AUDIT OF ATHLETICS ADMINISTRATION

THE UNIVERSITY OF NEW MEXICO

Report 2025-03
May 6, 2026

THE UNIVERSITY OF
NEW MEXICO

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Chien-Chih Yeh, Internal Audit Manager
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Connor Anderson, Internal Auditor

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ABBREVIATIONS

Athletics	University of New Mexico Athletics Department
Department	University of New Mexico Athletics Department
FY	Fiscal Year
FSS	Fiscal Shared Services
GPA	Grade Point Average
I&G	Instruction and General
Internal Audit	University of New Mexico Internal Audit Department
ISI	Individually Significant Items
JV	Journal Voucher
MMR	Multi-Media Rights
PSA	Prospective Student Athlete
SARM	Standard Accounting Resource Manual
SOP	Standard Operating Procedure
UAP	University Administrative Policy
UNM	University of New Mexico
University	University of New Mexico
UNMF	University of New Mexico Foundation

EXECUTIVE SUMMARY

Internal Audit conducted a review of the University of New Mexico Athletics Department's financial activity and key compliance areas, including financial performance, disbursements, endowed funds (donor intent and reserve utilization), and revenue sharing agreements.

Overall, Athletics' unrestricted financial position strengthened significantly in FY25. Athletics generated $54.5 million in unrestricted revenues (98% of total revenues) and reported a $4.6 million operating surplus, increasing unrestricted reserves to $7.45 million at year end. Growth in unrestricted revenues from FY23–FY25 was primarily driven by increases in state appropriations, membership and fees, fundraising, and I&G funding. Expense growth lagged revenue growth over the three year period, contributing to improved operating performance.

The objectives of this audit were to assess financial performance by evaluating Athletics revenue and expenditure trends and changes in reserves across multiple fiscal years, and to evaluate and test the following Athletics areas:

- Disbursements, including travel, P-Card, accounts payable, and payroll.
- Endowed funds, including compliance with donor intent and reserve balances.
- Contracts and agreements.

CONCLUSION

Based on the procedures performed, Internal Audit concludes that Athletics generally has sound internal controls, and in most areas tested, complies with applicable University policies and contractual agreements. Athletics demonstrated improved unrestricted financial performance in FY25, with increased revenues, operating surpluses, and strengthened unrestricted reserves.

The exceptions identified in this audit were limited in number and scope and primarily related to opportunities to strengthen documentation, contract monitoring, procurement authorization procedures, and endowment administration controls. The following are key recommendations reported for the audit.

<u>Key Recommendations</u>

1. Strengthen internal controls over official visits to ensure travel and lodging expenditures are supported by sufficient documentation and appropriate approvals. Review lodging history with the hotel associated with the official visit to determine if a potential refund or credit of $1,227 is available.
2. Enforce established internal controls over the A/P process to ensure that standard procurement documents are prepared and approved in a timely manner, and prior to the purchase of goods and services.

3. Develop procedures to ensure compliance with donor restrictions and available funding within endowment indexes before charging expenditures. Work with UNMF to develop a SOP surrounding endowment closures, including clearly defined roles and communication protocols.
4. Ensure revenue share payments are collected within established deadlines by strengthening monitoring and collection processes over contractual deadlines. Perform timely follow up on outstanding balances.

INTRODUCTION

BACKGROUND

The University of New Mexico (UNM) Athletics Department operates under the control of the UNM Board of Regents. Athletics offers eight men's and ten women's intercollegiate sports programs and has competed in the NCAA Division I Mountain West Conference since the conference's inception in 1999.

The department's mission is centered around supporting student athlete success and contributing positively to the University and community. Athletics strives to uphold academic excellence, competitive excellence, and provides a great fan experience.

Athletics operates in a highly regulated environment. In addition to University Administrative Policies (UAPs) and state procurement requirements, Athletics must comply with NCAA Division I regulations governing recruiting, benefits provided to prospective student athletes, and travel.

Athletics budgets are developed in coordination with the Office of the Provost (Provost) and approved by Athletics leadership. The Provost's Fiscal Shared Services unit supports key financial processes including procurement transactions and accounts payable processing.

Funding for UNM Athletics is primarily generated from unrestricted sources, including membership and fees, state appropriations, and ticket sales. Together, these revenues comprised approximately 57% of total FY25 revenues of $55,599,837. Athletics also receives restricted funding, including endowments and donations collected by the Lobo Club. During FY25, Athletics received $1,094,210 in restricted revenues.

PURPOSE, SCOPE, AND OBJECTIVES

The audit was included in Internal Audit's FY25 annual audit plan and selected based on the University wide risk assessment. The purpose of this audit was to evaluate Athletics Department financial activity and related business processes to determine whether adequate internal controls are in place, and if Athletics generally complies with applicable University Administrative Policies (UAPs), procedures, and state laws. The scope of this audit included financial analysis for FY23-FY25 and detailed testwork over selected transactions, disbursements, and contractual requirements for FY24.

The objectives of this audit were to assess financial performance by evaluating Athletics revenue and expenditure trends and changes in reserves across multiple fiscal years, and to evaluate and test the following Athletics areas:

- Disbursements, including travel, P-Card, accounts payable, and payroll.

- Endowed funds, including compliance with donor intent and reserve balances.
- Contracts and agreements.

PROCEDURES

Internal Audit performed the following procedures:

- Develop an understanding of the business environment in which the Athletics Department operates.
- Conduct walkthroughs to obtain an understanding of key processes and internal controls.
- Identify and review relevant University Administrative Policies (UAPs), procedures, laws, and regulations.
- Perform financial analysis of revenues, expenses, and reserve balances for FY23 through FY25 to assess trends and overall financial performance.
- Test disbursements, including P-Card, accounts payable, and payroll transactions, to evaluate compliance with applicable UAPs, purchasing procedures, and state laws.
- Conduct testwork to ensure disbursements comply with donor intent requirements and perform an analysis of endowment reserve balances to identify patterns of inactivity and underutilization.
- Test multi-media rights and concession agreements to determine compliance with contract and agreement provisions.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

FINANCIAL ANALYSIS

In fiscal year (FY) 2025, the Athletics Department generated $54,505,627 in unrestricted revenues. Unrestricted revenues are generated from a variety of sources and may be used to support any Athletics activity in accordance with applicable University Administrative Policies (UAPs).

The majority of unrestricted revenues are generated through General Athletics Activities ($50,509,301), which includes Memberships and Fees ($13,744,943), State Appropriations ($11,807,900), and Ticket Sales ($6,120,168). Of the total unrestricted revenues, $2,173,907 represents unrestricted designated revenues, which are primarily generated from endowed and non-endowed gifts and must be spent in accordance with donor intent.

For FY25, unrestricted revenues of $54,505,627 exceeded unrestricted expenses of $49,888,900, resulting in an operating surplus of $4,616,727. As a result, reserves increased from $2,834,913 at the beginning of the fiscal year to $7,451,640 at year end.

In addition to unrestricted activity, Athletics received $1,094,210 from restricted funding sources during FY25. Restricted fund year end reserves totaled $38,700.

Fiscal year 2025 revenues and expenses by funding source are presented below:

Table 1: Fiscal Year 2025 Revenues and Expenses by Funding Source

FY2025 Financial Analysis, by Funding Source					
	Revenues	Expenses	Revenues Over/(Under) Expenses	Reserves, beginning of year	Reserves, end of year
Unrestricted					
General Athletic Acitvities	$50,509,301	$45,690,171	$ 4,819,131	$ 1,743,966	$ 6,563,097
Instruction and General 1	1,684,591	1,767,330	(82,738)	223,960	141,222
Auxiliaries	137,827	94,496	43,332	4,129	47,461
Unrestricted, Designated					
Public Service	1,903,816	2,202,061	(298,245)	502,823	204,577
Endowed Spending	270,091	134,843	135,248	360,035	495,283
Total Unrestricted	$54,505,627	$49,888,900	$ 4,616,727	$ 2,834,913	$ 7,451,640
Restricted					
Endowments	$ 730,351	$ 361,125	$ 369,226	$ -	$ -
Agency (Lobo Club)	140,791	96,067	44,724	(16,189)	28,535
Unexpended Plant	223,068	264,579	(41,512)	51,677	10,165
Total Restricted	$ 1,094,210	$ 721,772	$ 372,438	$ 35,488	$ 38,700
Grand Total	$55,599,837	$50,610,672	$ 4,989,164	$ 2,870,401	$ 7,490,340

Source: Banner Accounting System

1. Instruction and General (I&G) revenues in Table 1 are presented net of outgoing transfers (appoximately $2.8 million in FY25), whereas Table 2 presents gross I&G revenues.

Unrestricted Funding and Expenses

The majority of Athletics revenues are derived from unrestricted funding sources. In FY25, unrestricted revenues of $54,505,627 represented approximately 98% of total revenues of $55,599,837.

Since FY23, unrestricted revenue increased by $13,474,394 (33%), growing from $41,031,233 to $54,505,627. Over the same period, unrestricted expenses increased by $9,572,233 (24%), from $40,316,667 to $49,888,900. Athletics reported operating surpluses of $714,565 and $609,904 in FY23 and FY24. In FY25, financial performance improved significantly, with a reported surplus of $4,616,727. As a result of consecutive operating surpluses, unrestricted ending reserves have increased from $2,225,557 in FY23 to $7,451,640 in FY25.

Unrestricted revenue growth from FY23 through FY25 was driven primarily by increases in:

- State Appropriations: $5,059,900
- Membership and Fees: $3,013,198

- Fundraising: $1,649,153
- Instruction and General (I&G): $1,370,628

Ticket sales remained relatively flat over the three year period. In FY25, State Appropriations, Membership and Fees, Fundraising, and I&G accounted for $34,277,284, or 63%, of total unrestricted revenue.

Increases in unrestricted expenditures between FY23 and FY25 were primarily attributable to:

- Salary and Benefits: $2,861,193
- Student Costs: $2,239,142
- Travel: $2,187,555

Together, these three categories totaled $37,052,049, or 74%, of total unrestricted expenses.

Student costs consist primarily of scholarships and awards, which are $8,360,921 of $9,717,813. Travel expenses totaled $7,202,639 and are comprised primarily of group travel ($5,755,843) and recruiting ($1,310,460).

Overall, expense growth lagged revenue growth during the three year period, resulting in improved operating performance and a strengthened unrestricted reserve balance in FY25. Internal Audit concludes that Athletics' financial position has strengthened significantly from FY23 through FY25. Athletics generated consecutive operating surpluses from FY23 to FY25, and as a result, reserves increased from $2,225,557 in FY23 to $7,451,640 in FY25.

Fiscal year 2023 through 2025 unrestricted revenues and expenses are presented below:

Table 2: Athletics Unrestricted Trend (FY23–FY25)

Athletics Unrestricted Trend (FY 2023-FY 2025)	FY 2023	FY 2024	FY 2025
Revenues			
Membership and Fees	$ 10,731,745	$ 11,992,461	$ 13,744,943
State Appropriations	6,748,000	9,533,700	11,807,900
Ticket Sales	6,336,139	6,128,333	6,120,168
I&G	3,120,004	3,572,776	4,490,632
Fundraising 1	2,584,656	2,976,805	4,233,809
Rental and Events	2,878,425	3,976,723	3,968,914
Advertising	2,744,514	2,826,299	2,942,400
Endowment and Gifts	1,688,368	1,466,887	639,309
Other	3,089,991	3,315,463	6,349,901
Transfers	1,109,390	1,303,246	207,653
Total Revenues	$ 41,031,233	$ 47,092,692	$ 54,505,627
Expenses			
Salary and Benefits	$ 17,270,404	$ 19,679,290	$ 20,131,597
Student Costs	7,478,671	9,478,836	9,717,813
Travel	5,015,084	6,181,839	7,202,639
Services	3,733,806	3,644,764	4,386,067
Supplies	2,806,733	3,084,307	3,589,074
Plant Maintenance	531,226	595,562	663,936
Utilities	783,522	611,976	657,652
Capital Expenditures	40,789	248,307	157,499
Communication	73,492	71,660	78,826
Other	2,582,941	2,886,797	3,303,798
Total Expenses	$ 40,316,667	$ 46,483,336	$ 49,888,900
Revenues Over (Under) Expenses	$ 714,565	$ 609,356	$ 4,616,727
Reserves, beginning of year	$ 1,510,992	$ 2,225,557	$ 2,834,913
Reserves, end of year	$ 2,225,557	$ 2,834,913	$ 7,451,640

Source: Banner Accounting System

1. Fundraising includes transfers of funds generated by the Lobo Club; however, Internal Audit did not perform audit procedures over Lobo Club operations.

DISBURSEMENTS

Athletics has a Shared Service Agreement (SSA) with the Office of the Provost's Fiscal Shared Services to assist Athletics with the procurement of goods and services for both P-Card and accounts payable transactions. Athletics purchases of goods and services are primarily processed through purchase orders or P-cards. These transactions are governed by multiple UAPs, as well as applicable state and local laws.

As part of Internal Audit's testing of Athletics disbursements, Internal Audit reviewed travel related transactions separate from non-travel related purchases due to significant travel costs incurred by the Athletics Department and the additional regulatory requirements applicable to travel. Athletics travel related to recruiting must also comply with applicable NCAA Division I Manual regulations. For FY24, travel expenses totaled $6,181,839, or 13%, of $46,482,788 in total Athletics expenses.

For non-travel related transactions, testing was further distinguished between accounts payable, P-Card, and payroll disbursements.

Travel

Internal Audit tested 25 travel related disbursements to assess allowability in accordance with applicable University policies (including UAP 4000: Allowable and Unallowable Expenditures and UAP 4030: Travel Expenses and Per Diem), proper account code classification, and compliance with applicable procurement requirements.

Based on testing performed, Internal Audit identified one instance in which transaction documentation reflects four (4) nights of institutional paid lodging for a prospective student athlete (PSA) and accompanying family members in connection with an official visit. The official visit was approved from January 5, 2024, through January 7, 2024, consistent with the two night official visit lodging limitation outlined in the NCAA Division I Manual, Bylaw 13.6.4.

The lodging cost associated with the additional two nights totaled $1,227, based on the hotel invoice, which agrees to the amount recorded in the operating ledger.

Although Athletics management believes the PSA departed on January 7, 2024, after a two-night recruiting visit, sufficient documentation was not available to determine if the PSA utilized two nights or four nights of lodging, as indicated on the hotel invoice. Internal Audit requested additional supporting documentation, including evidence of completed travel or adjustments to lodging charges, however, such documentation was not available for review. As a result, Internal Audit was unable to determine whether lodging was limited to two nights or assess compliance with NCAA Bylaw 13.6.4.

Available supporting documentation indicates four nights of institutional paid lodging, as reflected in the hotel invoice and operating ledger. This creates a risk that services were paid for but not rendered and increases the risk of noncompliance with NCAA official visit lodging limitations and related optics of potential NCAA violations.

Recommendation 1:

The Director of Intercollegiate Athletics should:

- Strengthen internal controls over official site visits to ensure travel and lodging expenditures charged to Athletics for official site visits are supported by accurate and sufficient documentation and appropriate documented approvals are obtained.
- Review lodging history with the hotel associated with this official site visit for the PSA and family to verify lodging utilization and determine if a potential refund or credit of $1,227 is available.

Response from the Director of Intercollegiate Athletics

Action Items
Targeted Completion Date: *6/30/26*
Assigned to: *Athletics Business Office, Athletics Compliance Office, and Anthony Travel.*
Corrective Action Planned: *Management acknowledges the finding related to additional hotel nights associated with an official visit. While existing internal controls require NCAA Compliance and Business Office review prior to booking recruiting travel, this instance reflects a reconciliation error.* *To address this, Athletics has reinforced its established approval process requiring all recruiting travel plans and itineraries to be submitted through Teamworks ARMS for review and approval by both Compliance staff and the Associate AD for Business Operations prior to any travel being booked.* *In addition, the Compliance Office has provided rules education to relevant staff, emphasizing permissible visit duration and allowable accompanying individuals under NCAA guidelines. Athletics will also strengthen the reconciliation & approval of recruiting travel to ensure the final invoice/folio adheres to approved itineraries.*

Efforts were made by Athletics Business Office staff and Anthony Travel to obtain a refund for the additional hotel nights that were not utilized but were charged; however, due to the timing of the transaction, a refund was not feasible.

These corrective measures are expected to be fully implemented by June 30, 2026, with ongoing monitoring thereafter.

Accounts Payable

Internal Audit performed testwork over accounts payable disbursements to determine compliance with applicable purchasing policies, laws, and procedures. The majority of Athletics accounts payable disbursements relate to event fees, professional services, uniforms, and athletics equipment.

Of 25 transactions tested, two transactions were ordered prior to the issuance of a formal Purchase Order in Lobo Mart.

The two transactions identified were for football helmets in the amounts of $7,503 and $6,654, both ordered by the Football Equipment Room Department. The vendor invoices were dated 160 and 170 days before the Purchase Orders were approved.

Part II of the Standard Accounting Resource Manual (SARM), Section Purchasing and AP-Policies and Procedures, Subsection Purchase Requisition- "PR," states, "*Ordering items before a Purchase Order is issued is a serious violation of University Procurement policy.*"

UNM Fiscal Shared Services indicated that procurement documentation was not provided by Athletics timely, resulting in the Purchase Orders being processed after vendor invoices were issued.

Ordering items prior to the issuance of an approved Purchase Order increases the risk of unauthorized expenditures, noncompliance with University procurement policies, significant delays in payment processing, and potential late payment fees.

Recommendation 2:

The Intercollegiate Athletics Director should enforce established internal controls over the A/P process to ensure that standard procurement documents are prepared and approved in a timely manner and done so prior to the purchase of goods and services.

Response from the Director of Intercollegiate Athletics

Action Items
Targeted Completion Date: *6/30/26*
Assigned to: *Athletics Business Office*
Corrective Action Planned: *Management acknowledges the finding related to the timing of Purchase Order issuance for certain transactions. Athletics follows University procurement guidelines and processes, working in coordination with Fiscal Shared Services and UNM Purchasing to ensure appropriate review and approval of Purchase Orders prior to the procurement of goods and services.* *The transactions noted involved football equipment purchases that were time-sensitive and operationally critical. Football equipment ordering often occurs within condensed timeframes driven by roster changes, safety needs, and vendor production schedules. Additionally, these purchases can span fiscal periods, particularly when orders are placed in advance of the competitive season, but invoicing and fulfillment occur at a later date. These factors can create challenges in aligning procurement timing with standard Purchase Order procedures.* *While management views these instances as exceptions, Athletics recognizes the importance of ensuring procurement controls are consistently executed regardless of operational pressures.* *To address this, the Athletics Business Office will reinforce procurement requirements with all Athletics units, with targeted outreach to equipment operations staff.*

P-Card

Internal Audit assessed internal controls over P-Card disbursements and tested 25 non-travel related P-Card transactions to evaluate compliance with applicable policies and state procurement requirements. Common Athletics purchases made using a P-Card include team meals, non-capitalized equipment, and uniforms. No exceptions were noted during Internal Audit's testing of non-travel related P-Card disbursements.

Payroll

Internal Audit reviewed payroll disbursements to determine whether coaches were compensated in accordance with approved contracts and pay rates. Internal Audit selected coaches for review based on salaries considered materially significant and relevant, and observed fluctuations in compensation during FY24, indicating potential payments beyond base salary, such as incentive compensation or relocation allowances.

Internal Audit tested 16 payroll disbursements totaling $307,375 made to 8 coaches. For FY24, salary and contract related compensation, not including fringes, for the selected coaches totaled $2,011,464, which represents $7,991,945, or 25%, of total Athletics coaching salaries, excluding fringes.

For each disbursement selected, Internal Audit recalculated expected pay based on contractual salary amounts and investigated variances between expected and actual payments. Variances were supported by appropriate documentation, including non-standard payments and relocation allowances. No exceptions were noted during Internal Audit's testing of payroll disbursements.

ENDOWED FUNDS

Private support is vital to Athletics' overall operations. Endowed gifts are special type of private support designed to provide long term financial support. "True Endowments," which comprised $741,247 of the $782,987 in total FY24 endowments (approximately 95%), are intended to exist in perpetuity, with only investment earnings available for expenditure. The earnings generated from the principal are used to fund operations, scholarships, and other purposes as directed by the donor.

The University of New Mexico Foundation (UNMF) is responsible for the investment management of Athletics endowed gifts. On a quarterly basis, UNMF transfers spending distributions to the Athletics Department. Upon receipt, these transfers are recorded as unrestricted designated funds and must be spent in accordance with donor intent.

<u>Compliance with Donor Intent</u>

To assess compliance with donor intent, Internal Audit reviewed total expenditures across Athletics endowments and selected the following six endowments:

- [redacted]

[redacted]

[redacted]

Internal Audit reviewed all six scholarship awards issued during FY24 and identified that three of six (3/6) awards, totaling $6,386, did not comply with donor intent. While all awardees met the requirement of [redacted], three recipients were not [redacted] as required by the donor agreement.

In addition, scholarship expenditures exceeded available funding. During FY24, $20,514 in scholarship awards were charged to the fund, despite beginning reserves of $5,813 and $1,414 in endowment spending distributions from UNMF during the year. As a result, the fund's reserves were fully depleted and ended FY24 with a deficit of ($13,288).

Internal Audit determined that the primary cause of both the unallowable awards and the resulting deficit was the issuance of scholarship awards without verifying donor intent restrictions and available funding within the endowment index. Another contributing factor was that the International Student Tuition Payment Form listed an incorrect Athletics index, which was closed during FY24, as the funding source.

Despite index 925461 ending FY24 with a deficit of $13,288, Athletics issued a scholarship award in the amount of $1,412 during FY25.

Subsequent to Internal Audit's inquiry, Athletics replenished the fund's balance on August 28, 2025, eliminating the deficit.

Recommendation 3:

The Director of Intercollegiate Athletics should:

- Develop procedures to ensure compliance with donor restrictions and available funding within the endowment index before charging the index for scholarship awards and other expenditures.
- Work with UNMF to develop a standard operating procedure (SOP) surrounding endowment closures, including clearly defining roles and communication protocols to ensure Athletics rely on accurate funding information when forecasting and allocating available spending.

Response from the Director of Intercollegiate Athletics

Action Items
Targeted Completion Date: *6/30/26*
Assigned to: *Athletics Business Office & Athletics Compliance Office*

Corrective Action Planned:

Management acknowledges the finding related to expenditures that were not aligned with donor intent and available funding within certain endowment indices. Upon identification, the transactions in question were reviewed and have since been corrected to ensure proper alignment with donor restrictions and account balances.

Athletics is committed to strengthening controls and improving transparency in the management of endowed funds. Athletics is developing a centralized tracking document and monitoring process for all endowed spending distributions, in coordination with the Athletics Business Office, the UNM Lobo Club, and the University of New Mexico Foundation. This process will allow management to quickly review each endowment and enhance visibility into donor restrictions, available balances, and allowable uses prior to expenditures being incurred.

These corrective measures are expected to be implemented by June 30, 2026, with ongoing monitoring thereafter.

[redacted]

[redacted]

Internal Audit reviewed nine disbursements and did not note any exceptions. Expenditures were consistent with donor intent.

[redacted]

[redacted]

Internal Audit reviewed four scholarship awards issued during FY24 and did not note any exceptions. Expenditures were consistent with donor intent.

[redacted]

[redacted]

Internal Audit reviewed six disbursements and did not note any exceptions. Expenditures were consistent with donor intent.

[redacted]

[redacted]

Internal Audit reviewed two scholarship awards and did not note any exceptions. Expenditures were consistent with donor intent.

[redacted]

[redacted]

Internal Audit reviewed one scholarship award and did not note any exceptions. Expenditures were consistent with donor intent.

Endowment Reserves Analysis

Inactive Endowments

Internal Audit analyzed Athletics reserves to identify inactive endowments and patterns of accumulation that may indicate potential underutilization. For the purposes of this review, inactive endowment is defined as those endowments that have neither received spending distributions (revenue) from UNMF nor incurred any expenditures.

The following inactive endowments were identified:

[redacted]

[redacted]

[redacted]

Underutilized Endowments

Internal Audit also performed procedures to identify endowments with significant reserves and a positive change in reserves of 5% or more, which may indicate limited spending relative to distributions received. Based on this analysis, Internal Audit identified the following endowments with significant FY24 ending reserves:

[redacted]

[redacted]

[redacted]

Internal Audit identified opportunities to improve the utilization of certain endowment balances in accordance with donor intent. Together these five endowments total $129,608 in reserves at the end of FY24, representing approximately 21% of total Athletics endowment reserves, [redacted]

Endowment funds may not be actively monitored to ensure distributions are utilized in a timely manner, or formally reevaluated when the original purpose is no longer operationally feasible. Sound financial oversight practices include periodic review of reserves to identify prolonged inactivity and potential underutilization.

The continued inactivity or limited utilization of endowment reserves increases the risk that donor resources are not utilized in timely manner, funds associated with discontinued programs or outdated purposes remain idle, and available funding is not optimized to support current operational and student athlete needs.

Recommendation 4:

The Director of Intercollegiate Athletics should:

- Coordinate with the UNM Foundation to evaluate inactive endowments associated with discontinued programs or completed projects and determine whether donor communication, formal reallocation (if allowable), or other action is necessary to allow remaining balances to be appropriately utilized.

- Evaluate the utilization of identified underutilized endowments in relation to their intended purpose and document the results of management's assessment and planned approach.
- Establish a periodic review of all endowed indexes to identify prolonged inactivity, significant reserve accumulation, and reserve deficits, and implement corrective action, as necessary.

Response from the Director of Intercollegiate Athletics

Action Items
Targeted Completion Date: *6/30/26*
Assigned to: *Athletics Business Office & Athletics Compliance Office*
Corrective Action Planned: *Management acknowledges the finding related to unspent balances within certain endowed funds. Athletics recognizes the importance of utilizing these funds in accordance with donor intent while ensuring that available resources are effectively distributed to support student-athletes.* *In some instances, the specific restrictions tied to endowments have made it operationally challenging to fully expend available funds. The evolving landscape of collegiate athletics has reduced the practical applicability of some narrowly defined endowment criteria. Including, but not limited to,* [redacted] *As a result, eligible student-athletes may be limited in each period, leading to unspent balances.* *Athletics is committed to improving both compliance and utilization of endowed funds. Similar to the actions outlined in Recommendation 3, Athletics is developing a centralized tracking and monitoring process for endowed accounts to ensure greater visibility into restrictions, eligibility criteria, and available balances.* *Additionally, Athletics and the UNM Lobo Club will work collaboratively with the University of New Mexico Foundation to evaluate opportunities to update donor intent language to better align with the current collegiate athletics landscape.* *These corrective measures are expected to be implemented by June 30, 2026, with ongoing monitoring thereafter.*

CONTRACTS AND AGREEMENTS

Multi-Media Rights (Playfly Sports Properties)

During FY20, Athletics entered into a Multi-Media Rights (MMR) contract with Outfront Media Sports (Outfront). Later in FY21, Playfly Sports Properties (Playfly) acquired Outfront and all their rights and obligations. Under the MMR agreement, Playfly was granted exclusive media rights, including but not limited to:

- Use of UNM trademarks
- Sponsorship and endorsement rights involving coaches and administration.
- Signage and advertising rights
- Audio and video content rights

Revenues generated through Athletics MMR agreement is based on the Net Revenue Share outlined under Section 5.3 of the contract, which provides that Playfly shall pay UNM 85% of Net Revenue during each agreement year. Additionally, at the beginning in FY22, UNM is guaranteed a minimum of 50% of UNM's actual Net Revenue Share distributions from the prior fiscal year (Section 5.4).

Internal Audit obtained MMR revenue data from the MyReports and analyzed revenues recorded by Athletics from FY20 through FY24. Internal Audit compiled revenues attributable to each fiscal year to support the presentation of multi-year revenue trends, as shown in Table 3 below.

For FY24, Internal Audit obtained Playfly revenue share reports and compared reported projected amounts to the revenues attributable to FY24 to evaluate consistency and identify significant variances. Internal Audit determined there are no significant differences between FY24 projected and attributable amounts.

Below are Athletics multimedia right revenues from FY20-FY24:

Table 3: Multi Media Rights Revenues Attributable to Fiscal Years (Playfly Sports Properties)

Multi Media Rights Revenues Attributable to Fiscal Years (Playfly Sports Properties)					
Quarter	FY20	FY21 2	FY22	FY23	FY24
Program Investment	$ 750,000				
Quarter 1	$ -	$ -	$ 66,125	$ 128,882	$ 172,373
Quarter 2	-	-	66,125	128,882	172,373
Quarter 3	-	-	66,125	128,882	172,373
Quarter 4	-	-	66,125	108,882	172,373
Final Payment	983,998	494,510	733,487	805,197	1,009,754
True-ups	50,065	-	24,565	21,921	16,363
Pepsi Agreement 1	450,000	450,000	450,000	450,000	450,000
Total MMR Distribution	$ 2,234,063	$ 944,510	$ 1,472,552	$ 1,772,644	$ 2,165,607

Source: Multi-Media Rights Agreement

1. $450,000 in annual revenue received from UNM's Sponsorship agreement with Pepsi is included in gross MMR revenues. Athletics collects these revenues from Pepsi directly. To prevent duplicate payment, Playfly includes the $450,000 in its net revenue calculation and reduces payments to Athletics by $450,000.
2. FY21 reflects reduced activity levels associated with COVID-19 related disruptions.

Internal Audit did not note any exceptions related to recording and presentation of MMR revenues. Overall, MMR revenues have shown consistent year over year growth since FY21.

Food Concessions and Catering Services (Levy Premium Foodservice)

UNM executed an agreement with Levy Restaurants on July 1, 2016, granting Levy the exclusive right to provide concessions services for Athletics events at the University venues, including but not limited to:

- University Stadium
- University Arena "The Pit"
- Soccer/Track & Field Stadium

The agreement also grants Levy the right to provide concession services for summer conference camps, as well as for future Athletics facilities, as applicable under the contract.

Under this agreement, Levy is required to pay Athletics a percentage of gross receipts collected. Revenue share payments are contractually due within thirty business days after the close of the prior month. The applicable revenue share percentage varies based on the source of gross receipts (e.g., football stadium concessions, basketball arena concessions, catering, alcohol sales) and the amount of gross receipts generated.

Internal Audit performed audit procedures to assess the accuracy and timeliness of revenue share payments in accordance with contractual requirements. Specifically, Internal Audit obtained Levy revenue sharing reports for FY24 and compared reported monthly payments to amounts recorded in the UNM operating ledger to evaluate accuracy and compliance with contractual payment dates. During this review, Internal Audit noted that a $78,836 revenue share payment related to November 2023 activity was not received until October 24, 2024, significantly exceeding the contractual requirement of payment within thirty business days after month end.

During FY24, Athletics earned $1,022,104 in revenue share under the Levy contract. See Table 4 below. A portion of this revenue, including a November 2023 payment noted above, was not received until FY25.

Article 5, Section 1.2.1 of the concession's agreement states, "*The Contractor shall pay the University the Commissions in Article 5, Section 2.4 related to the operation of the Concession Services Program within thirty (30) business days after the close of the prior month.*"

Article 5, Section 1.2.2 further states, "*Payments by Contractor under this contract shall, when overdue, be subject to a late payment charge of one and one half percent (1.5%) per month on all outstanding balances.*"

The delay in receipt of revenue share payment charges indicates that the payment monitoring process over contractually required revenue collections should be strengthened. This increases the risk that overdue amounts are not identified or pursued timely, delayed cash flows, and potential inconsistent enforcement of contractual obligations.

Gross receipts and required revenue sharing payments for FY24 are presented below.

Table 4: Fiscal Year 2024 Concesssions Revenue Sharing Payments

Levy Concessions Revenue Sharing Payments				
Source of Gross Receipts	**Gross Receipt Range**	**%**	**FY 2024 Gross Receipts**	**FY 2024 Required Payment**
Football Stadium Concessions	0 - $500,000	27.50%	$ 280,607	$ 77,167
	> $500,000	32.50%	N/A	N/A
Basketball Arena Concessions	0 - $500,000	30.00%	$ 500,000	$ 150,000
	$500,000 - $1,000,000	35.00%	$ 110,531	$ 38,686
	> $1,000,000	40.00%	N/A	N/A
Other Events	0 - $750,000	25.00%	$ 573,105	$ 143,276
	$750,000 - $1,000,000	30.00%	N/A	N/A
	> $1,000,000	35.00%	N/A	N/A
Olympic Sports	All	25.00%	$ 46,601	$ 11,650
Catering Food and Beverage	0 - $850,000	13.00%	$ 649,879	$ 84,484
	> $850,000	17.00%	N/A	N/A
Concessions Alcohol	All	45.00%	$1,075,706	$ 484,068
Discounted Events	All	0.00%	$ 241,614	$ -
Subcontractors	All	25.00%	$ 131,092	$ 32,773
		Total	**$3,609,135**	**$1,022,104**

Source: Levy Agreement

Recommendation 5:

The Director of Intercollegiate Athletics should ensure revenue share payments are collected within established deadlines. Processes should be strengthened for monitoring and collection of revenue share payments against contractual deadlines. Timely follow-up on outstanding balances should be performed, and contractual late payment provisions, including the assessment of late fees, should be enforced in accordance with the terms of the agreement.

Response from the Director of Intercollegiate Athletics

Action Items
Targeted Completion Date: *6/30/26*
Assigned to: *Athletics Business Office, Fiscal Shared Services*
Corrective Action Planned:

Management acknowledges the findings related to a missed monthly deposit under the concessionaire agreement with Levy Restaurants. Athletics maintains processes to monitor contractually required payments. However, one scheduled payment was not received in accordance with the agreed-upon timeline.

Athletics was in communication with the concessionaire regarding the outstanding payment, and the amount due was subsequently remitted and corrected in the following fiscal year. All prior and subsequent payments have been received in accordance with the contract terms.

To strengthen controls, Athletics will enhance its internal reconciliation of contractual payment schedules and implement more timely follow-up procedures when payments are not received as expected. In addition, Athletics will evaluate and enforce applicable contract provisions where appropriate in future instances.

These corrective measures will be implemented by June 30, 2026, with ongoing monitoring thereafter.

APPROVALS

Victor Griego, CPA
Director, Internal Audit Department

Approved for Publication

Chair, Audit and Compliance Committee