & General (I&G) funds and the Foundation's President's Club fund, respectively, during fiscal year 2019 (FY2019). The disbursements from the Foundation include \$50,000 for the President's suite at Dreamstyle Stadium and \$20,000 for a half-suite at Dreamstyle Arena, which are used for donor cultivation.



Source: MyReports (UNM Banner System) and UNM Foundation

CONCLUSION

In the audit of the President's travel, entertainment, and other expenses, IA found the expenses are reasonable, allowable, and in accordance with the University Administrative Policies (UAP), Foundation Policies, the President's employment agreement, and IRS reporting requirements.

INTRODUCTION

BACKGROUND

According to Regents' Policy 3.9: Benefits of the University President, and the Employment Agreement with President Stokes, the University pays for or reimburses the President for reasonable and allowable expenses resulting from official travel, entertainment and other activities by the President and her spouse in the performance of her official duties.

These duties may include any of the following: hosting University events; attending seminars, educational conferences, conventions, and/or meetings of non-profit boards on which the President may serve; other professional growth activities; and, other meetings to advance the interest of the University. The University encourages the President's spouse to accompany the President to events and to attend events separately as a representative of the University. The University also pays for allowable costs of the spouse's travel. These reimbursements are in accordance with established travel and expense reimbursement policies of the University (UAP 4030: Travel and UAP 4000: Allowable and Unallowable Expenditures).

The President has available to her discretionary funds (The UNM President's Club), which are held by the UNM Foundation. Donations are made to the President's Club fund to support core priorities of the University – Student Success, Systemic Excellence, Healthy Communities, and Economics and Community Development. Consistent with Regents' Policy 3.9, the discretionary funds are made available to the President for such miscellaneous expenses as: retirement or recognition/appreciation gifts; purchases of tables sponsored by community organizations; potential donor activities; donor relations; receptions; meals (including alcoholic beverages); fund raising events; and, other similar events or expenses that are judged to be appropriate for the benefit of the University.

PURPOSE

The purpose of the audit was to determine whether the President's and the President's spouse's travel, entertainment, and other compensated expenses were reasonable, allowable, and in accordance with Regents', University, and Foundation policies, IRS reporting requirements, and consistent with the President's employment agreement, if applicable.

SCOPE

The audit period covered transactions between July 1, 2018 through June 30, 2019 (FY2019). The scope of the audit included travel, entertainment, and other expenses incurred by the President and the President's spouse recorded either within the University accounting system or paid for from the UNM Foundation's President's Club Fund. One hundred percent (100%) of the transactions that were in-scope were tested as part of this audit.

For funds expended from the Office of the President indices, IA generated an operating ledger detail report for FY2019 across all indices within organization code 031A. The following table is

a summary of total revenues and expenses from the Office of the President's operating ledger. The information is for informational purposes only; not all amounts were included in the scope of this audit.

Office of the President (031A) Operating Ledger Summary at June 30, 2019				
Account Type	Budgeted	Actual*	Encumbrances	Balance Favorable / (Unfavorable)
Revenue (Credit balance)	(1,592,865)	(2,016,103)	-	423,238
Salary Expense	908,037	857,863	-	50,174
Other Expense	684,828	325,130	5,044	354,654
Balance Remaining / (Overspent)	-	833,110	(5,044)	828,066

Source: MyReports (UNM Banner System)

For University expenditures, IA performed a risk assessment over the transactions and arrived at a determination of in-scope transactions by reviewing the selected transaction detail to determine whether they met the previously described audit scope criteria.

For President's Club expenditures made from the Foundation, IA received both the cash ledger detail in FY2019, and the underlying support for all disbursements from the President's Club, all of which were determined to be in-scope for the purposes of this audit.

The following table is a summary of University and Foundation expenditures of the President in FY2019.

FY2019 President's Expenditures by Type			
Description	University	Foundation	Total
Development / Entertainment		71,756	71,756
President's Event Catering	15,566	27,041	42,607
University Support		35,000	35,000
Table Sponsorship		29,500	29,500
Moving Expenses	11,606		11,606
Travel Expenses	8,265		8,265
Operating Miscellaneous	4,348	2,098	6,446
Regents' Development Catering		6,290	6,290
Membership Dues	5,160		5,160
Business Meals	3,200	347	3,547
Student Veteran Training	1,495		1,495
Total Expenses	49,640	172,032	221,672

A: The bulk of these expenditures consisted of \$50,000 paid for the President's suite at UNM's Dreamstyle Stadium and \$20,000 for a half-suite in Dreamstyle Arena.

B: The last of the moving expenses were paid in spring 2019. Total moving expenses incurred under the terms of President Stokes' employment agreement was \$19,719.

Source: MyReports (UNM Banner System) and UNM Foundation

AUDIT PROCEDURES

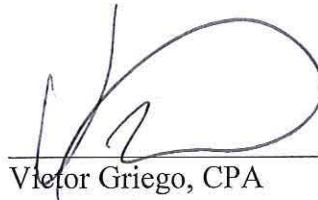
The detailed audit procedures performed include the following activities:

- Review of:
 - Policies
 - Regents' Policy 3.9, "Benefits of the University President"
 - UAP 4000, "Allowable and Unallowable Expenditures"
 - UAP 4030, "Travel"
 - UNM Foundation Policy 4.6, "Foundation Debts, Disbursements & Investments"
 - UNM Foundation Policy 4.9, "Foundation Support of Other Organizations"
 - President Stokes' Employment Agreement (effective March 1, 2018, and in effect throughout audit period).
 - "A Federal Income Tax Guide for College & University Presidents" (published by the American Council for Education, National Association of College & University Business Officers, and the National Association of College and University Attorneys)
 - Control self-assessment
- Analysis of out-of-scope transactions for appropriateness of scoping classification
- Vendor history assessment for non-salary payments (e.g. reimbursements) paid to President Stokes or to her spouse (Dr. Jeffrey Younggren)
- Detail testing to assess that all transactions were:
 - Reasonable and allowable per the aforementioned policies and/or employment agreement
 - Accounted for appropriately
 - Supported by the necessary documentation (e.g. who, what, where, when, why), including original receipts and, if applicable, a signed 'Documentation Form for Spousal Expenses'
 - Reviewed for taxability of reimbursements/payments, and if taxable, traced to President Stokes' earnings reports

CONCLUSION

In the audit of the President's travel, entertainment, and other expenses, IA found that the transactions were reasonable, allowable, and in accordance with Regents' Policies, University Administrative Policies (UAP), Foundation Policies, the President's employment agreement, and IRS reporting requirements. IA would like to thank members of the President's staff and the UNM Foundation's Finance staff for providing requested materials promptly and being available to respond to follow-up inquiries.

APPROVALS



Victor Griego, CPA
Interim Director, Internal Audit Department

Approved for Publication



Chair, Audit and Compliance Committee