

AUDIT OF UNM LOBO CLUB

THE UNIVERSITY OF NEW MEXICO

Report 2020-03
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THE UNIVERSITY OF
NEW MEXICO.

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ABBREVIATIONS

ACC	Audit and Compliance Committee
AD.....	Athletic Director
Athletic Director	UNM Director of Intercollegiate Athletics
FSS	Fiscal Shared Services
FY19	Fiscal Year 2019 (7/1/18 – 6/30/19)
FY20	Fiscal Year 2020 (7/1/19 – 6/30/20)
FY21	Fiscal Year 2021 (7/1/20 – 6/30/21)
GIK	Gift-in-Kind (contributed good or service, non-cash)
IA	UNM Internal Audit Department
IT.....	Information Technology
LSF.....	Lobo Scholarship Funds
MOA	Memorandum of Agreement
Pit Suites	Dreamstyle Arena Suites
RSC.....	Required Seat Contributions
SEF.....	Sports Enhancement Fund
UAP.....	University Administrative Policies
UNM.....	University of New Mexico

EXECUTIVE SUMMARY

The Lobo Club was selected for audit as part of the FY20 Internal Audit plan. The audit focused on Lobo Club operations for calendar year 2019. Internal Audit (IA) examined Pit Suites and Pit Club Seats sales, payment of required seat contributions (RSC) associated with season ticket sales, donor intent, deposits and transfers, gifts-in-kind (GIK) processing, Lobo Club expenditures, IT general controls, and UNM onboarding.

Lobo Club underwent organizational changes during the audit period, and even more so thereafter. The impact of COVID-19 on current and future operations at Lobo Club is and will continue to be significant. Required seat contributions make up a majority of Lobo Scholarship Fund (LSF) monies used to fund student-athlete scholarships, and Pit Suites and Pit Club seat sales are used to pay down the pit renovation bond issue. Lobo Club must rely on the benevolence of alumni, business leaders, and the larger Lobo community to support UNM Athletics throughout the suspension and/or postponement of athletic events.

Lobo Club has developed a stable control environment that achieves its mission, purpose and core competencies. After review, IA has recommended improvements that will better safeguard the assets and continue to improve the operating processes of the organization. Lobo Club is mostly compliant with its own policies and procedures, but would benefit from clarifying policies and improving processes identified within this report. The following are key recommendations reported for Lobo Club.

Key Recommendations

1. Enforce established controls around Pit Suite processes to ensure that all suite holders have current contracts in place prior to the start of the basketball season.
2. Ensure significant decisions and/or approvals mandated by policy made by the Board, Executive Committee, and Finance Committee are memorialized in sufficient detail in the meeting minutes.
3. Create written policies and procedures governing the donor management system



INTRODUCTION

BACKGROUND

Established in 1968, the University of New Mexico (UNM) Lobo Club (Lobo Club) was created as a non-profit, tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, for the purpose of raising private gifts to support the UNM Athletics Department. Lobo Club is governed by a Board of Directors, which include Executive and Finance Committees, that oversees Lobo Club management in partnership with the UNM Director of Intercollegiate Athletics (“Athletics Director”) in guiding the long-term strategic operations of the organization.

Table 1. Lobo Club Operating Revenues and Expenses

	FY18	FY19	FY20 (thru 6 mos.)	5-year Avg.
Operating revenue				
Revenue from ordinary contributions	3,271,840	3,567,723	2,929,338	
Revenue from gifts-in-kind contributions (non-cash)	2,186,987	1,789,074	33,591	
Special events, net and other	204,602	174,672	212,328	
Total operating revenue	<u>5,663,429</u>	<u>5,531,469</u>	<u>3,175,257</u>	5,541,854
Operating expense				
Ordinary contribution expense	2,317,488	3,267,045	1,469,786	
Gifts-in-kind expense	2,186,987	1,789,074	33,591	
General & administrative expense	274,544	257,348	135,284	
Total operating expense	<u>4,779,019</u>	<u>5,313,467</u>	<u>1,638,661</u>	5,339,023
Operating profit/(loss)	<u>884,410</u>	<u>218,002</u>	<u>1,536,596</u>	202,831

Source FY18 and FY19 derived from Lobo Club financial statements; FY20 derived from Lobo Club accounting information system

Lobo Club’s affiliation with UNM is formalized through a memorandum of agreement (MOA), most recently revised in May 2019. The MOA defines the specific obligations of each party. In consultation with the Athletics Director, the Lobo Club offers opportunities for benevolent alumni and members of the community to support student-athletes through the Lobo Scholarship Fund (“LSF”), Athletics facilities capital projects, individual sports through Sports Enhancement Funds (“SEF”), as well as opportunities to support the general operations of the Lobo Club.

PURPOSE, SCOPE AND OBJECTIVES

The Lobo Club was selected for audit as part of the FY20 Internal Audit plan. The audit focused on Lobo Club operations for calendar year 2019 and captures the implementation of the new ticketing and donor management system, as well as the transition of Lobo Club staff from UNM Foundation employees to becoming UNM employees. Internal Audit excluded from its

scope any consideration of fundraising activities that occurred within its prior donor management system, which was discontinued effective July 1, 2019, and received an unmodified opinion by the external auditor for FY19.

The audit sought to accomplish the following objectives:

- Assess Lobo Club's compliance with the terms of the revised MOA, including sales of and collections from suites at Dreamstyle Stadium (football) and Dreamstyle Arena (men's/women's basketball) on behalf of UNM.
- Assess Lobo Club's compliance with its own written policies and procedures related to required seat contribution collections, receipt of contributions, gifts-in-kind contributions, and expenditures.
- Assess money transfers between Lobo Club bank accounts and from Lobo Club to UNM.
- Assess Lobo Club's information technology environment.
- Assess Lobo Club staff onboarding as UNM employees.

PROCEDURES

Internal Audit performed the following procedures:

- Inquiries with management and staff.
- Developing an understanding of the operating environment from a risk perspective.
- Obtaining population files from the donor management system for sampling.
- Reviewing the minutes during the audit period from various governance groups (Executive Committee, Finance Committee, and Lobo Club).
- Obtaining season ticketing report data for football, women's basketball, and men's basketball from UNM Athletics ticketing system.
- Gaining an understanding of the IT systems in use within Lobo Club, including the relevant aspects of the system that Lobo Club controls.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

DREAMSTYLE ARENA / STADIUM SUITE SALES & COLLECTIONS

Under the terms of the revised MOA, Lobo Club assumed responsibility for facilitating suite contract sales on behalf of UNM and the interested suite holders for both Dreamstyle Stadium and Dreamstyle Arena. However, in 2019, UNM simultaneously entered into a new media rights agreement which assigned responsibility to sell six (6) Dreamstyle Stadium suites to the media rights vendor. Because the vendor, and not Lobo Club, handled the sale of the football suites in 2019, testing of Dreamstyle Stadium suite sales was not performed.

Dreamstyle Arena (“Pit”) Suites

Lobo Club retains responsibility for sales of and collection of payments for the Dreamstyle Arena suites (“Pit suites”). For the 2019 basketball season, IA obtained the list of full-season suite holders, which consisted of 26 suite holders out of the 40 suites available. IA tested if each suite holder had: a current contract in place that reflected their current suite usage; a pledge recorded in the donor management system; and, correct pricing in the donor management system consistent with the contract terms. In addition, IA selected nine (9) suite holders for testing of: proof of payment; whether a receivable was booked at 12/31/19 if an outstanding payment balance existed; and, that contractual payment terms were followed.

There have been significant improvements to the overall tracking and managing of the Pit Suites and Club Seats since Lobo Club assumed responsibility. However, Lobo Club did not adequately track the contract status for three (3) out of 26 suite holders for the 2019 basketball season. Lobo Club’s Operations Manual requires that contracts be established between UNM and each suite holder, which details the number of seats, price, duration and payment terms, and would serve as the basis for adjudicating any disagreements with the suite holder regarding monies that might be owed. Also, the Finance Manager, who is responsible for recording pledges and receiving and applying monies, does not receive copies of final suite agreements, limiting the ability to identify discrepancies should an error occur.

Recommendation 1

Lobo Club Executive Director should enforce established controls around Pit suite sales and collections to ensure that all suite holders have current contracts in place prior to the start of the basketball season. Lobo Club should also ensure that the Finance Manager receives copies of executed contracts to allow for timely recording of pledges and better coordination of payments.

Response from Executive Director, Lobo Club

Action Items
<i>Targeted Completion Date: November 1, 2020</i>
<i>Assigned to: Director of Premium Seating</i>
<p><i>The Lobo Club acknowledges that there was an issue with three contracts this year. The Lobo Club is very proud of the significant improvements to the tracking, documenting and collections for the Pit Suites and Club seats over the past few seasons. The Lobo Club would like to note that they were actively communicating with suite holders regarding their contract status and all three were paid in full by the end of the fiscal year.</i></p> <p><i>Corrective Action Planned: The Director of Premium Seating will provide copies of all fully executed contracts to the Finance Manager, which will be reviewed by the Finance Manager and Executive Director before distribution of tickets and parking to suite holders. Originals will be kept by the Finance Manager and copies will be kept by Director of Premium Seating.</i></p>

REQUIRED SEAT CONTRIBUTIONS – SEASON TICKETS

In 1989, the UNM Board of Regents (BOR) endorsed efforts by then-Athletic Director Gary Ness and Vice President David McKinney to develop an “Athletic Ticket Priority Plan,” but left approval of the plan with the President of the University. This plan is the basis for required seat contributions (“RSC”), wherein, in addition to the ordinary season ticket payment, select season ticket seats for football, men’s basketball, and women’s basketball require a contribution to the Lobo Scholarship Fund (LSF) be paid to Lobo Club. At the time, Athletic Director Ness recognized that, “Current (1988-89) season ticket holders should not be required to become part of the priority system in order to retain their current seats.” These season ticket holders have come to be known as the “grandfathered” cohort.

The Athletics Department has developed a written policy for ticketholders to maintain their “grandfathered” cohort status that includes:

- 1) The season ticketholder or their spouse maintain their season tickets each season.
- 2) The ticketholder retains the specific seats they have held since inception of the grandfathered ticket program.

For the 2019 men’s basketball season, the fiscal impact of the grandfathered ticketing policy resulted in approximately \$640k in foregone contributions to the LSF. Athletics management is responsible for administering the program, including assessment of compliance with the policy, as it maintains the historical records of prior years’ grandfathered season ticket holders. Athletics

management is currently assessing the grandfathered policy and considering changes for future seasons.

Prior to 2019, season ticket sales were conducted through UNM's ticketing system, which was distinct from Lobo Club's donor management system. Beginning in 2019, UNM purchased an integrated ticketing and donor management system, allowing for linking accounts between season ticket holders and Lobo Club donors and resulting in greater comparability between these areas.

In Summer 2019, Lobo Club and Athletics management identified an issue that an additional cohort of season ticket holders for Football, Men's Basketball, and Women's Basketball were not making required seat contributions (RSC) at the publicly-listed contribution rates. Lobo Club communicated with some of these season ticket holders, who stated that their discounted RSC originated from one-time exceptions or accommodations due to them having to move their season seats.

Athletics management performed a review of historical records to determine whether/how the RSC concessions were memorialized. Understanding that the duration of such an in-depth review would go past the start of the athletic seasons, in consultation with Lobo Club, Athletic Director Nuñez issued a public announcement to season ticket holders allowing them to pay the contribution at their historic rate for the 2019 season. However, IA was unable to verify any written record of this decision or endorsement to adjust the collections policy for 2019 in any meeting minutes of the Lobo Club Board, its Executive Committee, or its Finance Committee.

Lobo Club bylaws give the Board of Directors responsibility for the control and management of the affairs, activities, property and interests of the Lobo Club, which extends to the required seat contributions owed by season ticket holders. By not memorializing the discussion and decision to not follow ordinary collections policy for 2019 in the meeting minutes, people might incorrectly infer that Lobo Club governance was not sufficiently involved in the decision. IA relied upon management representations and contemporaneous documentation to support that the decision was made in advance of the athletics seasons, and not withholding tickets for nonpayment was reasonable. IA subsequently received documentation that Lobo Club's Board and Executive Committee approved a resolution in May 2020 to collect required seat contributions at publicly listed rates going forward.

Recommendation 2

Lobo Club Executive Director should ensure significant decisions and/or approvals mandated by policy made by the Board, Executive Committee, and Finance Committee are memorialized in sufficient detail in the meeting minutes.

Response from Executive Director, Lobo Club

Action Items
<i>Targeted Completion Date: August 1, 2020</i>
<i>Assigned to: Executive Director and Board Liaison</i>
<p><i>Lobo Club accepts this finding. This matter was initially communicated to University Leadership, and as details of the matter were further understood, communicated to the Board and as an information item, rather than as a formal action item. The Board was asked to address the policy at year end, and did so in May 2020 through a resolution passed by both Executive Committee and the full Board to make mandatory collection of all required seat contributions to the advertised level outside of the grandfathered group.</i></p> <p><i>Lobo Club also agrees that meeting minutes will better capture the check lists to allow for those checks to be memorialized in the Finance Committee record.</i></p> <p><i>Corrective Action Planned:</i> <i>The Executive Director will review all meeting minutes for accuracy and ensure key decisions and approvals are reflected within the draft form before presentation to the Board of Directors as well as Executive and Finance Committees for meeting minutes approval.</i></p>

2019 Required Seat Contributions (RSC) Testing

IA selected 54 season ticket holders from the 2019 football season, 37 season ticket holders from the 2019 women's basketball season (includes Lobo Club ("Pit Club") seats for both men's and women's basketball), and 58 season ticket holders from the 2019 men's basketball season for testing their 2020 drive year contributions (associated with 2019 season). IA assessed each selected season ticket holder to determine whether their required contributions were paid and recorded in the donor management system. For season ticket holders who had not paid in full, IA assessed whether they were on a payment plan.

IA identified 17 football, five (5) women's basketball, and eight (8) men's basketball season ticket holders who did not pay a required seat contribution at the publicly-listed rates nor establish a payment plan. Since there was no "historic" rate that could be referenced, IA was unable to determine if a contribution was required from these season ticket holders. Therefore, IA did not complete further assessment of these season ticket holders.

2019 Required Seat Contributions - Collections

IA assessed Lobo Club’s RSC collections for 2019 as of 12/31/19. IA obtained season ticket sales reports for the sports that have seats with RSCs, and after adjusting for alternate uses of season tickets, the grandfathered ticket policy, Lobo Club’s “Highest Sport Owed” policy, and the impact of the one-year exception granted to the “informal cohort,” generated Table 2 below. The table below reflects receivables associated with GIK pledges and the remaining balances for accounts on a payment plan, as they are highly likely to be realized.

Table 2. Required Seat Contributions – 2019 Season Collections

<i>(Paid)</i>	Required seat contributions paid thru 12/31/19:	1,288,106	76.6%
<i>(Receivable)</i>	Payment plan account balances @ 12/31/19:	164,235	9.8%
<i>(Receivable)</i>	Unapplied gifts-in-kind pledges @ 12/31/19:	163,983	9.8%
Collected or receivable @ 12/31/19:		1,616,324	96.1%
Pledges not collected @ 12/31/19:		65,060	3.9%
Total required seat contributions:		1,681,384	100.0%
Additional LSF contributions paid by season ticket holders (<i>beyond</i> required):		228,078	
Additional gifts-in-kind pledges collectible from season ticket holders (<i>beyond</i> required):		439,873	
Total LSF contributions / pledges for 2019 Season @ 12/31/19:		2,284,275	

Source Derived from 2020 Drive Year data from the donor management system and season ticket sales reports

DONOR INTENT

The Lobo Club relies on the generosity of local business leaders, alumni, and other charitable organizations and individuals to raise funds to support UNM Athletics broadly. Often, that generosity is directed towards a particular program or purpose within UNM Athletics that provides special meaning to the donor. Proper stewardship of their gifts is a key element for maintaining that donor’s support of Lobo Club and UNM Athletics.

To assess whether Lobo Club is honoring the intentions of donors, IA obtained the population of contributions to Lobo Club. IA generated a sampling population by payment type and randomly sampled each payment type population. This resulted in a sample set of six (6) cash contributions, 38 check contributions, and 56 credit card contributions. IA tested to determine if the donor purpose (“allocation”) listed in the donor management system was supported by payment documentation listing donor intent (receipt log, check copy, pledge cards, etc.), and that their contribution was paid and applied to the appropriate revenue account. No exceptions were noted.

GIFTS-IN-KIND

UNM Athletics has a variety of needs, some of which can be met by contributed goods and services, known as gifts-in-kind (GIK). GIK are unique in that the goods or services contributed typically flow directly from the donor to the end-user (e.g. sports team, Athletic facility, or for the benefit of Athletics generally), with Lobo Club serving to perform the administrative aspects of capturing the contribution value for reporting purposes.

GIK typically occur in two phases – the “pledge” phase and the “contribution” phase. In the pledge phase, GIK may be solicited from businesses as needs are identified by UNM Athletics or they may be volunteered by a business. When volunteered by a business, the offered goods or services undergo an assessment by UNM Athletics to determine whether they would meet a need prior to the GIK being accepted. Once UNM Athletics agrees to the proposed goods or services, a written agreement is drafted wherein the terms of the GIK are recorded. The fair value of the anticipated goods and services to be contributed are recorded as a pledge in the donor management system by Lobo Club.

In the “contribution” phase, Lobo Club records contributions in the donor management system as goods and services are received or utilized by UNM Athletics. The timing of recognizing contributions varies depending on whether Lobo Club has primary responsibility for administering the GIK area. For GIK associated with restaurants and hotels, Lobo Club has primary responsibility in coordinating those requests directly with the vendor, and works with the end user to obtain the receipt and record the contribution in the donor management system.

For marketing, courtesy cars, concessions, professional services, and facilities, UNM Athletics works directly with the vendor in executing the GIK agreements. These agreements (pledges) and the goods and/or services utilized (contributions) by UNM Athletics are intended to be reported to Lobo Club through quarterly meetings between the “Director of Annual Giving” from Lobo Club and UNM Athletics management, as stipulated in the Lobo Club Operations Manual. By holding quarterly meetings, it ensures that the contributed goods and services can be timely reconciled to the donor’s record.

IA assessed Lobo Club’s GIK at the end of the audit period, with an expectation that the pledge amounts would approximate the prior year’s pledge amounts, since they are largely prearranged prior to athletic seasons and tend to focus on football and men’s basketball. IA also expected that contributions would approximate half of the FY19 contributions, in consideration that GIK was anticipated to be largely unchanged from the year prior. Based on information available in the donor management system, IA compiled Table 3 below.

Table 3. Gifts-in-kind Pledges and Contributions in FY19 and six months of FY20

GIK - Category	FY19 Pledges	FY19 Contributions	FY20 Pledges (Jul. - Dec. 2019)	FY20 Contributions (Jul. - Dec.2019)
GIK - Marketing	1,065,250	Not Available*	277,000	-
GIK - Courtesy Cars	286,870		166,870	-
GIK - Concessions	170,124		50,000	-
GIK - Professional Services	83,515		84,600	10,556
GIK - Hotel	81,990		90,360	8,280
GIK - Facilities	62,447		66,024	5,594
GIK - Restaurant	51,644		42,021	9,162
GIK - Materials / Supplies	10,000		-	-
Grand Total	1,811,840	1,789,074	776,875	33,592

43% of FY19 total 2% of FY19 total

* Breakdown of FY19 Contributions data by category was not available, as the information from predecessor donor management system did not migrate into the new donor management system. The grand total provided was taken from Lobo Club's FY19 financial statements.

Source: Donor Management System FY19 and FY20 pledge data

IA inquired with Lobo Club management as to the reason for the lower-than-anticipated GIK pledges and contributions recorded in the donor management system. Lobo Club management acknowledged that quarterly meetings were not held between Lobo Club and UNM Athletics in FY20. Lobo Club's Operations Manual requires quarterly meetings to ensure contributions are captured timely. By not holding the quarterly meetings, GIK contributions for marketing, courtesy cars and concessions in FY20 were not reflected in the donor management system, and could have impacted the accuracy of annual tax statements generated by Lobo Club for GIK donors. The delay in recording GIK contributions could also impact season ticket holders for whom their GIK contributions satisfy their required seat contribution.

Recommendation 3

The Lobo Club Executive Director should ensure meetings are held consistent with Lobo Club Operations Manual, with sufficient frequency to allow for timely recording of GIK pledges and contributions in the donor management system. This will ensure accurate GIK contributions at calendar year end.

Response from Executive Director, Lobo Club

Action Items
<i>Targeted Completion Date: October 1, 2020</i>
<i>Assigned to: Assistant Athletic Director, Annual Giving</i>
<i>The Lobo Club agrees with the finding and that quarterly meetings would be advantageous to the process of timely recognizing GIK pledges and contributions. Lobo Club notes that, at fiscal year-end, GIK contributions were successfully managed, tracked, and reported in conjunction with both UNM and UNMF.</i>
<i>Corrective Action Planned: The Assistant Athletic Director, Annual Giving will meet with all necessary constituents in UNM Athletics quarterly to ensure tracking and recording of GIK consistent with policy.</i>

GIK Contributions

IA tested GIK from July 1 – December 31, 2019 by obtaining the GIK population totaling approximately \$34,000. IA selected 21 transactions and tested them to determine: whether a GIK form had gone through a preapproval process; whether approved GIK forms were logged in the tracking system; and whether receipts were submitted timely, within the approved amount, and did not include prohibited items (e.g. tips, alcohol). IA did not identify any reportable conditions and Lobo Club has adequate internal controls and processes for GIK processing.

GIK – Courtesy Cars Mileage

UNM Athletics maintains a GIK courtesy car program in partnership with local dealerships wherein cars are provided for use by UNM Athletics management and coaches. The MOA assigns responsibility to Lobo Club to obtain all courtesy car drivers' monthly mileage reports detailing personal and business miles driven. This information is reported to UNM Payroll to ensure the taxable fringe value is applied to the driver's pay information for year-end W2 reporting.

To assess whether Lobo Club was compliant with this responsibility, IA requested and obtained the courtesy car roster and randomly sampled 10 records. Each selection was tested to determine: if the driver had reported the personal mileage listed in the roster for the selected month; the record was part of a communication made by Lobo Club to UNM Payroll for the applicable month; and the associated GIK contribution was recorded in the donor management system. IA did not identify any reportable conditions and determined Lobo Club has adequate internal controls and processes for courtesy car reporting.

DEPOSIT SCHEDULE

In the MOA between UNM and Lobo Club, “Lobo Club agrees to deposit all funds received, other than those retained in Lobo Club’s own accounts, in University accounts in accordance with a schedule agreed to by the Parties.” Lobo Club does not have an established schedule and has historically operated without a formal deposit schedule. By not establishing a deposit schedule with UNM, there is an increased risk that monies anticipated to be received by UNM for student-athlete scholarships and for the Pit Renovation bond repayment may not be received timely, which could delay disbursement of the funds for their intended purposes. IA confirmed that Fiscal Shared Services (FSS) initiated the student-athlete scholarship transfer process with Lobo Club to timely coordinate transfers, and that the student-athlete transfer made during the audit period was consistent with the FSS request.

Recommendation 4

The Lobo Club Executive Director should formalize a deposit schedule to ensure that monies are deposited appropriately and timely transferred from Lobo Club to UNM (e.g. Pit Renovation payments, student-athlete scholarships, etc.).

Response from Executive Director, Lobo Club

Action Items
<i>Targeted Completion Date: October 1, 2020</i>
<i>Assigned to: Financial Manager</i>
<i>Lobo Club agrees with this finding, and that formally outlining transfer dates will be advantageous to both parties. Lobo Club would like to note that it was in communication with UNM main campus regarding the timing and amounts of transfers, which for FY19 were completed consistent with those communications.</i>
<i>Corrective Action Planned: The Financial Manager and the Executive Director, in partnership with UNM main campus, will formalize a schedule of transfer dates for Pit Suites and Club Seats monies as well as student-athlete scholarship monies.</i>

Due to a lack of a deposit schedule, IA assessed the practice of transfers, utilizing prior years’ activity to both level-set and provide context for current operations as follows:

- IA reviewed deposits at Lobo Club bank accounts to determine whether any funds transferred from UNM to Lobo Club’s bank accounts (operating or SEF), which might require further inquiry about funding source. IA did not note any deposits from UNM received in Lobo Club bank statements during audit period.

- IA reviewed all monies transferred between Lobo Club bank accounts (Operating and SEF) during the audit period of January 1 through December 31, 2019 and confirmed that they were completely and accurately recorded in the accounting information system.

IA also presents below for informational purposes the Lobo Scholarship Fund (LSF) transfers (Table 4.1) and the Pit Renovation transfers for past five (5) years (Table 4.2).

Table 4.1 Lobo Scholarship Fund Transfers to UNM Athletics

	FY15	FY16	FY17	FY18	FY19
Lobo Scholarship Fund - Original Budgeted*	3,100,000	3,100,000	3,000,000	3,300,000	2,400,000
Total Xfer (to Athletics)	3,019,000	2,862,000	2,600,000	2,200,000	2,394,000
<i>Percent of Budgeted Goal</i>	97.4%	92.3%	86.7%	66.7%	99.8%
<i>Percent Change (Xfer) from Prior Year</i>	N/A	-5.2%	-9.2%	-15.4%	8.8%

* This is based on the original budgeted revenue from fundraising activities recorded in Banner by UNM Athletics.

Source UNM Banner, FOROLDS reports

Table 4.2 Pit Renovation Transfers to UNM Athletics

	FY15	FY16	FY17	FY18	FY19
Pit Renovation Transfers - Original Budgeted*	813,817	815,956	815,748	815,748	815,748
Total Xfer (to Pit Reno Debt Servicing)	1,457,552	1,265,804	891,153	897,837	637,628
<i>Percent of Budgeted Goal</i>	179.1%	155.1%	109.2%	110.1%	78.2%
<i>Percent Change from Prior Year</i>	N/A	-13.2%	-29.6%	0.8%	-29.0%

* This is based on the original budgeted revenue from Gift activities recorded in Banner by UNM Athletics.

Source UNM Banner, FOROLDS reports

IA notes that in the past, Lobo Club was remitting monthly proceeds from the Pit Suites and Pit Club seats to UNM Athletics. Without a formal schedule, these transfers are not regularly occurring. IA anticipates any schedule formalized between UNM Athletics and Lobo Club will specifically address timing of these transfers to ensure that monies are timely transferred.

LOBO CLUB EXPENDITURES

Lobo Club has developed policies and procedures to ensure appropriate stewardship of contributions in support of Lobo Club's mission. These expenditures may be for purchasing event supplies and services for fundraising galas, purchasing catering services for Pit Club seats and Pit Suites during the basketball season, or covering travel costs for development staff to participate in stewardship and donor cultivation activities.

Lobo Club has developed a process wherein all checks, prior to being co-signed by the Executive Director and the Finance Manager, have to be reviewed and approved by the Finance Committee. The Lobo Club also has a policy in place wherein any debit card expenditures that will be over \$2,500 must be preapproved by the Finance Committee.

IA tested 22 check payments and 22 debit card payments by: assessing whether the disbursement had a valid business purpose; checking for adequate supporting documentation; examining if they were appropriately authorized by the Finance Committee; and, if they were recorded to an appropriate general ledger account. During testwork, IA also sought to support that the selected checks had been pre-approved by the Finance Committee, consistent with Lobo Club's Operations Manual. IA noted that although the meeting minutes indicated that checks had been approved, Lobo Club failed to retain the check list as part of the meeting documentation, making it impossible to show that the selected checks were included in the check list approved by the Finance Committee. Lobo Club should ensure significant decisions or approvals mandated by policy made by the Board, Executive Committee, and Finance Committee are memorialized in the meeting minutes (see Recommendation 2 above).

IT CONTROL ENVIRONMENT

In 2019, UNM selected a new ticketing platform to handle its ticket sales needs across campus. The ticketing system included, at no additional cost, a fundraising module, which is the donor management system implemented by Lobo Club. IA notes that the service contract was entered into between UNM and ticketing vendor, and that the service itself is hosted on the vendor's servers.

IA sought to gain an understanding of the general processes and procedures for maintaining the donor management system. Internal Audit noted Lobo Club does not have written policies and procedures developed governing the use and operation of the system. University Administrative Policies (UAP) 2520, Computer Security Controls and Access to Sensitive and Protected Information, §1, applies the policy to, "staff who are in positions that have access to sensitive and protected information." It mandates that, "Departments must have environment-specific management practices for business functions such as maintenance, change control procedures," and more. It states, "Departments must document and periodically review established policies." IA acknowledges that Lobo Club had to immediately implement the donor management system upon receipt, in order to meet the immediate need of processing pledges and contributions associated with the upcoming 2019 athletics season, resulting in implementation preceding development of robust IT policies and procedures. However, lack of formal IT policies and procedures could present an increased risk to data integrity and donor privacy.

IA assessed the IT control environment within the donor management system. During testing of current system permission profiles and the users within the permission profiles, IA noted two permission levels had been defined:

[REDACTED]

[REDACTED]

[REDACTED]

Lastly, IA noted that the drive year associated with FY19 remained active in the [REDACTED] control group, despite the fiscal year having ended nine months prior. Written change management procedures would make clear when and how configuration updates should be performed, and would ensure such procedures are completed as intended by established procedures. Without clear processes dictating when and how to make such updates, it is unclear whether this is by design. However, IA notes that because the drive year associated with FY19 was active, it is possible that transactions may be inadvertently applied to this drive year, which would adversely impact both the prior drive year as well as the current drive year.

Recommendation 5

Lobo Club should develop written policies and procedures governing the donor management system that include, but are not limited to:

- [REDACTED]
- [REDACTED]
- Development of a process for change management.

Response from Executive Director, Lobo Club

Action Items
<i>Targeted Completion Date: January 1, 2021</i>
<i>Assigned to: Associate Athletic Director, Development</i>
<p><i>Lobo Club agrees with the finding and recognizes that creating written IT policies and procedures over its donor management system will be beneficial to Lobo Club and improve its operating effectiveness.</i></p> <p>Corrective Action Planned: <i>Lobo Club will develop written IT policies and procedures that:</i></p> <ol style="list-style-type: none"> 1. <i>Creates an Administrator permission, to be held by a non-core user, Lobo Club staff member, who will be responsible for performing Administrator functions within the donor management system.</i> 2. [REDACTED] 3. <i>Removes administrator functionality (e.g. ability to add/remove users, ability to create pay codes, etc.) from the [REDACTED] permission.</i> 4. <i>Defines change management practices, that include but are not limited to activating/inactivating of drive years.</i> <p><i>Until the written policies and procedures are developed, a non-core user, Lobo Club staff member will assume primary responsibility for performing administrator functions, with such activities being communicated to the Executive Director and Financial Manager.</i></p>

UNM ONBOARDING

In 2019, UNM made the decision to hire Lobo Club staff that were formerly UNM Foundation employees into UNM positions. The transition to make Lobo Club staff University employees was done to clarify the reporting relationships among the University and governance committees of Lobo Club.

Because virtually all staff members were new to UNM in 2019, IA performed procedures to determine whether they were aware of and completed Learning Central training requirements. IA also assessed whether they had created annual or probationary performance reviews, depending on their date of hire, in the HR Performance Management system for 2019. To assess this, IA performed test work to determine the following:

- Lobo Club employee was populated in the Learning Central portal.
- Lobo Club employee completed all three (3) of their 2019 Learning Central trainings.
- Lobo Club employee had a performance evaluation plan populated in the HR system.

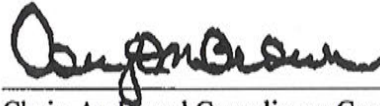
IA did not identify any reportable conditions regarding trainings and evaluations.

APPROVALS



Victor Griego, CPA
Interim Director, Internal Audit Department

Approved for Publication



Chair, Audit and Compliance Committee