

# **AUDIT OF THE UNIVERSITY PRESIDENT'S TRAVEL, ENTERTAINMENT & OTHER EXPENSES**

## **THE UNIVERSITY OF NEW MEXICO**

**Report 2022-01  
October 14, 2021**



**THE UNIVERSITY OF  
NEW MEXICO.**

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## ABBREVIATIONS

ACC .....	Audit and Compliance Committee
Foundation .....	UNM Foundation
FY21 .....	Fiscal Year 2021 (7/1/20 – 6/30/21)
IA .....	UNM Internal Audit Department
UAP .....	University Administrative Policies
UNM/University .....	University of New Mexico

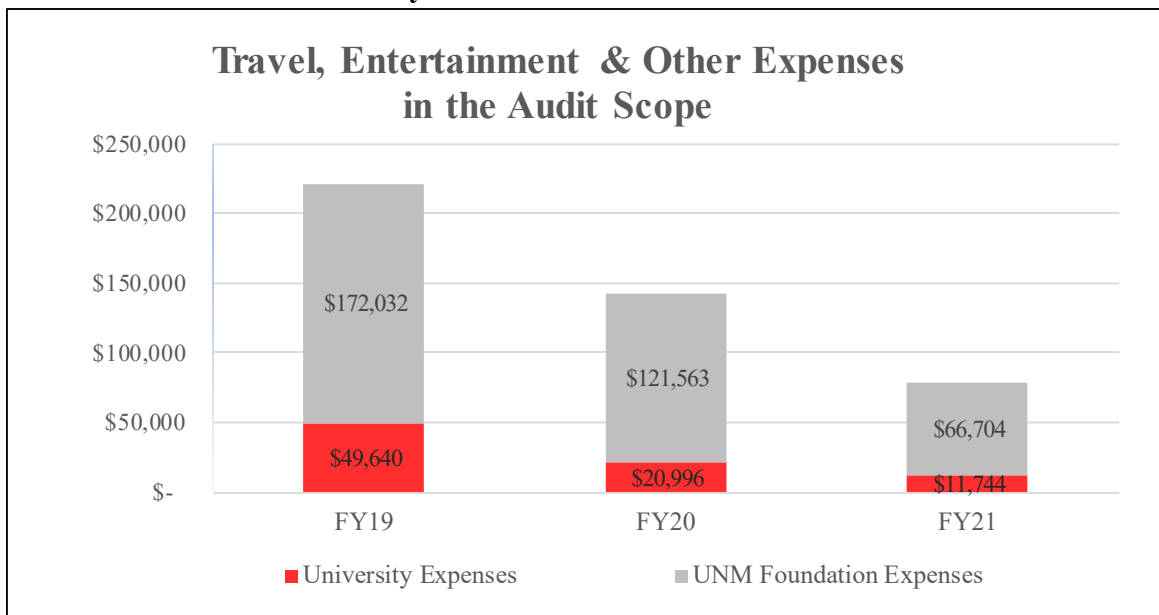
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## EXECUTIVE SUMMARY

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, 2020 through June 30, 2021 (FY21). The purpose of the audit was to determine compliance with applicable Regents', University, and University of New Mexico Foundation (Foundation) policies, the President's employment agreement and subsequent amendments.

IA examined the President's travel, entertainment and other expenses of \$11,744 and \$66,704 expended from the Office of the President organization code and the Foundation's President's Club fund, respectively, during fiscal year 2021 (FY21). Due to the impact of COVID-19, many of the ordinary expenses, including travel for in-person meetings and in-person donor cultivation activities that are typically in-scope for the audit were not incurred during the audit period.

**Table 1. Three-Year Trend Analysis**



Source: MyReports (UNM Banner System) and UNM Foundation

IA also assessed the President's compensation received in FY21 to determine whether all forms of pay and other compensation made to or on behalf of the President were consistent with the terms of her original employment contract and subsequent amendments.

## CONCLUSION

In the audit of the President's travel, entertainment, and other expenses, IA found the expenses were reasonable, allowable, and consistent with applicable UNM policies and internal controls.

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## INTRODUCTION

### BACKGROUND

According to *Regents' Policy 3.9: Benefits of the University President* and President Stokes' employment agreement, 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 if incurred in the performance of her official duties. Common examples of expenses incurred in the course of President Stokes' official duties may include any of the following: hosting University events; travel for national meetings of higher education organizations; developing partnerships throughout New Mexico; donor outreach and development; attendance of University Athletics' events; and, advancing the University's legislative agenda.

In recognition that certain official events (donor cultivation, athletic events, etc.) benefit from the participation of the President's spouse, *Regents' Policy 3.9* allows the University to cover costs incurred by the President's spouse when attending events in the course of the President's official duties. These expenses are expected to comply with applicable Regents' and University policies.

The President has available discretionary funds held by the Foundation (President's Club fund). Donations made to the President's Club Fund are used to advance the President's priorities for the University. Consistent with *Regents' Policy 3.9*, these discretionary funds are made available to the President for such miscellaneous expenses as: recognition/appreciation or retirement gifts; purchases of tables sponsored by community organizations; donor relations; receptions; meals (including alcoholic beverages); fundraising events; and, other similar events or expenses that are judged to be for the benefit of the University.

### PURPOSE, SCOPE AND OBJECTIVES

The purpose of the audit is to comply with the audit requirement under *Regents Policy 3.9, Benefits of the University President*, which requires Internal Audit to, "prepare and submit an annual audit report detailing the University President's Travel and Entertainment expenses;" also, to comply with the audit requirement contained within President Stokes' employment agreement, which requires, "the compensated expenses and/or reimbursements provided pursuant to this Agreement shall be audited annually by the University's Internal Auditor."

The scope of the audit included all travel and entertainment expenses, as well as the President's compensated expenses, and spousal expenses paid to or on behalf of President Stokes within the audit period. The audit period was July 1, 2020 through June 30, 2021 (FY21). All transactions that were determined to be in-scope were tested as part of this audit.

The audit sought to accomplish the following objectives:

- Assess President Stokes' and her spouse's travel reimbursements, expenses for events sponsored by the Office of the President, or other expenses incurred incidental to her employment agreement, to ensure compliance with Regents' and University Administrative Policies (UAP) or employment agreement terms.
- Assess expenses incurred within the President's Club at the UNM Foundation to ensure compliance with Regents' and UNM Foundation policies.
- Assess whether compensation paid to President Stokes during the audit period was consistent with the terms of her employment agreement and amendments to the employment agreement duly authorized by the Board of Regents.

## 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"
    - UAP 2050, "Governmental Relations and Legislative Activity"
    - 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) and subsequent amendments.
  - Compensation awards for President Stokes' FY20 Performance, as detailed in the Regents' meeting minutes from October 21, 2020.
  - Control self-assessment and self-assessment questionnaires.
  - Internal processes in place during the audit period, as understood through interviews with President's staff and UNM Foundation management.
- Analysis of:
  - All University expenses with the President's organization code for identification of in-scope transactions.
  - Vendor history assessment for non-salary payments (e.g. reimbursements) paid to President Stokes.
- Detailed testing to assess that all transactions tested were:
  - Reasonable and allowable, per the aforementioned policies and/or employment agreement.
  - Accounted for appropriately.
  - Supported by the necessary documentation consistent with *UAP 4000*, including receipts; and, if applicable, a signed 'Documentation Form for Spousal Expenses,' consistent with *Regents' Policy 3.9*.
  - Reviewed for taxability of reimbursements/payments, and if taxable, traced to President Stokes' earnings detail report.

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INTRODUCTION

The audit of the President's Travel, Entertainment, and Other Expenses 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

## PRESIDENT’S UNIVERSITY EXPENSES

To identify in-scope transactions, IA generated an operating ledger detail report for the FY21 audit period for the President’s Office indices. After reviewing transaction information, IA identified and determined transactions that were within the audit scope.

At the request of the President’s Office, IA audits 100% of transactions that are in-scope, which totaled \$11,744 in FY21. IA tested in-scope transactions for conformity with applicable Regents’ Policies and University Administrative Policies (UAPs), as well as procedures established within the President’s Office. All University Expense transactions tested complied with applicable Regents’ policies and applicable UAPs, as well as internal procedures.

## PRESIDENT’S CLUB EXPENSES (UNM FOUNDATION)

Due to the discretion President Stokes and her staff have in the use of President’s Club funds held by the UNM Foundation, IA subjects all operating expenses to substantive audit procedures. IA obtained a detailed report from the Foundation of expenditures made from the President’s Club, which totaled \$66,704 in FY21. IA tested all operating expenses for conformity with applicable Regents’ and Foundation policies, as well as internal controls established by the Foundation. All President’s Fund expenses tested complied with applicable Regents’ policies and Foundation policies and procedures.

IA also developed the following table (Table 2) to characterize the non-compensation-related expenses audited by type of activity and source of funds.

**Table 2. Expenses Audited by Type and Source**

Expenses Audited in FY21			
Description	University	Foundation	Total
Table/Event Sponsorship	-	35,000	35,000
University Support	-	28,000	28,000
University House Expenses	2,982	-	2,982
President's Event Catering / Supplies	3,896	1,678	5,574
Membership Dues	3,510	725	4,235
Operating Miscellaneous	1,215	1,301	2,516
Business Meals	141	-	141
<b>Total Travel, Entertainment, &amp; Other Expenses</b>	<b>11,744</b>	<b>66,704</b>	<b>78,448</b>

*Source: MyReports - UNM Banner Systems (University); UNM Foundation*

## PRESIDENT’S COMPENSATION

Pursuant to the terms of President Stokes’ employment agreement, IA assessed whether salary, vehicle allowance, deferred compensation, incentive compensation, storage costs, and social club membership payments made to, or on behalf of, President Stokes were consistent with the terms of her employment agreement and subsequent amendments. IA found that, in all cases, President Stokes’ compensation payments were consistent with the terms of her employment agreement in effect in FY21 and were appropriately captured for reporting of taxable income.



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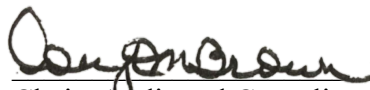
## APPROVALS



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Victor Griego, CPA  
Director, Internal Audit Department

Approved for Publication:



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Chair, Audit and Compliance Committee