

AUDIT OF UNM VALENCIA BRANCH CAMPUS OPERATIONS

THE UNIVERSITY OF NEW MEXICO

**Report 2022-04
May 4, 2023**



**THE UNIVERSITY OF
NEW MEXICO.**

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ABBREVIATIONS

CAN.....	Customer Account Number
CIO.....	Chief Information Officer
DBO.....	Director of Business Operations
DSS.....	Data Security Standards
FY21.....	Fiscal Year 2021 (July 1, 2020 to June 30, 2021)
FY22.....	Fiscal Year 2022 (July 1, 2021 to June 30, 2022)
GOB.....	Government Education Bond
HEERF.....	Higher Education Emergency Relief Funds
I&G.....	Instruction and General
IA.....	University of New Mexico Internal Audit Department
IT.....	Information Technology
Internal Audit.....	University of New Mexico Internal Audit Department
ISPC.....	Information Security and Privacy Officer
MID.....	Merchant ID
NMHED.....	New Mexico Higher Education Department
PDC.....	Planning, Design and Construction
PCI.....	Payment Card Industry
RPM.....	Regents' Policy Manual
RPSP.....	Research and Public Service Project(s)
SAQ.....	Self-Assessment Questionnaire
STB.....	Severance Tax Bonds
UAP.....	University Administrative Policy and Procedure
University.....	University of New Mexico
UNM.....	University of New Mexico
UNM-VC.....	UNM Valencia Campus

EXECUTIVE SUMMARY

Internal Audit completed an audit of the UNM Valencia Campus as part of its FY 2022 audit plan. The UNM Valencia Campus (UNM-VC) is a branch campus of UNM located just outside Los Lunas, NM. Branch campuses of the University are considered fully-integrated component colleges and are committed to serving the needs of their local communities, and UNM-Valencia is no exception. The campus was established in 1978 and was formally integrated into the UNM system in 1981. Today, the campus offers 35 degree and certificate programs with an approximate enrollment of 1,178 students. Educational offerings are tailored to meet the needs of the community UNM-Valencia serves, including adult basic education courses and various certificate and degree programs that prepare students for either further study or employment in their area of focus. The campus has an open-door admission policy, meaning that any student can enroll and take courses at UNM-Valencia so long as they are not on suspension from any post-secondary institution. Credits earned at UNM-Valencia may transfer to other institutions, including the UNM Main Campus.

The purpose of this audit was to review business and operational processes, and determine whether adequate internal controls are in place; also, to determine compliance with University policies, Valencia Campus operational policies, as well as relevant policies set forth by external funding agencies and any applicable state and federal laws. Specific areas reviewed include, but are not limited to:

- General financial performance of the campus, including reviews and analysis of balances across several fiscal years (reserves/deficits);
- Disbursements made from both Unrestricted and Restricted Funds held by and for the branch campus, including both federal and state restricted fund sources as well as endowment accounts;
- Reviewing the nature of any active Research and Public Service Projects (RPSPs) at the Valencia Campus;
- Fund disbursements, including procurement events, reimbursements to employees, travel events, and P-Card transactions; and
- Information Technology (IT) best practices, including system access controls and Payment Card Industry (PCI) compliance.

CONCLUSION

UNM-Valencia has sound internal controls and generally complies with UNM policies and procedures. However, as a result of our audit, we are making the following Information Technology (IT) recommendations:

Key Recommendations

1. UNM-VC's IT department should strengthen its IT security by developing policies and procedures to fully implement off-site storage for backups and a disaster recovery plan for UNM-VC's computerized information.
2. UNM Financial Services and UNM CIO's office should work with units that process credit cards and all other stakeholders to complete the re-grouping of merchant IDs for Self-Assessment Questionnaire (SAQ) management and ensure that each unit within a group retains their own answers to SAQ questions for a paper trail among other initiatives.
3. The Director of Business Operations should work with UNM Financial Services and the UNM CIO's office to develop processes and procedures to fulfill Valencia Campus's PCI responsibilities.

INTRODUCTION

BACKGROUND

In August 1978, the UNM-Eastern Valencia County Satellite Center was established to meet the post-secondary education needs of the residents of Valencia County. Prior to this date, post-secondary education was offered by the Los Lunas and Belen school districts. Formal establishment of the branch campus began in 1979, when the New Mexico Legislative Finance Committee recommended that the satellite campus model be replaced with the Branch Campus model as a way to access greater financial resources and better serve local communities. The UNM-Eastern Valencia County Satellite Center was formally accepted into the UNM system in March 1981, adopting its current name in the process. Formal instruction began in August 1981, and the campus moved to its current location in Tome, NM, just outside Los Lunas, in the summer of 1986.

Branch campuses of the University are considered fully-integrated component colleges and are committed to serving the needs of their local communities, and UNM-Valencia is no exception. Educational offerings are tailored to meet the needs of the community UNM-Valencia serves, including adult basic education courses and various certificate and degree programs that prepare students for either further study or employment in their area of focus. The campus has an open-door admission policy, meaning that any student can enroll and take courses at UNM-Valencia so long as they are not on suspension from any post-secondary institution. Today, the campus offers 35 degree and certificate programs with an enrollment of 1,178¹ students. Credits earned at UNM-Valencia may transfer to other institutions, including the UNM Main Campus.

UNM-Valencia is mainly governed by Main Campus and the UNM Board of Regents; however, UNM-Valencia's operations are augmented by a five-person advisory committee. The advisory committee is composed of citizens of Valencia and northern Socorro counties, and acts as a bridge between UNM and the Valencia County community. The committee, which is elected to four-year terms, is tasked with oversight and some authority into financial and limited operational matters at the campus, while also acting as a conduit for community input into campus affairs. UNM-Valencia is led by a Chancellor who reports to Main Campus leadership. The current Chancellor was named in May 2022 and assumed their role on August 1, 2022.

PURPOSE, SCOPE AND OBJECTIVES

An audit of UNM-Valencia was included in Internal Audit's FY 2022 audit plan. The audit was selected as part of the normal risk assessment process and was not the result of any specific complaints or concerns brought to University management's attention. This audit focused on UNM-Valencia operations and financial events that occurred during the last half of FY 2022, as well as financial performance during the period of FY 2020 through FY 2022.

¹ Enrollment number as of the census date for the Fall 2022 semester.

This audit sought to achieve the following objectives:

- Obtain an understanding of the sources and uses of funding at UNM-VC;
- Obtain an understanding of the nature of gifts made to UNM-VC, their final disposition, and compliance with original donor intent;
- Evaluate the various controls and safeguards associated with revenue and expenditure transactions that occur at UNM-VC; and
- Evaluate select IT systems UNM-VC uses and determine if UNM-VC complies with IT best practices.

PROCEDURES

Internal Audit performed the following procedures:

- Conducted inquiries with management and relevant staff;
- Reviewed Valencia Campus employee manuals, process flow charts, guidelines, and University Administrative Policy and Procedures (UAP) relevant to Valencia Campus operations;
- Developed an understanding of the operating environment from a risk perspective;
- Conducted virtual or (where possible) in-person walkthroughs of key operating procedures at UNM Valencia with management and other relevant staff;
- Obtained population files from UNM-VC for sampling of events related to daily cash deposits at the Campus;
- Obtained population files from UNM Valencia Campus for review of gifts received, and sampling of gifts for testing compliance with donor intent;
- Performed detailed testing of various expenditure transactions at UNM-VC for compliance with UNM Valencia policies and procedures, UAP, RPM, State Law, and terms of conditions set forth by external funding agencies (where relevant); and
- Gained an understanding of the select IT systems in use at UNM-VC.

The audit of UNM Valencia Campus operations 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

FINANCIAL PERFORMANCE & FUNDING SOURCES

Funding for UNM Valencia is primarily from the following sources: Instruction and General (I&G), state and federal contracts and grants, and tuition and fees. For FY22, I&G funding is the largest funding source at 62.8%, followed by contracts and grants at 15.6%. Together these funding sources totaled \$11.7 million (78.4%) of total UNM-Valencia funding.

For the fiscal year ended June 30, 2022, unrestricted funding sources primarily include I&G (state appropriations) and tuition and fees. UNM Valencia also received \$1.1 million in Higher Education Emergency Relief Funds (HEERF) funding as a result of the COVID-19 Pandemic.

Restricted funding primarily consists of federal and state contracts and grants. Such funds are restricted for specific purposes as indicated in the contract or grant agreement. During FY22, UNM Valencia had a net loss of (\$77,677) from its quasi and permanent endowment investments, compared to a net gain of \$776K in FY21. Overall, UNM Valencia revenues decreased by approximately \$1 million from \$15.9 million in FY21 to \$14.9 million in FY22.

UNM Valencia's expenditures are primarily for salaries and benefits, which make up 74.7% of its total expenditures for FY22.

The following presents unrestricted and restricted revenues and expenses for FYs 2021 and 2022.

Operating Restricted and Unrestricted Funds		
Revenues	FY 2021	FY 2022
<i>Restricted</i>		
Federal and State Contracts and Grants	\$ 3,275,580	\$ 2,330,985
Non-Governmental Grants	170,616	176,577
Endowment	776,089	(77,677)
<i>Unrestricted</i>		
Instruction and General	8,954,055	9,354,939
Tuition and Fees	1,433,272	1,295,255
Covid Relief	418,633	1,150,296
Gifts	145,895	62,809
Other	733,708	608,100
Total Revenues	\$ 15,907,848	\$ 14,901,284
Expenses		
Labor	\$ 10,004,538	\$ 10,002,185
Non-Labor Operating	3,278,385	3,185,767
Capital	288,261	192,715
Total Expenses	\$ 13,571,184	\$ 13,380,667
Transfers, Net	(1,021,395)	(1,735,656)
Revenues Over (Under) Expenses/Transfers	\$ 1,315,269	\$ (215,039)
Reserves, beginning of year (acct. 1900)	\$ 5,008,660	\$ 5,609,252
Reserve Adjustment *	(714,677)	93,102
Reserves, end of year	\$ 5,609,252	\$ 5,487,315

Source: Banner Accounting System

*Reserve adjustment reflects earnings/losses from Quasi, Term, and Permanent Endowments.

RESERVES ANALYSIS AND TEST WORK

Reserves represent carry-over funds available for spending at the beginning of each fiscal year. At the end of each fiscal year, unspent funds remaining from that fiscal year are carried over into the following fiscal year. Reserves are categorized as being Committed, Dedicated, or Discretionary.

UNM Valencia had available reserves of \$5,008,660 and \$5,609,252 for FYs 2021 and 2022, respectively

At the beginning of each fiscal year, departments assign portions of reserve balances for either committed or dedicated purposes based on University Reserve policy UAP 7000: Budgets and Reserves. Once dedications have been designated, the remaining reserve balances are discretionary and will only be used if needed.

Internal Audit completed detailed test work over committed and dedicated reserve categorizations for FY 2022, which covered approximately \$3.2 million (57.1%) of UNM-Valencia's \$5.6 million in reserves. IA reviewed documentation to determine if reserve designations were adequately supported. No exceptions were noted.

For FY 2022, UNM Valencia had discretionary reserves of \$2,046,299. Internal Audit assessed \$2 million of discretionary reserves and determined none of the discretionary reserves were for a specific purpose and were accurately reported. UNM Valencia had unrestricted reserves of \$5,487,315 at June 30, 2022, which were available for FY23.

Below is a table summarizing Reserves activity for the three most-recent fiscal years:

Categorization of Reserves - FYs 2020 - 2022			
Categorization	Fiscal Years		
	2020	2021	2022
Committed	\$ 602,439	\$ 912,377	\$ 639,493
Dedicated	1,643,243	3,844,874	2,923,460
Discretionary	2,992,727	251,410	2,046,299
TOTAL	\$ 5,238,408	\$ 5,008,660	\$ 5,609,252

Source: Banner Accounting System.

PLANT FUNDS

UNM Plant funds are those that reflect State Appropriations and retirement of indebtedness and covers revenue, transfers and expenditures associated with the appropriations and repayment of College District/university bond issues and/or the retirement of institutional debts. UNM Valencia Plant funds have been generated from Government Obligation Bond (GOB), Severance Tax Bonds (STB) and Local County Bonds.

Government Obligation Bonds, which are available to Higher Education Institutions every two years, are meant for new construction or large facility renovation. GO Bonds must be approved by voters and must be spent in four years or funds will revert back to the state.

Local County Bonds are accessible to UNM Branches in Counties where the voters have approved an additional MIL levy for this purpose. The MIL is used as the sources of repayment on the Local County bonds. The local County bonds allow the Branches to match and leverage State funds.

Capital projects are administered and managed by UNM Main Campus. Planning Design and Construction (PDC) has the primary responsibility of managing capital project activities across the UNM system, including UNM Valencia.

Plant funds are recorded and tracked on a fiscal year and life-to-date basis. During FY22, UNM-VC had approximately \$5.1 million in Plant fund expenses, which was primarily to fund the construction of the Valencia Workforce Training Center. Approximately \$3.7 million of the contracted \$6.2 million capital project was completed in FY22.

The following presents FY22 activity and cumulative Plant fund revenue, expenses, and transfers.

Plant Funds - FY22 and Cumulative		
Revenues	FY22 Activity	Cumulative
Bond Revenue and Other	\$ 21,461	\$ 11,605,077
Expenses		
Capital > \$5,000	\$ 3,704,295	12,606,485
Professional Services	248,555	1,353,218
Repairs and Maintenance	518,495	2,902,179
Equipment and Supplies	351,673	436,657
Fees and Other	290,891	788,135
Total Expenses	5,113,909	18,086,674
Transfers, Net	\$ 472,389	\$ 7,631,191
Revenues Over (Under) Expenses/Transfers	\$ (4,620,059)	\$ 1,149,594
Available Funds, beginning of period	\$ 5,769,653	\$ -
Available Funds, as of 6/30/2022	\$ 1,149,594	\$ 1,149,594

Source: Banner Accounting System

RESEARCH AND PUBLIC SERVICE PROJECTS

Research and Public Service Projects (RPSPs) are a type of appropriation made by the State Legislature to post-secondary educational institutions in New Mexico. The purpose of RPSPs is to provide a specific funding stream to dedicated initiatives undertaken at universities that have a research or public service element. The New Mexico Higher Education Department (NMHED) is responsible for administering RPSPs and has formalized a process by which all universities should request funding and report on the impact of those appropriations. These projects may exist on either Main or Branch Campuses. It should be noted that while RPSP appropriations are categorized as “unrestricted” funds, they are awarded for specific, dedicated purposes.

One such project was identified as having been established at UNM-VC. An RPSP devoted to an expansion of the Nursing Program is the RPSP at UNM-VC. Aside from expanding the number of students in the program, the program also allows for a direct pathway to UNM’s College of Nursing for an eventual completion of a BSN degree. IA reviewed documentation and assessed program activity funded by its RPSP. UNM-VC has adequate internal controls for the administration of its RPSP.

DISBURSEMENTS

Purchasing and Procurement

Purchasing and procurement procedures at UNM-VC mirror those found on the Main Campus. Like the Main Campus, the primary purchasing method at UNM-VC is P-Card, which is used for smaller purchases under \$10,000. Purchases above \$10,000 or where a formal bidding or quoting process must occur are processed via Purchase Requisitions, which allow for the campus to obtain the best-possible pricing. UNM-VC works closely with the Purchasing and P-Card offices on Main Campus, as these are the offices with purchasing authority over the UNM system.

Internal Audit assessed internal controls over purchasing and P-Card use at UNM-VC and performed test work to ensure compliance with both Main Campus and UNM-VC policies and procedures, as well as any applicable laws, rules, and regulations. No exceptions were noted. UNM-VC has adequate internal controls and complies with UNM Purchasing and Accounts Payable Policies and Procedures.

Employee Travel and Reimbursements

UNM-VC adheres to UAP 4030, “Travel” for any travel-related expenses or reimbursements, and UAP 4000, “Allowable and Unallowable Expenditures” for any reimbursement to employees when making a purchase for University benefit while using personal funds. All employee travel and reimbursements – whether or not they are travel-related, require pre-approval from UNM-VC management prior to expenses being incurred. Approvals are documented on internal forms as well

as within Chrome River, and all supporting documentation is retained either within the Chrome River system or within the Valencia Business Office.

Internal Audit assessed controls over travel-related disbursements and reimbursements and performed test work to determine compliance with both UNM-VC and UNM travel policies, procedures, and any other applicable rules or regulations. IA tested these items to determine reasonableness of expenses incurred, proper approvals obtained prior to travel taking place, and for the availability of supporting documentation. No exceptions were noted in our test work.

Reimbursements are also available for UNM-VC employees that utilize their personal cellphones to conduct UNM-VC-related business. IA reviewed lists of employees that had obtained cellphone reimbursement during the audit period and tested for compliance with UNM-VC and UNM policies on cell phone reimbursement. No exceptions were noted. UNM-VC has adequate internal controls and complies with UNM Policies and Procedures for travel costs and reimbursements.

CASH COLLECTIONS

UNM-VC primarily receives cash for tuition, fees, community education offerings, and other miscellaneous items such as bookstore and food service sales. Cash may be collected at various locations on campus, however the primary cash collection points for the campus are the Bookstore (for course materials and supplies), food service locations, and the Business Office.

Internal Audit assessed controls over cash collections at the Valencia Campus with an emphasis on cash collection events at the Business Office. IA also performed test work to ensure compliance with UAP, RPM, official campus policies, and conformity with best practices over cash collections. UNM-VC has adequate internal controls and complies with UNM cash management policies and procedures.

MONETARY DONATIONS TO CAMPUS

UNM-VC maintains its own Office of Planning and Development that works closely with the UNM Foundation on fundraising initiatives to support various objectives at the campus. A substantial amount of annual fundraising activity is to support various named scholarships that have been established for students enrolled at the campus. The campus also actively fundraises to support other student success initiatives aimed at increasing overall course completion rates and timely degree completion.

Internal Audit obtained a list of all gifts made to the Office of Planning and Development and assessed controls over gift processing and tested for compliance with original donor intent. UNM-VC has adequate internal controls and complies with donor intent related to donations and gifts.

STUDENT FINANCIAL AID DISBURSEMENTS

UNM-VC's Financial Aid Office follows UNM Financial Aid policies when determining awards for eligible students. In addition to State, Federal, and University awards, students at UNM-VC are also eligible for scholarships funded by gifts to UNM-VC intended to support students' education. Students are informed of available awards and all students are encouraged to apply. Awards are made based on eligibility criteria and fund availability for a specific term/academic year.

Internal Audit assessed controls over the awarding of these scholarships and tested for compliance with scholarship intent, student eligibility, and reasonableness of awards, as well as any other applicable UNM-VC policies and procedures. UNM-VC has adequate internal controls for accurate financial aid disbursements.

INFORMATION TECHNOLOGY (IT) SECURITY

During the course of the audit, Internal Audit identified general IT issues that require management's attention as follows:

UNM-VC's IT department performs backup procedures for Valencia campus, but their backups are stored in a fire safe in another building on campus, instead of being stored offsite as suggested. UNM-VC has had a strategy about its disaster recovery plan; however, the plan has not been fully implemented and its updates are not performed as regularly as intended. This is reportedly due to the branch campus lacking a policy about these procedures, as well as resource constraints. Without storing backups offsite, and without an updated and tested disaster recovery plan, UNM-VC may not be able to recover critical IT systems and data as designed in the event of a security breach or disaster.

UNM-VC should have IT security controls in place related to computerized data in accordance with UAP 2520: Computer Security Controls and Access to Sensitive and Protective Information, Section 5.4 Data Loss Protection. "For all computing systems that store or process sensitive or protected information, department heads or designees are responsible for developing, maintaining, and executing backup, off-site storage and disaster recovery procedures for computerized University information. All mission critical systems and data must be protected by disaster recovery procedures that include storing the data an appropriate distance from campus that meets the University's needs. Disaster recovery plans should be maintained by the unit, periodically tested and updated as needed."

Recommendation 1:

UNM-VC's IT department should strengthen its IT security by developing policies and procedures to fully implement off-site storage for backups and a disaster recovery plan for UNM-VC's computerized information. UNM-VC should test these systems periodically to ensure they are properly implemented and maintained.

Response from UNM Valencia Campus Director of Business Operations

Action Items
Targeted Completion Date: August 1, 2023
Assigned to: Richard Goshorn, Director of Business Operations (DBO)
Management's Response: <i>The Chancellor and DBO concur with this finding. All equipment is in hand to create a secondary depository for file systems and network settings at the Valencia Workforce Training Center in western Valencia County. A fiber-optic connection exists between the campuses and regular scheduled backups of all information on the Tomé Campus will be replicated on those systems as part of a disaster recovery plan. Policies will be amended to assure these backups take place and are tested on a regular and appropriate schedule.</i>

PAYMENT CARD INDUSTRY (PCI) COMPLIANCE

UAP 7215 Credit Card Processing, Section 1 states, “The University of New Mexico is committed to protecting against exposure and possible theft of personally identifiable information associated with UNM credit card processing, and to complying with the most recent version of the Payment Card Industry (PCI) Data Security Standards (PCI-DSS) and all other relevant PCI standards.” According to PCI DSS instructions and guidelines, “Self-Assessment Questionnaires (SAQs) are validation tools intended to assist merchants and service providers in self-evaluating their compliance with the PCI DSS.” PCI compliance requires that SAQs be completed annually, at a minimum, or when new card processing is requested, when major processing changes, or when major system changes occur.

UAP 7215: Credit Card Processing states “Departments responsible for credit card processing must maintain accurate documentation of their cardholder data environment and PCI compliance activities, including...all related policies, processes, and procedures.”

In an audit of UNM Bookstore Operations, Report 2020-05 issued in May 2021, Internal Audit (IA) identified PCI-related observations and made a series of recommendations (“2021 recommendations”) indicating that UNM Financial Services and the UNM CIO’s office work with all units that process credit cards, and related business units to develop processes to mitigate PCI compliance risks. Since then, the two offices and their delegates [the Director of Financial Services (Director) and Information Security and Privacy Officer (ISPO)] have been working with units responsible for PCI compliance towards adapting IA’s 2021 recommendations, including working

with UNM's merchant bank and others to complete a more appropriate grouping of Merchant IDs (MIDs) for SAQ submission. During the course of the Valencia Campus audit, IA focused on those observations that warrant an updated recommendation as described below.

Valencia campus processes credit cards at its bookstore, cafeteria, and development office; therefore, IA inquired about PCI compliance. Both the IT Manager and Director of Business Operations responded that they believe they have not been asked to do annual PCI compliance activity or submit an annual SAQ.

IA subsequently asked the Director and ISPO about PCI compliance requirements for Valencia campus. These offices above have created a Roles and Responsibilities document (Roles Document) that was approved and was intended to communicate the necessary information to IT Officers of all units that process credit cards. However, Valencia's Merchant IDs (MIDs) were being tracked inaccurately for PCI compliance. In addition, the Roles Document did not specify the responsibility of chancellors at branch campuses related to credit card processing and PCI compliance. As a result of IA's inquiry, UNM IT and UNM Financial Services plan to clarify the Roles Document by adding language to address branch campuses.

One of the 2021 recommendations was that each unit is to retain a local copy of submitted SAQs that includes internal supporting documentation and names and titles of responders. However, IA noted that a SAQ for Valencia was not readily available, and the Director and ISPO were unable to access the 2022 SAQ ("2022 SAQ") covering Valencia Campus without requesting multiple times through the PCI partners of UNM's merchant bank.

On March 3, 2023, the Director furnished IA with a copy of the 2022 SAQ from the provider which covers thirty-four (34) MIDs. Three (3) of the MIDs are under Valencia, along with thirty-one (31) MIDs from other UNM units. The Director also furnished IA a certificate of validation from the provider that indicates the Valencia Bookstore "validated their compliance ...on 6/7/2022 and is valid until 06/07/2023;" this was the first MID of 34 MIDs listed in the SAQ.

Although each unit is responsible for answering their own SAQs annually, the 2022 SAQ included a variety of UNM units, i.e., they were covered and commingled in the same SAQ as others, such as UNM SHAC Pharmacy, Project Echo, etc., in a group. All questions in section two of the questionnaire in the 2022 SAQ were checked "Yes." Answering the SAQ questionnaire annually is an opportunity for each unit to identify and address any applicable risk. IA verified that the merchant bank's PCI compliance partner has certified that Valencia Bookstore MID is compliant with PCI standards; however, it is unclear: (1) if each of those units were informed to answer their own SAQ questions specific to their environment annually; (2) how their responses, if any, were coordinated and communicated to be combined into one SAQ; and, (3) who and which unit or office of UNM was delegated to review all the answers by group and submit a coordinated SAQ on behalf of each group of units among all UNM units. Documentation for Valencia's MID compliance with PCI is not requested from the merchant bank's compliance partner and maintained on at least an annual basis. Clarifying those questions above and documenting

responses centrally should help those in the Roles Document fulfill their responsibilities, including periodic oversight.

UAP 7215: Credit Card Processing states, “Before a merchant ID number (MID) or customer account number (CAN) will be issued, a compliant implementation plan for the cardholder data environment must be provided to and approved, as appropriate, by the University Controller and the Main Campus Chief Information Office (CIO)...UNM Information Technologies (IT) and the University Controller will assist departments that process credit cards, or who have access to cardholder data, in complying with the PCI DSS.”

UAP 7215: Credit Card Processing also states, “Departments must also create, maintain, and test business continuity, disaster recovery plans, and security incident response plans annually.”

Without management oversight of the SAQs, UNM and units that process credit cards are at risk of not being compliant with PCI standards and UAPs. Such noncompliance, if not detected and corrected in a timely manner, increases the risk of: costly security breaches; the SAQs being scrutinized; fines or penalties; inability to process credit card payments; impact on public relationships; other intangible losses; and, other adverse consequences.

Recommendation 2:

The UNM Financial Services and the UNM CIO’s office should work with units that process credit cards and all other stakeholders to:

1. Maintain a complete inventory of all MIDs, with corresponding IT and business contracts;
2. Complete the re-grouping of MIDs for SAQ management;
3. Monitor the list of users registered on provider’s portal website who are delegated to submit SAQs on behalf of units by group, for accountability;
4. Ensure that each unit within a group retains their own answers to SAQ questions for a paper trail;
5. Identify a mechanism to coordinate individual SAQ answers and review and retain a coordinated SAQ;
6. Request and maintain the documentation from the merchant bank’s compliance partner for MIDs compliance with PCI on at least an annual basis.

Response from UNM Financial Services and the CIO's Office

Action Items
Targeted Completion Date: August 1, 2024
Assigned to: UNM-Valencia Chancellor, UNM Financial Services, UNM CIO
Management's Response: UNM-Valencia's Administration, the UNM Controller and CIO concur with this finding and will continue working with UNM's merchant bank and with the bank's PCI partners to re-structure how UNM's Merchant IDs are organized, to improve accountability for compliance activities. The re-structure will also drive updates to the roles and responsibilities document, and to the corresponding management activities that address these recommendations. UNM Financial Services and CIO's Office will provide MID contacts with the roles and responsibilities document periodically when there are changes to the MID contact and when the roles and responsibilities document is revised. UNM Financial Services and CIO's Office will develop a system to monitor compliance with SAQ questionnaire completion and retention requirements both at the unit-level and centrally for the coordinated SAQ. While there will be incremental progress on these efforts, we anticipate having the full updated approach well established for the beginning of Fiscal Year 2025.

Recommendation 3:

The Director of Business Operations should work with UNM Financial Services and the UNM CIO's office to develop processes and procedures to fulfill Valencia Campus's PCI responsibilities, such as completing SAQs annually and retaining a copy of completed SAQs, in accordance with the proposed updates to the Roles and Responsibilities Document.

Response from UNM Valencia Campus Director of Business Operations

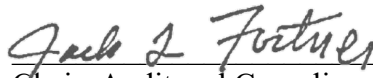
Action Items
Targeted Completion Date: August 1, 2024
Assigned to: UNM Valencia Director of Business Operations
Management's Response: UNM Valencia's Chancellor and Director of Business Operations concur with this finding, and will work closely with the CIO and Controller to assure PCI compliance is appropriately tested, reviewed and documented on an annual basis, and that all executed documents (SAQ) are held locally and available for review.

APPROVALS



Victor Griego, CPA
Director, Internal Audit Department

Approved for Publication:



Chair, Audit and Compliance Committee