

**AUDIT OF THE DISSOLUTION OF THE ANDERSON SCHOOL OF
MANAGEMENT FOUNDATION & COMPLIANCE WITH ENDOWMENT
DONOR INTENT AT ANDERSON SCHOOL OF MANAGEMENT**

THE UNIVERSITY OF NEW MEXICO

**Report 2024-02
May 20, 2025**



**THE UNIVERSITY OF
NEW MEXICO.**

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ABBREVIATIONS

ASMF.....	The Robert O. Anderson School and Graduate School of Management Foundation, Inc.
ASM.....	The Robert O. Anderson School of Management
FY22.....	Fiscal Year 2022 (July 1, 2021 to June 30, 2022)
FY23.....	Fiscal Year 2023 (July 1, 2022 to June 30, 2023)
FY24.....	Fiscal Year 2024 (July 1, 2023 to June 30, 2024)
HOF.....	Anderson School of Management Hall of Fame
I&G.....	Instruction and General
IA.....	University of New Mexico Internal Audit Department
ML.....	Merrill Lynch
UAP.....	University Administrative Policy and Procedure
UNMF.....	University of New Mexico Foundation
WF.....	Wells Fargo

EXECUTIVE SUMMARY

An audit of UNM Anderson School of Management (ASM) gifts and donations is included in Internal Audit's (IA) FY 2024 audit plan. The audit was selected as part of the risk assessment process due to management request and concerns reported to IA.

The purpose of this audit was to review the dissolution of the Anderson School of Management Foundation and ASM business and operational processes related to gifts and donations to determine whether adequate internal controls are in place. Also, IA reviewed processes to determine compliance with University policies related to gifts and donations, restrictions set forth by external donors, and any applicable state and federal laws. Specific areas reviewed include, but are not limited to:

- Transfer of Robert O. Anderson School and Graduate School of Management Foundation, Inc. funds to the UNM Foundation (UNMF).
- The gift and donation process and its accounting records.
- Management of gifts and donations, corpus and interest earned on the gift.
- Donor intent for each gift fund disbursement.
- Controls related to donor expense tracking, and other relevant areas.

CONCLUSION

Internal Audit verified all cash and investments was transferred from the ASM Foundation to the UNM Foundation during the dissolution. ASM has sound internal controls and generally complies with UNM policies and procedures related to expense tracking, revenue, and endowment activity. However, as a result of our audit, we are making the following recommendations:

Key Recommendations

- Enforce established document management processes to ensure that all ASM business activity and records that impact ASM are always obtained and maintained. Supporting documents should be readily available and support business transactions that have occurred.
- Review and complete an assessment of the current balances of the funds transferred during the ASMF dissolution, specifically related to the endowed scholarship and development funds. At the completion of the assessment, the Provost's Office can determine if a reallocation process is necessary and allowable for meeting ASM scholarship needs.
- Utilize resources, including but not limited to engaging with an external CPA firm to conduct an external close-out audit for FY22, which was during the year of ASMF dissolution. The external audit should provide reasonable assurance

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that all financial activity during FY22 and during the dissolution of the ASM Foundation is accurate.

- Strengthen the scholarship distribution process to: (1) maintain all donor intent requirements and ensure they are supported by the donor agreement, including but not limited to student classifications, credit hours, and GPA; (2) ensure its scholarship awarding meets the requirements; and, (3) rationale for scholarship selections is reviewed and clearly documented.
- Strengthen controls and processes related to understanding compliance related to donor intent for all endowments. Complete a review of donor agreements to ensure they adequately describe donor intent and align with the School's goals. Maintain accurate and current endowed spending records, allowing leadership to monitor spending in the related indexes.
- Establish processes to complete periodic reviews for endowed agreements and available funding, ensuring the most current versions of endowments are available and that all resources are fully utilized.

INTRODUCTION

BACKGROUND

The Robert O. Anderson School and Graduate School of Management Foundation, Inc. (“Anderson School of Management Foundation, Anderson Foundation, or ASMF”) was an independent tax-exempt organization engaged in activities solely in support of the University’s Anderson School of Management, including fundraising and the delivery of alternative educational programs, of which the Executive Master of Business Administration degree program is an example. ASMF was governed by a board of directors composed of external business community members. In the 2001 amended bylaws it stated that, “No faculty member, or Dean, Assistant Dean or Associate Dean, of the University of New Mexico Schools of Management may be a Director, but may be invited to all meetings of Directors.” Importantly, the Dean of the Anderson School of Management was the principal administration advisor to the Anderson Foundation and participated in the Anderson Foundation meetings with *voice but no vote*.

ASMF was organized and operated exclusively for charitable or educational purposes. The general purpose of the ASMF was to assist the University of New Mexico School of Management in all its duties and activities and to encourage and promote the study of Business, Management and Administrative Sciences, and to engage in all projects and activities relating to the study and teachings of these sciences. The purpose of the ASMF was to encourage public support and to raise funds exclusively for the benefit of the Anderson School. The efforts include, but may not be limited to the following activities:

- Annual giving programs
- Capital campaigns
- Deferred and major giving
- Special project campaigns
- Delivery of alternative programs for the Master of Business (“MBA”) degree that comply in all respects with the regular MBA program of the Anderson School
- Non-credit management and business courses and certificate programs
- Contractual training and management and business consulting

At the February 2022 Board meeting the Anderson School of Management Foundation Board voted to dissolve the Anderson School of Management Foundation and distribute the assets to the UNM Foundation for benefit of Anderson.

PURPOSE, SCOPE, AND OBJECTIVES

An audit of the dissolution of the ASMF and donor intent alignment process for UNM ASM was included in Internal Audit's FY 2024 audit plan. The audit was selected as part of the normal risk assessment process in addition to concerns that were brought to University management's attention. The purpose of the audit was to review ASM business and operational processes related to gifts and donations, the dissolution of ASMF and its fund transfer, endowed spending, and to determine whether adequate internal controls are in place. Also, the audit included review of processes to determine compliance with University policies related to gifts and donations, restrictions set forth by external donors, and any applicable state and federal laws. IA included in the scope of test work the transfer of endowed and non-endowed funds from ASMF to UNMF which occurred during FY21-22, as well testing compliance with donor intent for FY24.

PROCEDURES

Internal Audit performed the following procedures:

- Conducted inquiries with management and relevant staff.
- Reviewed University Administrative Policy and Procedures (UAP) relevant to the gifts and the fundraising process, and Statutes relevant to endowed gifts.
- Developed an understanding of the Anderson School of Management Foundation.
- Conducted virtual or (where possible) in-person walkthroughs of key control processes of endowed spending with management and other relevant staff.
- Obtained records from departments who process endowed spending related to scholarship disbursements as well as other types of endowments.
- Performed detailed testing of disbursements which benefit Anderson School of Management that are included in UNMF's Endowed Spending Report for compliance with UNM UAP policies and procedures, State law, and terms of conditions as specified by donor intent.
- Gained an understanding of the dissolution of ASMF and transfer of funds to UNM Foundation.
- Tested the following three (3) indexes as follows:
 - 224337 – Anderson School of Management Hall of Fame Endowed Scholarship (endowment)
 - 203387 – Anderson Student Success Fund (non-endowed)
 - 203418 – Anderson Development Fund (non-endowed)
- In addition, IA randomly selected 20 disbursements from the following indexes from the FY24 Endowment Spending Distribution Report to test operating effectiveness surrounding controls related to endowed and non-endowed spending:
 - 224168 – Creative Enterprise Endowed Chair (Faculty Support)
 - 224118 – Albert and Mary Jane Black Scholarship Fund for ASM Graduate Students (Scholarship)

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- 224421 – Klecotka Scholarship Fund for Business Administration (Scholarship)
- 224123- Julias Rezler and Agnes G. Rezler Endowment to Benefit the Anderson School of Management (Scholarship)

The audit of ASM 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

DISSOLUTION OF ANDERSON SCHOOL OF MANAGEMENT FOUNDATION

During the February 2022 Board meeting, the Board of Directors of The Robert O. Anderson School and Graduate School of Management Foundation voted to dissolve the Anderson School of Management Foundation and distribute the assets to the UNM Foundation for benefit of Anderson. The Anderson School of Management Foundation Board's Executive Committee consisted of Officers, Committee Chairs, Ex-Officio Members, and Board of Directors who managed ASMF and made decisions through voting; therefore, no one individual had authority to make decisions on their own without considering other Committee members' votes. As stated previously, this board did not include the Dean of ASM as a voting member. On April 12, 2022, the Executive Committee proposed a motion to realign the funds held at ASMF to be transferred and held at UNMF for the benefit of ASM. Per ASMF Executive Committee recommendation, funds were realigned according to the allocation described in subsequent paragraphs. Once ASMF transferred all their assets to UNMF, UNMF became the entity administering the funds and providing oversight. Dissolution was effective on May 15, 2022. On June 30, 2022, the transfer of funds were posted to the UNM Foundation's accounting system.

Verification of ASMF's Ending Balances for Transfer

Close-Out Audit

Prior to the transfer, accounting services for the ASMF funds were performed by REDW. (ASMF) funds were primarily invested at Bank of America-Merrill Lynch (ML). In addition to funds invested at ML, funds were deposited in a checking account at Wells Fargo (WF). Per FY21 audited financial statements; ASMF had \$1,188,972 in cash and cash equivalents, \$3,133,018 in investments, and \$144,383 due from UNM, for a combined total of \$4,466,373 in total assets.

The April 12, 2022 Anderson Foundation Board Meeting specified several actions that would occur upon final dissolution. These actions were specified as a recommendation to have assets distributed according to the Executive Board's instructions. The Board specified that the ASMF funds in the ASMF checking account, approximately \$900,000, would be held back until such time as the ASMF is 100% closed and the affairs are wrapped up (audits, insurance, any consultants, or other costs of winding up). Once the wrap-up is completed the balance will be distributed in accordance with the Board's preference, as it relates to the allocation of endowed and non-endowed funds transferred from ASMF to UNMF.

Internal Audit verified transfers made from the ASMF cash and investment accounts to the UNM Foundation. However, there is no evidence of a close-out audit being conducted by ASMF. IA reviewed FY21 Audited Financial Statements dated June 30, 2021; however, financial activity between June 30, 2021, to the date of dissolution of May 15, 2022 remains unaudited. IA therefore could not confirm accuracy of fund balances shortly before the transfer occurred. The most current accounting services conducted by external

accountants was in the form of a Finance Committee Update "Compilation Report" prepared by REDW on October 25, 2021, approximately eight months prior to the dissolution of the ASMF. Prior to REDW's Finance Committee Update, Moss Adams had completed the FY21 financial statement audit for the year ended June 30, 2021.

IA noted there was a discrepancy of \$524,867 between the "transfer of discontinued operations" of \$4,464,162 reported for ASMF on UNM's FY22 Audited Financial Statements on Table 1A below and \$3,939,295 identified during the audit. This was comprised of \$3,201,795 from Table 2 and \$737,500 other payments made to UNMF before dissolution provided by UNMF's records. However, IA did not perform audit procedures for reconciling items, which comprise of three-line items reported on FY22 Form 990 on Table 1B below:

Table 1A

THE UNIVERSITY OF NEW MEXICO		SCHEDULE 13
Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022 - Discretely Presented Component Units		
NONOPERATING REVENUES (EXPENSES)		Amount
Discontinues Operations		(\$4,464,162)
Other nonoperating revnues and expenses, net		
Investment Income		
Net nonoperating revenues (expenses)		(\$4,464,162)

Source: FY2022 UNM Audit Report

Table 1B

Amounts Reported in Form 990	
Return of organization exempt from income tax for the year ended June 30, 2022	
Summary (Part I), Reconciliation of Net Assets (Part XI)	Amount
Part I Expenses - Grants and Similar Amounts Paid	(\$3,935,484)
Part I Expenses - Other	(133,184)
Part I Revenues - Investment Income	273,602
Part XI Net unrealized gains (losses) on investments	(669,096) (528,678)
Net Assets of fund balance, beginning of current year	(\$4,464,162)

Source: 2021 ASMF Form 990

IA attempted to reconcile transfers out of the Bank of America-Merrill Lynch Investment account and Wells Fargo Checking account to transfers received by the UNM Foundation Wells Fargo bank account. IA could not verify that the funds listed on the Merrill Lynch investment account and Wells Fargo checking account included all the ASMF's investments and cash due to the lack of a close-out audit of the ASMF. A close out audit was one of the requirements listed in Board minutes

Maintenance of Accounting Records

In addition to a lack of close-out audit, IA noted that adequate records related to the ending balances at ASMF, or other relevant data to provide support of the dissolution were not maintained. Turnover of key ASM management may have contributed to this issue. The lack of ASMF SOPs to address business processes such as closing out accounts could have resulted in those gaps in dissolving the ASMF.

IA encountered challenges when requesting dissolution documents, as well as other source documents that support balances included in the dissolution of ASMF. IA requested documents to support the dissolution of ASMF from key entities included in the dissolution, including ASM, UNM Fiscal Shared Services, UNMF, and former ASMF Board members. The result of the inability to view sufficient source documents led to IA's inability to determine how the allocation of funds from ASMF to UNMF was determined. The following are policies applicable to business record management.

- UAP 2000: Responsibility and Accountability for University Information and Transactions. Deans, directors, and department heads define departmental approval processes and designated individuals in their organizations who are authorized to process business and administrative transactions. Deans, directors, and department heads are responsible for exercising good judgment, upholding ethical standards, and should have internal procedures in place to ensure periodic review of designations and related training.
- UAP 6020: Records Management, Retention, and Disposition; Consistent with its mission, sound business practices, and records retention regulations, the University creates, gathers, and maintains records of its activities. Any record, regardless of format, that is produced or received by the University in the transaction of official University business is a University record and potentially subject to the New Mexico Public Records Act (PRA). University units are responsible for the proper retention of their units' public records and for complying with this policy and applicable law. The University has appointed a Chief Records Officer who oversees a Records Management Department and the University's management, retention, and disposition of public records.

Tracking of Funds for Donor Intent

ASMF Executive Committee's Allocation of Funds for Transfer

At the February 2022 ASMF Board meeting, the Foundation Board voted to dissolve the Anderson School of Management Foundation and distribute the assets to the UNM Foundation for benefit of Anderson. Pursuant to the vote of the Directors taken on April 12, 2022, a majority of Directors entitled to vote adopted a motion to discontinue the Foundation as a going concern and to move forward with the dissolution of the Foundation. Per Resolution of The Board of Directors, the Foundation shall cease to conduct its affairs, except in so far as may be necessary for the winding up of the Foundation, effective April 30, 2022, with a final day of business being May 15, 2022, per Article 1 Approval and Adoption of Plan per Articles of Dissolution filed with the State of New Mexico Secretary of State.

The Executive Committee proposed motions to realign the existing Foundation funds in the funds below held at UNM Foundation for the benefit of Anderson. Per Resolution of the Board of Directors of ASMF, the Board determined it advisable for the Foundation to be dissolved and liquidated which includes the allocation of funds (40/20/20/20) included in the dissolution.

The ASMF Executive Committee recommended allocation of available funds. The focus of the allocation of funds was meant to benefit student scholarships, faculty, and dean support. Details about the transferred funds are included below:

- The Anderson School of Management Hall of Fame Endowed Scholarship has been inducting alumni who have been selected for their professional success, contribution to the community, and commitment to education. The associated scholarship is awarded to current Anderson students to help offset the cost of their tuition. ASMF Executive Committee recommended an allocation of 40% of Foundation Assets.
- The Anderson Faculty Excellence Fund was established in 1990 and can be used for any faculty support items including research, database purchase, professional development for teaching or research. This fund allows UNM to recruit and retain the highest quality faculty. The FEF states that these funds are “unrestricted except for designation for recognition of faculty excellence.” The ASMF Executive Committee recommended an allocation of 20% of Foundation Assets.
- The Anderson Student Success Fund was established in 2020 during COVID, as Anderson did not have an emergency student fund. Funds are meant to be used for student-related expenses including scholarships, student club/organization support, internships, experiential learning opportunities, emergency funding, and technology needs. The ASMF Executive Committee recommended an allocation of 20% of Foundation Assets.

- The Anderson Development Fund supports external relations and development (fundraising) activities. This includes events, networking opportunities, donor engagement, alumni engagement, employer relations, regional business engagement, and overall reputation advancement. The original fund was established in 2021 as a current operations fund. The ASMF Executive Committee recommended an allocation of 20% of Foundation Assets.

Transfer of Funds to UNM Foundation

On June 23, 2022, UNMF received an initial transfer of \$2,799,629 to be allocated to four (4) different gift funds as listed in the Table 2 below, three (3) of which are non-endowed (Anderson Student Success Fund, ASM Faculty Excellence, ASM Deans Development), and one (1) of which is endowed (ASM Hall of Fame Scholarship).

Certain documents provided to Internal Audit by a former ASMF Board member listed transfer amounts, by fund, that did not agree to the amounts per bank statements provided by UNMF. IA was unable to verify the accuracy of the dollar amount of the intended transfer and therefore could not audit these dollar amounts listed in the table. The following unaudited information was compiled from the bank statement and Key Balances Report provided by UNMF and Merrill Lynch investment statement provided by the ASMF Board.

Table 2

	Endowed	Non-Endowed			
Transfer Number	ASM Hall of Fame Scholarship	Faculty Excellence Fund	Anderson Student Success Fund	ASM Dean's Development Fund	Total
Allocated %	40%	20%	20%	20%	100%
1-Wire Transfer	\$1,119,852	\$559,926	\$559,926	\$559,926	\$2,799,630
2-Cashier's Check	156,128	78,064	78,064	78,064	390,320
3-Wire Transfer	4,738	2,369	2,369	2,369	11,845
Total	\$1,280,718	\$640,359	\$640,359	\$640,359	\$3,201,795

Source: Bank statements and Key Balances Report provided by UNMF, and Merrill Lynch statement provided by the ASMF Board.

Maintenance of ASMF Accounting Records by Fund

After reviewing the information presented above, as well as taking into consideration the gap in un-audited financial amounts and inability to obtain the accounting records, IA was unable to verify the balances for each of the four (4) funds listed in the Table 2 were consistent with endowed and non-endowed fund balances per ASMF records as of the date of dissolution; June 30, 2022.

IA could not agree source documents to the dollar amounts allocated to each of the four (4) funds included in the transfer from ASMF to UNMF. IA met with several involved in the transfer, as well as others who had administrative involvement in ASMF; however, IA was unable to obtain source documents related to the dissolution of ASMF and the funds which were transferred to UNMF.

The reason the balances were allocated based on the ASMF Executive Committee's recommended allocation is unclear. If tracked appropriately, balances should have been available at the time of dissolution. If funds had been tracked appropriately, the best course of action would be to transfer the fund balances exactly as they were at ASMF at the time of dissolution.

The lack of documented tracking of funds prior to the dissolution has led to the inability of IA to verify ending balances of funds held at ASMF prior to the dissolution, as well as the inability to verify accuracy of the allocation of funds transferred from ASMF to UNMF included in the dissolution.

The amount of the Dean's Development Fund allocation is \$640,658.88; therefore, it is a substantial increase from the beginning balance of \$7,090. As of April 30, 2024, there was \$576,210.24 available in the Deans Development Fund, indicating a substantial amount had been spent from this account since the time of the transfer had occurred. IA requested accounting records to confirm this allocation was based on balances prior to the transfer; however, IA was unable to receive any supporting documents other than the ASMF meeting minutes which included the recommended allocation. The inability to confirm source of funds led IA to conclude that there is a heightened level of risk that some noted alcohol purchases were made with public funds or possibly other endowed funds intended to benefit students and faculty.

IA notes that ASM was not responsible for maintaining records for ASMF or the Board of Directors; however, they are responsible for maintaining current accounting records of business activity which may impact ASM.

Per council of nonprofits.org, industry best practices state that a not-for-profit entity should identify the contributions of an organization to understand the organization's legacy. Preserving the organization's legacy should be a goal when dissolving an entity. Plans to dissolve an entity should focus on using the remaining assets to provide the same or similar benefits as initially intended when assets were donated or provided to the entity.

Recommendation 1:

The ASM Dean's Office should:

- Enforce established document management processes to ensure that all ASM business activity and records that impact ASM are always obtained and maintained. Supporting documents should be readily available and support business transactions that have occurred.
- Develop SOPs that address the absence of key employees and turnover for key business processes.

The Provost's Office should:

- Review and complete an assessment of the current balances of the funds transferred during the ASMF dissolution, specifically related to the endowed scholarship and development funds. At the completion of the assessment, the Provost's Office can determine if a reallocation process is necessary for meeting ASM scholarship needs. The determination should also consider whether funds deposited in the Development Fund are appropriate for fundraising and development activity and if there may have been specific donor intent that may have existed prior to the ASMF dissolution.
- Utilize resources, including but not limited to engaging with an external CPA firm to conduct an external close-out audit for FY22, which was during the year of ASMF dissolution. The external audit should provide reasonable assurance that all financial activity during FY22 and during the dissolution of the ASM Foundation is accurate.

Response from the UNM Anderson School of Management Dean's Office:

Action Items
Targeted Completion Date: 6/30/2025
Assigned to: ASM Leadership (Dean, Associate Deans, Academic Operations Officer, Sr. Executive Director of Corporate and Community Engagement Center) and UNMF Development Officers for ASM
<p>Management's Response: ASM Dean's Office agrees with Recommendation 1.</p> <p>Under the supervision of the Academic Operations Officer, ASM is already in the process of creating a document management system and SOPs for redundancy of key ASM personnel and record keeping that impacts ASM and enforcing document management processes. We plan to complete this work by the target date indicated above.</p> <p>ASM Dean's Office is also ready to support the Provost's Office as needed in order to facilitate the completion of the Provost's Office response to the audit recommendations.</p>

Response from the UNM Provost:

Action Items
Targeted Completion Date: Part one has been completed, part two will be completed by 7/31/2025
Assigned to: The Provost Office Fiscal Team
<p>Management's Response:</p> <p>PART ONE</p> <p>We reviewed the current balances, including endowed scholarship and development funds, to ensure alignment with ASM's scholarship needs and any donor intent that may have existed prior to the dissolution. Based on this review, we concluded that the allocation of \$640,359 to the Dean's Development Fund, representing 20% of the initial ASMF transfer, is appropriate given ASM's size and the scope of fundraising and development activities typical of a business school. These activities include alumni engagement, donor cultivation, corporate partnerships, and programmatic support that enhance the school's visibility and advancement efforts. The Dean's Development Fund provides a necessary and flexible resource to strategically support these priorities and sustain long-term institutional growth.</p>

PART TWO

The Provost's Office fiscal team will conduct an internal close-out audit for FY22 and will provide documentation demonstrating reasonable assurance that financial activity during that fiscal year, including activity related to the dissolution of the ASM Foundation, is accurate.

DONOR INTENT TEST WORK (FUNDS INCLUDED IN TRANSFER)

To test compliance with donor intent, IA selected and tested five disbursements from each of the following three (3) funds included in the transfer from ASMF to UNMF for the period July 1, 2022 to June 30, 2024:

- Anderson Hall of Fame Scholarship
- ASM Student Success Fund
- ASM Deans Development Fund

Anderson's Hall of Fame Scholarship (Endowed Fund)

The Anderson School of Management Hall of Fame (HOF) scholarship has both a credit hour requirement and a GPA requirement. The credit hour requirement states that undergraduate students must be enrolled in a minimum of nine (9) credit hours, related to his or her academic program, and a minimum of six (6) credit hours for graduate students, related to his or her academic program. The GPA requirement states that a student must have a cumulative 3.5 (or higher), within the most recent past Fall/Spring semester.

In ASM Hall of Fame Scholarship disbursements tested, IA identified following exceptions:

- In one of five (1/5) HOF Scholarship disbursements tested, IA identified an exception that took place in January 2024 related to an undergraduate student who was enrolled in six (6) credit hours when receiving the scholarship, which was less than the minimum of nine (9) credit hours specified in the donor agreement. The amount of this disbursement is \$9,000. ASM leadership informed IA that initially, documentation provided by UNM Foundation did not include GPA requirements; however, this document is now included as of Spring 2024. Anderson did not review the donor agreement provided by UNM Foundation. The disbursement was determined to not be in compliance with donor intent.

ASM Student Success Fund (Non-Endowed Funds)

The fund purpose of the ASM Student Success Fund includes any business school student learning opportunity as determined by the Dean. These can indicate hands-on learning opportunities or student financial support. Each disbursement that was determined to be not in compliance with donor intent is considered non-allowable.

In ASM Student Success Fund disbursements tested, IA identified following exceptions:

- Three of five (3/5) disbursements tested were coded to the ASM Student Success Fund. They should have been recorded to Dean's Experiential Learning Index. The amounts of these disbursements were \$2,100, \$700, and \$875.
- One of five (1/5) disbursements in the amount of \$23,056 tested was coded to the ASM Student Success Fund but should have been coded to the Anderson Corporate & Community Engagement Index. In addition, the disbursement did not include required documentation of the Dean's determination as required by the donor's agreement to support the use of funds as described in the donor intent: "any business school learning opportunity as determined by the Dean. These can include hands-on learning opportunities or student financial support."

ASM Dean's Development Fund (Development Fund)

The fund purpose of the ASM Dean's Development Fund is unrestricted with the purpose of reimbursing or paying for University development activities and other events, including but not limited to: table sponsorships; gifts of appreciation or recognition; receptions; meals (including alcoholic beverages); and fund-raising events. Expenditures must be consistent with UNM UAP 4000 Section 14. Each disbursement that was determined to be not in compliance with donor intent is considered non-allowable.

In three (3) Dean's Development Fund disbursements tested, IA identified following exceptions:

- In three out of five (3/5) ASM Dean's Development Fund disbursements tested, the dollar amounts spent on these events were \$286.11, \$2,138.17, and \$482.92, respectively. The purpose of these development events included purchases of alcohol, which would have been unallowable if spent from other ASM Foundation funds. Without support for the dissolution allocation, Internal Audit was unable to determine if the disbursements met development fund spending requirements.

ASM Faculty Excellence Fund (Non-Endowed Funds)

The Faculty Excellence Fund was included in the transfer; however, as there have been no expenses in this fund since the transfer occurred, no test work could be completed in this area. IA inquired about the reason that no funds have been spent and received the following response from ASM leadership: "Dean Montoya left UNM before strategically spending out of the Faculty Excellence index. Interim Dean Coonrod did not feel that it was appropriate to spend strategically (she was initially meant to serve as interim for a very brief time) and wanted to wait until the permanent Dean (Alina) was here."

DONOR INTENT TEST WORK (FUNDS NOT INCLUDED IN ASMF TO UNMF TRANSFER)

In addition to testing donor intent of twenty (20) disbursements related to the four (4) funds included in the transfer from ASMF to UNMF, IA included in the scope of sample selection to test donor intent of other funds not included in the transfer. From the FY24 Endowment Spending Distribution Report, IA selected twenty (20) disbursements comprised of five (5) disbursements from each of four (4) endowments. These include two (2) separate scholarship endowments, a program support, and a faculty support endowment as follows:

- Creative Enterprise Endowed Chair (Faculty Support)
- Albert and Mary Jane Black Scholarship Fund for ASM Graduate Students (Scholarship)
- Klecotka Scholarship Fund for Business Administration (Scholarship)
- Julius Rezler and Agnes G. Rezler Endowment (Program Support)

It was noted that some disbursements selected for test work did not align with donor intent. Donor agreements selected for test work included different requirements; however, UAP 4000 Allowable and Unallowable Expenditures should always be considered when spending endowed funds. Test work indicated there were disbursements that occurred which should not have been expensed using the endowment spending indexes.

Creative Enterprise Endowed Chair

The Creative Enterprise Chair position will be awarded to an Anderson School faculty member who is focused on economic development issues. These issues can include learning opportunities for students, faculty research, or projects to promote economic development for the New Mexico business region.

In five out of five (5/5) Creative Enterprise Endowed Chair disbursements tested, IA identified exceptions related to allowability and unallowable expenditures. Each disbursement that was determined to be not in compliance with donor intent.

- Two of the five (2/5) disbursements for \$8,000, and \$16,000 are related to payments to faculty; however, these disbursements did not have documentation available at the time of the distribution to support donor intent of providing funds for faculty research to promote economic development for the New Mexico business region. Management indicated that these disbursements could have complied with donor intent, however Internal Audit was not able to verify compliance.
- Two of the five (2/5) disbursements tested lacked documentation that the Provost approved of the disbursements, as required by the donor agreements.

Albert and Mary Jane Black Scholarship Fund for ASM Graduate Students

The purpose of the Albert and Mary Jane Black Scholarship Fund for ASM Graduate Students is to establish an endowed scholarship fund for Anderson School of Management graduate students.

Four of eleven (4/11) disbursements tested for \$1,000 each included donor intent requirements which specified the award was meant for graduate students; however, IA found that four of eleven (4/11) students awarded were undergraduates. Current management provided a response that a miscommunication occurred when describing donor intent related to this endowment. Each disbursement that was determined to be not in compliance with donor intent is considered non-allowable.

Klecotka Scholarship Fund for Business Administration

Recipients of the Klecotka Scholarship Fund for Business Administration endowment shall have as a minimum, a grade point average of 3.25. The income of the parent(s) or guardian(s) of the recipients shall not be considered in awarding the scholarships. Out of five (5) Klecotka disbursements selected, two (2) had a combined total of 18 scholarships paid. IA tested a total of 21 scholarships paid for Klecotka scholarship.

In seven out of twenty-one (7/21) disbursements tested for \$2,000 each, IA found that seven (7) students awarded had GPAs below the threshold of minimum GPA of 3.25. Current management provided a response that a miscommunication occurred when describing donor intent related to this endowment. Each disbursement that was determined to be not in compliance with donor intent is considered non-allowable.

Julius Rezler and Agnes G. Rezler Endowment to benefit the Anderson School of Management

The primary purpose of the Julius Rezler and Agnes G. Rezler Endowment to benefit the Anderson School of Management fund is to encourage academic exchanges between Hungarian students and faculty while studying, conducting research, or teaching in industrial sociology areas, including: labor management relations, human resource management, and dispute resolution at the Anderson School of Management at the University of New Mexico. The secondary purposes of the fund are to support student and faculty who are pursuing study, research, or teaching in industrial sociology areas, including: labor management relations, human resource management, and dispute resolution (or other disciplines in the event that the Anderson School does not offer courses or a program in these disciplines) at the Anderson School of Management at the University of New Mexico. If, for unforeseen reasons, this fund can no longer be awarded as originally intended, the Anderson School of Management Leadership will make the determination as to the appropriate disposition of the fund based upon recommendations from the Dean of the Anderson School of Management, consistent as nearly as possible with the original intent for this fund. Test work was conducted; however, no exceptions were noted.

Recommendation 2:

ASM should ensure gift/endowed spending (and all disbursements) are allowed, supported by appropriate documentation, and reviewed in accordance with donor agreement and UNM's policies, where applicable, for accuracy and compliance. The ASM Dean's Office should:

- Strengthen controls and processes related to understanding compliance related to donor intent for all endowments. Complete a review of donor agreements to ensure they adequately describe donor intent and align with the School's goals. Maintain accurate and current endowed spending records, allowing leadership to monitor spending in the related indexes.
- Establish processes to complete periodic reviews for endowed agreements and available funding to ensure the most current versions of endowments are available, and that all resources are fully utilized.
- Review all endowments for unallowable costs due to spending endowed funds not in compliance with donor intent and correct known errors and reverse unallowed costs with correcting journal entries. Prior to spending restricted funds, ASM should review all donor intent requirements to ensure spending is allowable and supported by the donor agreement.
- Complete an internal review for remaining scholarships awarded under the same scholarship requirements to determine if they comply with donor intent. Analyze these scholarship expenses to determine if they are charged to the correct fund.
- Strengthen the scholarship distribution process to: (1) maintain all donor intent requirements and ensure they are supported by the donor agreement, including but not limited to student classifications, credit hours, and GPA; (2) ensure its scholarship awarding meets the requirements; and, (3) rationale for scholarship selections is reviewed and clearly documented.


Response from UNM Andersons School of Management Dean's Office:

Action Items
Targeted Completion Date: 12/31/2025
<p><i>Assigned to: ASM Leadership (Dean, Associate Deans, Academic Operations Officer, Sr. Executive Director of Corporate and Community Engagement Center) and UNMF Development Officers for ASM</i></p>
<p>Management's Response: ASM Dean's Office agrees with all six items within Recommendation 2. Anderson leadership and UNMF development officers for ASM will work together to review all spending in UNMF spending indexes established for ASM (from endowed and spendable gifts) for FY24 through December 31, 2024. FY25. Work has already been completed for one area - the Student Success fund (index 224505) – which was identified in the audit report. The review of the remaining indexes will be completed by the target date. ASM will correct known errors and reverse unallowed costs with correcting journal entries. Work has already been completed for the above-mentioned Student Success index (unallowable costs have been moved to an appropriate unrestricted index; in addition, to curtail future issues for this category of expenses, a new process with internal controls, new index and approval processes has been developed and are in the process of being implemented). The correction of known errors for the remaining indexes will be completed by the target date. ASM will also implement processes to ensure that prior to spending restricted funds, donor intent requirements will be reviewed to ensure spending is allowable and supported by the donor agreement. With help from UNM Fiscal Shared Services, ASM is in the process of implementing a stronger approval process for all ASM spending, and this new process will facilitate the implementation of this recommendation for UNMF spending indexes as well. The new process will be implemented by the target date.</p> <p>ASM will ensure that our internal review for remaining scholarships awarded under the same scholarship requirements is complete, analyze these expenses to determine if they are charged to the correct fund, and reverse unallowed costs. Work to strengthen the ASM scholarship process has already been completed independently from the audit as follows. In December 2023/January 2024, the UNMF development officers assigned to ASM conducted a full scholarship fund audit and updated the ASM scholarship spreadsheet to accurately reflect donor intent and criteria. In Spring 2024, ASM leadership conducted a thorough internal review of scholarship processes to address donor intent compliance and to correct discrepancies caused by prior inaccuracies. The enhancements implemented in Spring 2024 include tying eligibility criteria directly to donor agreements, documenting selection rationale, and providing robust training for staff on compliance standards. These measures have already been incorporated into updated SOPs. We would like to note that the audit sample period preceded the implementation of this new scholarship process. In addition, in alignment with the audit recommendations, ASM will complete an additional internal review of these updated processes and make necessary adjustments to ensure compliance for all scholarships yearly, analyzing expenses to confirm proper fund allocation, and strengthening the scholarship distribution process.</p>

ASM will strengthen controls and processes related to understanding compliance related to donor intent for all endowments, and document these with SOPs (including but not limited to actions already described above). ASM is in the process of implementing a review of all donor agreements to ensure they adequately describe donor intent and align with the School's goals. With the help of the UNMF development officers assigned to ASM, work has already been completed in two areas identified in this audit report –scholarship indexes (completed Spring 2024, as described above) and endowed professorships and named chair indexes (initiated independently of this audit at ASM Dean's request and completed January 2025). Work for the remaining indexes will be completed by the target date. ASM is also in the process of developing processes to maintain accurate and current endowed spending records, allowing leadership to monitor spending in the related indexes. At the request of the ASM Dean, and independently from this audit, UNM Fiscal Shared Services has started providing a high-level spending report for all UNMF spending indexes established for ASM. Together with the spending approval process described above, this will facilitate the implementation of strong monitoring processes for the related indexes, as recommended in the audit.

ASM will also establish processes to complete periodic reviews for endowed agreements and available funding to ensure the most current versions of endowments are available, and that all resources are fully utilized.

APPROVALS



Victor Griego, CPA
Director, Internal Audit Department

Approved for Publication:



Chair, Audit and Compliance Committee