

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

THE UNIVERSITY OF NEW MEXICO

**Report 2024-01
February 8, 2024**



**THE UNIVERSITY OF
NEW MEXICO**

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ABBREVIATIONS

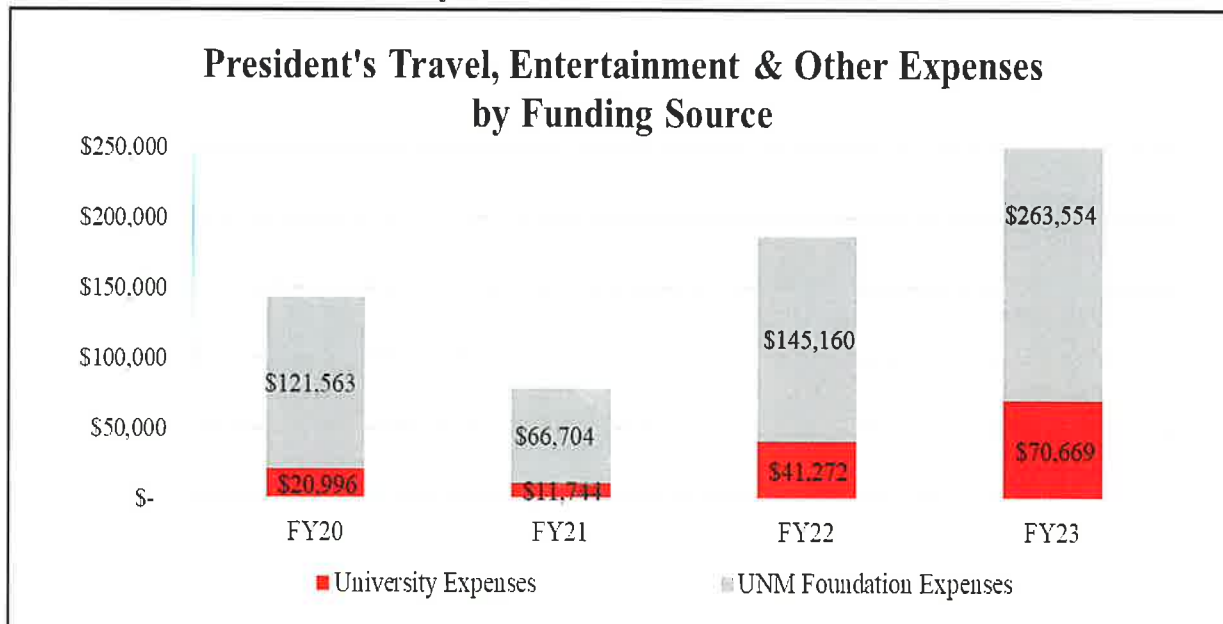
ACC	Audit and Compliance Committee
Foundation	UNM Foundation
FY23	Fiscal Year 2023 (7/1/22 – 6/30/23)
IA	UNM Internal Audit Department
UAP	University Administrative Policies
UNM/University	University of New Mexico

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, 2022, through June 30, 2023 (FY23). The purpose of the audit was to determine compliance with applicable Regents', University, and University of New Mexico Foundation (Foundation) policies, and the President's employment agreement and subsequent amendments.

IA tested in-scope expenses of \$70,669 and \$263,554 expended from the Office of the President's organization code and the Foundation's President's Club fund, respectively, during FY23. IA notes that FY23 saw some semblance of normalcy for President Stokes' official duties, with a return to in-person travel, business meetings, and donor cultivation activities.

Table 1. Four-Year Trend Analysis



Source: MyReports (UNM Banner System) and UNM Foundation

IA also assessed the President's compensation received in FY23 to determine whether all salary and other compensation paid to or on behalf of the President were consistent with the terms of her original employment contract and subsequent amendments.

CONCLUSION

The President's travel, entertainment, and other expenses for FY23, were reasonable, allowable, and consistent with applicable UNM policies and employment agreements and the internal controls governing them were operating effectively during the audit period.

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 funds are made available to the President to cover miscellaneous expenses, such as: table sponsorships to support 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." There is an additional audit requirement contained within President Stokes' employment agreement which requires that, "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 of President Stokes' travel, entertainment, and other expenses, as well as her spouse's travel expenses, paid to her or on her behalf, within the audit period of July 1, 2022 through June 30, 2023 (FY23). 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) and 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”
 - Foundation Policy 10.14, “UNM Foundation Disbursement Procedures”
 - Foundation Policy 4.9, “Foundation Support of Other Organizations”
 - President Stokes’ employment agreements (effective March 1, 2018, and December 13, 2022, and in effect throughout the audit period) and subsequent amendments
 - Compensation awards for President Stokes’ FY22 Performance, as detailed in the Regents’ meeting minutes from December 13, 2022
 - Control self-assessment and self-assessment questionnaires
 - Internal processes in place during the audit period, as understood through interviews with the President’s staff and UNM Foundation management.
- Analysis of:
 - All University expenses within the President’s organization code for identification of in-scope transactions
 - Vendor history for non-salary payments paid to President Stokes
- Detailed testing to assess that all in-scope transactions were:
 - Reasonable and allowable
 - Accounted for appropriately
 - Consistent with applicable Regents’, University, and/or UNM Foundation policies and procedures
 - Included in her noncash earnings, if taxable

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 FY23 audit period for the President's Office indices. After reviewing transaction information, IA identified and determined, in consultation with the Office of the President, transactions within the audit scope.

At the request of the President's Office, IA audits 100% of transactions that are determined to be in-scope, which totaled \$70,669 in FY23. 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 were allowable, complied with applicable Regents' and University policies, and followed established 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 subjected all expenses to substantive audit procedures. IA obtained a detailed report of expenditures from the Foundation that were made from the President's Club. The expenditures totaled \$263,554 in FY23.

IA tested all expenses for conformity with applicable Regents' and Foundation policies, and whether they were processed in accordance with established procedures. All disbursements from the President's Fund were allowable and no reportable conditions were identified in this test work.

IA developed Table 2 below to characterize the University and Foundation expenses audited by type of activity and source of funds.

Table 2. Expenses Audited by Type and Source

Expenses Audited in FY23			
Description	University	Foundation	Total
Development / Entertainment	-	195,988	195,988
President's Events	40,542	3,545	44,087
University Support	-	15,000	15,000
Table Sponsorships	-	28,500	28,500
Regents' Development / Entertainment	-	18,926	18,926
President's Travel	13,305	1,595	14,900
University House Expenses	12,369	-	12,369
Business Meetings and Meals	4,095	-	4,095
UNM 2040 Initiative	358	-	358
Total Travel, Entertainment, & Other Expenses	70,669	263,554	334,223

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

PRESIDENT'S COMPENSATION


Pursuant to the terms of President Stokes' employment agreements, IA assessed whether salary, vehicle allowance, deferred compensation, incentive compensation, and social club membership payments made to, or on behalf of, President Stokes were consistent with the terms of her employment agreements and subsequent amendments. IA found that all compensation paid to President Stokes was consistent with the terms of her employment agreements in effect in FY23 and was appropriately reported as taxable income.

APPROVALS



Victor Griego, CPA
Director, Internal Audit Department

Approved for Publication:



Chair, Audit and Compliance Committee