

STUDENT BAR ASSOCIATION OFF-CAMPUS BANK ACCOUNT AUDIT

THE UNIVERSITY OF NEW MEXICO

**Report 2014-03
August 14, 2014**



Audit Committee Members

J.E. "Gene" Gallegos, Chair
Lt. General Bradley Hosmer, Vice Chair
James Koch

Audit Staff

Manu Patel, UNM Internal Audit Director
Chien-Chih Yeh, Audit Manager
Lola Neudecker, Internal Auditor III
Victor Griego, Internal Auditor II

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ABBREVIATIONS

AY.....	Academic Year
CSO.....	Chartered Student Organizations
FY	Fiscal Year (Fiscal Year begins July 1 st and ends June 30 th)
GGRT.....	Governmental Gross Receipts Tax
GPSA	Graduate and Professional Student Association
Internal Audit	University of New Mexico Internal Audit Department
JD	Juris Doctor
NMEFCU	New Mexico Educator's Federal Credit Union
PB Funds.....	Pro-Rated Benefit Funds
PCI.....	Payment Card Industry
POS	Point-Of-Sale
RDSA.....	Recognized Departmental Student Association
SBA.....	Student Bar Association
SGAO.....	Student Government Accounting Office
UAP.....	University Administrative Policy
UBIT	Unrelated Business Income Tax
University.....	The University of New Mexico
UNM	The University of New Mexico

The UNM School of Law Student Bar Association (SBA) had an off-campus bank account during Academic Year 2012-2013. The SBA deposited monies from SBA fundraising activities into the off-campus bank account although that action is prohibited by UNM Student Organization Handbook.

EXECUTIVE SUMMARY

SBA Off-Campus Bank Account

On April 12, 2012, the University of New Mexico (UNM) School of Law Student Bar Association (SBA) President and Treasurer opened an off-campus bank account at New Mexico Educator's Federal Credit Union (NMEFCU) as authorized by the SBA Board of Directors. Although the UNM Student Organization Handbook "Pathfinder" requires all funds received from any source to be deposited in the SBA Banner account, the SBA deposited monies from fundraising activities into the off-campus bank account.

On October 8, 2013, Internal Audit began conducting an audit of the SBA off-campus bank account. During the audit, Internal Audit identified several purchases and withdrawals totaling \$15,462 that did not have any supporting documentation to determine if these purchases and withdrawals were related to SBA events and activities. All purchase and ATM withdrawal transactions made on the off-campus account were completed with an ATM/Debit Card issued to the AY 2012-2013 SBA President.

SBA Banner Index

The SBA's Banner account is used to record the SBA's financial activity within the University's accounting system, including funds deposited from fees, fundraising, and allocations. Beginning in FY 2012, expenses began to significantly exceed revenues in the SBA Banner index. This resulted in a decrease

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenues	\$ 31,081	\$ 9,707	\$ 5,789
Expenses	(6,641)	(20,571)	(27,530)
Revenues over expenses	24,440	(10,864)	(21,741)
Available funds, beginning of year	\$ (461)	\$ 23,979	\$ 13,115
Available funds (deficit), end of year	<u>\$ 23,979</u>	<u>\$ 13,115</u>	<u>\$ (8,626)</u>

Expenses of approximately \$14,200 for fundraising activities were primarily financed by the SBA Banner account, while fundraising revenues were deposited into the off-campus bank account.

of available funds from \$23,979 at the end of FY 2011 to a deficit balance of (\$8,626) at the end of FY 2013. This was primarily because revenues generated by SBA fundraising activities were deposited in the off-campus bank account, while SBA fundraising expenses were primarily charged to the SBA Banner account. The table to the left reflects Banner activity for FYs 2011-2013.

SBA Fundraising Activities

The SBA’s primary fundraising activities are apparel sales and ticket sales for the annual Barrister’s Ball. Expenses related to the purchase of apparel were approximately \$8,100, and the rental fee of the venue to host the annual Barristers Ball was approximately \$6,100.

The SBA does not have processes in place for fundraising events and activities, including safeguarding of apparel inventory, paying Governmental Gross Receipts Tax for the sale of apparel, and planning for annual fundraising events and activities.

SBA Supervision and Training

The UNM Student Organization Handbook “Faculty or Staff Advisor Roll” requires that student organization faculty/staff advisors attend a sufficient number of the group’s activities and meetings in order to know how the group is functioning. It is the responsibility of an advisor to see that the activities of the organization constitute no legal liability to the organization. The advisor is also

During Academic Year (AY) 2012-2013, the SBA faculty/staff advisor did not attend regular SBA Board meetings, events, or activities, resulting in a lack of knowledge related to the use of SBA funds.

expected to encourage responsibility in advising to campus policies and procedures.

During AY 2012-2013, SBA Officers and Law School faculty/staff did not attend cash management trainings as required by UAP 7200: Cash Management, resulting in untimely check deposits and misuse of cash. In addition, formal budgets were not approved as required by the SBA Constitution.

CONCLUSION

During AY 2012-2013, the UNM School of Law SBA had an off-campus bank account at NMEFCU. The account was used for transactions that did not have any supporting documentation to determine if these purchases and withdrawals were related to SBA events and activities, including personal purchases and unauthorized cash withdrawals totaling \$15,462. In addition, adequate School of Law supervision over SBA and Banner accounts was not in place. This resulted in what appears to be inappropriate use of the off-campus bank account, and the SBA's Banner index having a deficit balance of (\$8,626) at FY ending June 30, 2013. Internal Audit found several internal control deficiencies and non-compliance with UNM policies and procedures, and sections of the SBA Constitution related to the SBA and Law School faculty and staff. The following is a summary of recommendations made in the report.

Internal controls should be strengthened to ensure that no student organization has an off-campus bank account.

All purchases made using SBA funds should obtain proper approval and go through UNM's purchasing policies and procedures. UNM should attempt to recover SBA funds that were misused by the SBA President.

Internal controls should prevent reimbursements for charges already paid by another UNM funding source. UNM should attempt to recover funds that were inappropriately reimbursed to the 2012-2013 SBA President.

Recommendations

- UNM School of Law management and staff members should strengthen internal controls to ensure off-campus bank accounts are prevented from being used by student organizations. Preventing the use of off-campus bank accounts will decrease the risk of misappropriation of funds and unallowable expenditures.
- All purchases made using SBA funds should obtain approval by the SBA Executive Board and should go through UNM's purchasing policies and procedures. This will ensure that all purchases made by the SBA are allowable and for an SBA business purpose. In addition, UNM should attempt to recover SBA funds that were misused by the SBA President.
- Internal controls should be strengthened to ensure reimbursements are not received for charges that have already been paid by a UNM funding source. Internal controls that prevent off-campus bank accounts will decrease the risk of inappropriate reimbursements for charges that were previously paid with UNM funds.
- In the event that improper activity is suspected within a department and/or organization, Law School management should immediately contact Internal Audit. This will

Internal controls should be developed by the SBA officers to track and monitor apparel inventory used for fundraising.

SBA officers should prepare a “Calendar of Events” for the upcoming school year to ensure the SBA has adequate time to follow UNM purchasing policies and procedures for items and services needed for activities events.

ensure Internal Audit investigations are initiated in a timely manner and in compliance with UAP 7205 “Dishonest or Fraudulent Activities.”

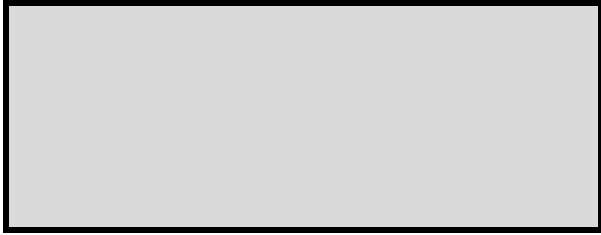
- The UNM School of Law’s accounting department should closely monitor student organizations’ Banner indices to ensure that complete financial activity is recorded. Timely monitoring of account activity will reduce the risk of deficit balances, and/or indicate the possibility of an off-campus bank account.
- Apparel inventory should be adequately safeguarded to prevent theft and/or misappropriation.
- At the beginning of each academic year, the SBA officers should prepare a “Calendar of Events” for the upcoming school year. The calendar will provide a means of timely preparation for SBA events, including annual back-to-school barbeques, Halloween parties, Barrister’s Ball, etc. A calendar will ensure the SBA has adequate time to follow UNM purchasing policies and procedures for items and services needed for SBA events.
- The SBA faculty/staff advisors should provide adequate supervision by attending regular SBA Board meetings, events, and activities as required by the UNM Student Organization Handbook.

Student organization faculty/staff advisors should provide adequate supervision by attending regular Board meetings, events, and activities.

Monies received for student organizations should be deposited within one working day.

This will ensure the faculty/staff advisor is fully aware of the SBA's activities, use of funds, and compliance with UNM policies and procedures.

- SBA faculty/staff advisors should require SBA officers handling cash to take Cash Management training. In addition, all UNM Law School staff and direct supervisors that handle cash should take Cash Management training as required by UAP 7200: Cash Management.
- The SBA should deposit all revenues received for the sale of apparel and other items subject to Governmental Gross Receipts Tax (GGRT) in their Banner index using account code 0510 (Merchandise Sales Revenue). The responsible SBA Accountant in the School of Law should monitor the SBA's Banner index to ensure that monies received from the sales of apparel and other items subject to GGRT are deposited in their Banner index using account code 0510.
- All funds received by the SBA should be deposited within one working day as required by UAP 7200, Cash Management.
- Formal SBA budgets should be prepared and approved by the SBA Executive Board at the beginning of the academic year and should be posted throughout the school year. All budgeted and



non-budgeted expenditures should be approved by the SBA Executive Board and posted to the budget. This will ensure compliance with the SBA Constitution, Article XI, Budgets.

INTRODUCTION

BACKGROUND

UNM Law School

Legal education began in New Mexico in 1947 on the second floor grandstand at Zimmerman Field. Originally, the School of Law had four professors sharing one classroom and two offices. In 1967, the Board of Regents approved the construction of a new building which is the current location of the School of Law at Bratton Hall, just north of the medical school. The UNM School of Law maintains a 9:1 student-faculty ratio with 36 faculty members and had 344 students enrolled in AY 2013. The School currently has 23 student organizations.

The University of New Mexico (UNM) School of Law offers a state-of-the-art, hands-on clinic that enables its students to begin their professional careers upon completion of a Juris Doctor (J.D.); the UNM School of Law requires students to complete 86 credit hours to obtain their J.D. The UNM School of Law is one of 10 law schools nationwide examining ways to improve legal education as part of a project funded by the Carnegie Foundation.

Law School Mission

The mission of the UNM School of Law is to educate and train students to become excellent lawyers who will enrich and serve local, state, tribal, national and international communities after graduation. The School seeks to maintain its long tradition of opening access to the profession. It also seeks to make legal education more broadly available by educating practicing attorneys and non-lawyers in New Mexico. The School endeavors to focus its resources on some of New Mexico's most pressing legal needs through educational, research and service programs of national and international prominence. These goals track the University's overall vision and mission to offer New Mexicans and others access to high quality educational, research and service programs; to operate as a significant knowledge resource for New Mexico, the nation, and the world; and to foster programs of international prominence that will place UNM among America's most distinguished public research universities.

Accomplishments

Below is a list of the School of Law Accomplishments:

- School of Law was ranked the:
 - 4th School of Law in the nation by Above the Law in 2014
 - 5th most popular law school by the ABA Journal in 2013
 - 7th best law school for Hispanics by Hispanic Business in 2013
 - 8th of Top 50 Public Law Schools by Above the Law in 2013
 - 10th most diverse law school by US News & World Report in 2013
 - 11th in clinical education by US News & World Report in 2013
 - 13th best value law school by The National Jurist in 2013

Student Bar Association

SBA Purpose

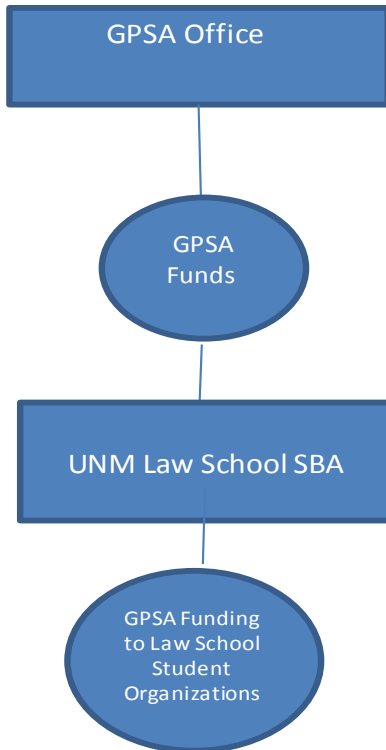
The purpose of the Student Bar Association is:

1. To promote professional, scholastic and social activities among its members,
2. To promote cooperation and communication between students and faculty,
3. To encourage association of the students with members of the legal profession through liaison with the New Mexico State Bar Association and other organizations,
4. To instill in its members an appreciation for ethical standards in the practice of law,
5. To promote and maintain the prestige and high standing of the University of New Mexico School of Law, and,
6. To encourage and promote the representation of New Mexico's cultural and ethnic diversity in the University of New Mexico School of Law and in the legal profession.

The SBA Executive Board officers are elected on an annual basis and consist of the President, Second Vice-President, Treasurer, Secretary, two First-Year Representatives, ABA Representative, 2L Faculty Representative, and a Faculty Representative. The Board is a means of communication between law students, law school student organizations, the school's administration, the Graduate and Professional Students Association (GPSA), and the State Bar of New Mexico. The SBA appoints law students to assist law school and university committees, sponsors speakers, social activities and sports activities. The SBA Executive Board provides a mentorship program for the first-year orientation program, and a cookout for incoming first-year students.

The SBA has 327 lockers at the law school. In the first week of the fall semester, the SBA collects a one-time voluntary locker fee of \$100 from the incoming first year class. This payment entitles the student to a locker during the student term (2L and 3L) at the law school. The SBA also receives funding from the GPSA. GPSA funding is primarily pro-rated benefits (PB funds), which are available each semester to every recognized departmental student association (RDSA) that has chartered with the Student Activities Center. PB Funds are awarded based on the number of students enrolled in the department. The SBA received approximately \$6,300 in GPSA funds during AY 2012-13. The SBA then provides funding to other Law School student organizations based on funding requests made throughout the school year.

The following flow chart illustrates the flow of GPSA funds from the GPSA office to Law School student organizations.



TIMELINE OF SBA EVENTS

Below is a timeline of events surrounding the NMEFCU off-campus bank account.

- | | |
|----------------|---|
| March 29, 2012 | The SBA Executive Board authorizes the President and Treasurer to open an off-campus bank account at the New Mexico Educator’s Federal Credit Union (NMEFCU). |
| April 11, 2012 | The SBA officers for AY 2012-13 attend student organization training. |
| April 12, 2012 | The SBA President and Treasurer for AY 2012-13 open an off-campus bank account at the New Mexico Educator’s Federal Credit Union (NMEFCU) using the Student Bar Association |

(SBA) name, and School of Law address. The signatories on the account are the President and the Treasurer. The SBA President and Treasurer receive debit cards to access funds from the account. The SBA off-campus bank account is opened with a deposit of \$2,064. The AY 2013-14 SBA President stated that the funds for the deposit came from the AY 2011-12 SBA off-campus bank account.

- April 15, 2012 The first cash ATM withdrawal is made from the account for \$303.21 with an ATM transaction fee of \$1.50.
- August 22, 2012 School of Law student organization officers attend mandatory leadership training that includes chartering, funding, event planning, and budgeting. Mandatory training provides instruction that off-campus bank accounts are not allowed.
- May 14, 2013 The AY 2012-13 SBA President closes the account at NMEFCU. A check is made to the SBA for \$792 for the funds that were remaining in the account on the date it was closed.
- June 30, 2013 The SBA Banner index reports a deficit balance of \$8,626.
- September 2013 The School of Law Manager of Student Services conducts an internal investigation regarding the off-campus bank account activity. She contacts all of the SBA officers that served on the AY 2012-13 SBA Executive Board.
- October 8, 2013 The School of Law Manager of Student Services contacts Internal Audit about the off-campus bank account and possible misuse of SBA funds during AY 2012-13. Internal Audit advises the Manager of Student Services to deposit the check for \$792 into the SBA Banner index.
- October 18, 2013 Internal Audit notifies the State Auditor that the University has identified possible misuse of SBA funds in excess of \$2,500.
- October 18, 2013 The Office of University Counsel notifies the University President and the Board of Regent's Audit Committee about the SBA's off-campus bank account and the types of transactions that the SBA President for AY 2012-13 may have spent on personal expenses.

INTRODUCTION

October 8, 2013

- Present Internal Audit conducts audit of SBA's NMEFCU off-campus bank account.

February 14, 2014 UNM Campus Police begins its investigation.

February 24, 2014 UNM Internal Audit releases audit documentation to UNM Campus Police and the New Mexico State Auditor.

March 7, 2014 Internal Audit meets with Safety and Risk Services to file a claim for losses due to off-campus bank account misuse.

March 12, 2014 Safety and Risk Services files a claim with the New Mexico State Risk Management Division.

July 16, 2014 UNM Campus Police continues to investigate and provide detailed information to the Second Judicial District Attorney's Office, Bernalillo County, New Mexico.

PURPOSE

The purpose of the audit was to determine:

- A timeline of events from when the SBA NMEFCU off-campus bank account was opened until the date it was closed;
- The amount of funds in the SBA off-campus bank account that appeared to be for personal purchases;
- Which individuals were responsible for personal purchases on the off-campus bank account; and
- Recommendations to improve the effectiveness of internal control, and governance process for the SBA.

SCOPE

The scope of the audit was limited to reviewing the events and transactions that occurred from March 29, 2012, when the SBA Executive Board authorized the opening of the NMEFCU off-campus bank account, through October 8, 2013, when Internal Audit was notified about possible misuse of SBA funds. The audit's scope was limited to the time period that documentation was available for Internal Audit to review. The scope did not include SBA Treasurer's reports, or any accounting documentation that the SBA created or maintained related to revenues or disbursements from the NMEFCU off-campus bank account.

PROCEDURES

Internal Audit procedures include:

- Identify SBA Executive Board officers and key School of Law staff members for AY 2012-2013;
- Interviewing AY 2012-13 SBA Executive Board Officers and key School of Law staff members;
- Reviewing and documenting NMEFCU off-campus bank account activity from April 12, 2012 through May 14, 2013;
- Reviewing Banner Index account activity for FYs 2012 and 2013;
- Reviewing SBA Board meeting minutes for AY 2012-13;
- Reviewing reimbursements issued to all AY 2012-13 SBA Executive Board Members that were paid from Banner indices;
- Reviewing the SBA Constitution, by-laws, student handbook, and UNM Policies and Procedures applicable to student organizations; and
- Review off-campus bank account purchases and withdrawals for an SBA business purpose.

Certain audit procedures were limited to documentation that was available for Internal Audit to review. Internal Audit was not able to obtain documentation for ATM or Point of Sale and Debit transactions made using the SBA President's and Treasurer's debit cards.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

SBA OFF-CAMPUS BANK ACCOUNT

On October 8, 2013, the School of Law's Manager of Student Services contacted the Internal Audit Department regarding an SBA off-campus bank account and possible misuse of SBA funds during AY 2012-2013. The allegations state that the off-campus bank account was opened and SBA funds were used for personal purchases and transactions.

Internal Audit began investigating the allegations on October 8, 2013 and found that in AY 2012-2013, the SBA President and Treasurer opened an off-campus bank account at New Mexico Educator's Federal Credit Union (NMEFCU). The SBA Executive Board approved the opening of the NMEFCU account on March 29, 2012. The minutes of the April 25, 2012 meeting of the SBA Executive Board indicate that during a meeting with the School of Law Associate Dean, discussion included that the "Main Campus account is only for business expenses." Statements from the AY 2012-2013 SBA Vice Presidents, Treasurer, and Secretary indicate that the off-campus bank account was opened to avoid Unrestricted Accounting's approval process for expenditures and to make spending for SBA purposes more efficient. The NMEFCU off-campus account was opened by the SBA President and Treasurer on April 12, 2012, and closed by the SBA President on May 14, 2013.

Bank statements for the off-campus bank account were delivered to the SBA's mail cubicle at the Law School address of 1117 Stanford Dr. NE, Albuquerque, NM 87106-3700. Bank statements were addressed to the Student Bar Association and the SBA President. The President and Treasurer did not have access to the account via Internet banking and there were no checks written from the account. The President and Treasurer were the only individuals authorized to access the account. The NMEFCU issued two debit/ATM cards for the SBA account; one to the President and one to the Treasurer. The AY 2012-2013 Treasurer stated that the debit card was lost, and it was never used for any NMEFCU transactions.

In August 2013, the School of Law Associate Dean of Finance and Administration sent a memo to the Associate Dean for Academic Affairs, the Assistant Dean of Student Services, the Senior Business Manager, the Accountant 3 and the Coordinator of Student and Graduate Services directing those staff members to immediately close any outside bank accounts belonging to any student organizations, and to deliver to the Accountant 3: 1. A copy of all bank account statements since the account was opened; 2. A written statement of the business purpose of each transaction from the immediate past academic year and 3. A copy of all receipts available, and especially those for the immediate past academic year. The Associate Dean of Finance and Administration also sent a second memo to the same individuals that instructed all student organizations to keep minutes of their meetings and maintain bookkeeping records of their expenditures, to submit bookkeeping reports of their organization's revenue and expenditures at the close of each semester to the Law School accounting staff, and once again reminded student organizations that they should not have outside bank accounts.

Finding #1: Off-Campus Bank Account

Condition: The UNM School of Law Student Bar Association (SBA) had an off-campus bank account for AY 2012-2013. SBA fundraising monies were deposited into the off-campus bank account instead of the SBA's Banner account as required by the UNM Student Handbook, Section IV.K. Although the SBA received approximately \$6,300 in GPSA funds, the organization deposited fundraising monies in the off-campus bank account during AY 2012-2013.

Criteria: UAP 7200 Cash Management, Section 1.4, states "All funds must be deposited in a University account; no bank accounts may be set up except those established by the UNM Controller's Office with the approval of the Executive Vice President for Administration."

The Pathfinder - UNM Student Handbook, Section IV.K, states "CSO's must deposit all funds received from any source in a University account established by the University Controller if the organization also receives funding from ASUNM, GPSA, Student Fees, or other University funds. Organization accounts in off-campus financial institutions cannot use the name "University of New Mexico" or "UNM" in the title of the account or the University's tax identification number."

The UNM Student Organization Handbook section on Student Government Accounting Office (SGAO) & Fundraising, states, "Because funds received by ASUNM and GPSA are accounted for in The University of New Mexico accounting system, they are subject to the policies and procedures governing all purchases made in the name of The University of New Mexico" and "All self-generated money deposited with SGAO is subject to all UNM spending policies, and in some cases, governmental gross receipts tax."

Potential Risk: High - The SBA was not in compliance with student organization policies and procedures. UNM Policies and Procedures cannot be followed to monitor off-campus bank accounts resulting in misappropriation of funds and unallowable purchases using SBA funds.

Cause: The SBA did not comply with student organization policies and procedures that prevent the deposit of funds in off-campus bank accounts.

Recommendation #1:

UNM School of Law management should strengthen internal controls to ensure that student organizations do not use off-campus bank accounts if they receive funding from ASUNM, GPSA, Student Fees, or other University funds. Preventing the use of off-campus bank accounts will decrease the risk of misappropriation of funds and unallowable expenditures.

The University Administrative Policies and Procedures Manual, The Pathfinder, and UNM Student Organization Handbook have conflicting policies in regards to the allowability of off-campus bank accounts. The University Policy Office and the Student Activities center should consider revising their policies to address this conflict, while considering that some CSO's do not receive funding from ASUNM, GPSA, Student Fees, or other University funds and generate their own revenue through fund raising activities.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Assistant Dean for Student Services</i>
<p><i>Corrective Action Planned:</i></p> <ul style="list-style-type: none"><i>All Law School chartered organization treasurers shall be required to sign a declaration affirming they do not have an outside bank account and are not aware of any outside bank account for their organization. This declaration will be signed during the first week of the fall semester every school year.</i><i>The Assistant Dean for Student Services will work with the law school Registrar to develop a policy on outside accounts for the law school's Bulletin and Handbook of Policies.</i>

During the SBA audit, Internal Audit noted several transactions including purchases and withdrawals that did not appear to be for SBA business related purposes. The NMEFCU account had a total of \$20,484 in deposits transactions, and \$20,484, in withdrawal transactions. Of the \$20,484 in withdrawal transactions, Internal Audit identified \$15,462 of transactions that did not have any supporting documentation to determine if these purchases and withdrawals were related to SBA events and activities. **Exhibit 1** presents a detailed list of the NMEFCU transactions by vendor.

A summary of NMEFCU account activity for April 12, 2012 through May 14, 2013 is presented below:

Opening Balance		\$	-
Total Cash Deposits	\$	7,509.65	
Square Inc. Deposits		12,974.74	
Return Items (Missing Signature)		<u>(120.00)</u>	\$ <u>20,364.39</u>
Total Available Funds			\$ <u>20,364.39</u>
Cash Withdrawals and Charges:			
1801 Lomas ATM/In Branch	\$	(7,968.00)	
E. Central		(303.21)	
6600 Menaul		(143.39)	
1410 Eubank		(200.00)	
3701 Constitution		<u>(400.00)</u>	\$ <u>(9,014.60)</u>
Debit Card Purchases:			
In-State	\$	(4,395.62)	
Out-Of-State		(1,812.08)	
Point-Of-Sale		<u>(4,188.09)</u>	\$ <u>(10,395.79)</u>
Fees and Service Charges:			\$ <u>(162.00)</u>
Final Check to Close Account:			\$ <u>(792.00)</u>
Ending Balance			\$ -

Source: NMEFCU Bank Statements

Finding #2: Misuse of SBA Funds

Condition: The SBA off-campus bank account had \$9,014.60 in unauthorized cash withdrawals from ATMs and/or NMEFCU branch locations. Internal Audit interviewed the AY 2012-2013 Vice-President, who stated that the SBA Board never approved cash withdrawals from ATMs or branch locations. Although cash withdrawn from ATM's and NMEFCU branch locations may have been used for SBA events and activities, in absence of supporting documentation, Internal Audit could not determine that any cash withdrawals were for an SBA purpose.

The NMEFCU bank statements reported two types of purchases made with the debit card, which include Point of Sale (POS) and debit card purchases. POS purchases identify the address, but not the vendor name. Internal Audit used the addresses reported on the bank statement to identify vendors for POS transactions at **Exhibit 1**.

The following debit card purchases identifying the vendor include day spas, retail shopping, personal professional fees, personal utilities and telecommunications, gifts, and personal travel that do not appear to be for an SBA business purpose:

• ABC Insurance Rent	\$195
• Albuquerque Water Utility Authority	\$47
• Barnes and Noble	\$76
• Betty's Bath and Body	\$80
• El Paso Café (California)	\$29
• Enterprise Rent-A-Car (California)	\$221
• Ferrari Carano Winery (California)	\$24
• Geico Insurance	\$197
• Golden Pride Chicken	\$6
• Korean Barbecue House	\$21
• Multistate Professional Responsibility Exam (MPRE) Registration fees	\$140
• New Mexico Gas Company	\$30
• Nordstrom (California)	\$74
• Online Fashion	\$58
• PNM	\$73
• Pottery Barn	\$59
• Qwest Communications	\$251
• Shogun Japanese Restaurant	\$53
• Southwest Airlines	\$763
• State Bar of New Mexico	\$70
• Taco Bell	\$8
• Tiffany and Company	\$200
• Trader Joe's	\$154
• www.asos.com (Online Fashion)	\$90
• Zen Nail Spa	\$118
• Zinc Wine Bar and Bistro	\$67
Total	\$3,104

Criteria: UAP 4000 Allowable and Unallowable Expenditures states:

- The purchase of personal gifts, including flowers and other gifts expressing sympathy, bereavement, or congratulations to faculty, staff, students, or their families *is prohibited*.
- Payment for any other good or service that does not represent a public purpose benefiting the University *is prohibited*.
- It is prohibited to use University funds for any type of personal benefit, other than for salary and benefits to which employees are entitled under University policy.

Potential Risk: High - Purchases and ATM/in-branch cash withdrawals made using SBA funds may not be for an SBA business purpose.

Cause: Purchases made using the off-campus bank account did not go through a formal approval process. The SBA Executive Board was not aware of transactions that were made without their approval. In addition, supporting documentation for debit card purchases and withdrawals was not maintained.

Recommendation #2:

All purchases made using SBA funds should obtain approval by the SBA Executive Board and should go through UNM’s purchasing policies and procedures, and supporting documentation, including invoices and receipts should be maintained. This will ensure that all purchases made by the SBA are allowable and for an SBA business purpose. In addition, UNM should attempt to recover SBA funds that were misused by the SBA President.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Law School Accountant and Dean of Students</i>
<p>Corrective Action Planned:</p> <ul style="list-style-type: none"> • <i>The Assistant Dean for Student Services will work with the SBA board to instruct them on proper board procedures, voting and recording of agendas, minutes and budgets.</i> • <i>Accounting will monitor SBA accounts and check against the approved budget and known large events planned for SBA in the semester.</i>

Finding #3: Hyatt Regency Tamaya Resort and Spa Reimbursement

Condition: On July 13 and 14, 2012, the SBA President attended the annual State Bench and Bar Conference held at the Hyatt Regency Tamaya Resort and Spa in Albuquerque, New Mexico. The SBA President paid \$146.74 for lodging (July 13, 2012) at the Hyatt Regency Tamaya Resort and Spa with the off-campus SBA bank account debit card. The President subsequently submitted a request and received reimbursement for the charges previously paid by the off-campus SBA bank account debit card. The charges were reimbursed by a UNM Law School Banner account, Banner Index# 588005 “101805 – SCHOOL OF LAW – Instruction”. The SBA President certified on the “Direct Pay Approval” form (DP-EZ #DZ0454886) that “I hereby certify the expenses incurred, as reported on this form, were necessary and proper, are just and true in all respects, and that no part of the amount requested to be paid or reimbursed has been paid or reimbursed by any other source. I also certify that any travel associated with the above expenses has been completed for the stated UNM Business Purpose.” This resulted in a false certification on the payment document.

Criteria: The University’s Travel Policies and Procedures workbook states “DP-EZ – Travel expenses paid by the traveler out-of-pocket are to be reimbursed to the traveler AFTER the travel has been completed. Original Receipts must accompany the claim.” Claims for reimbursement should only be submitted for out-of-pocket expenditures. Reimbursements must be certified that expenses incurred, of reported on this form, were necessary and proper, are just and true in all respects, and that no part of the amount requested to be paid or reimbursed by any other source.

Potential Risk: High – False certification on payment documentation and inappropriate reimbursements paid out of University funds.

Cause: The SBA did not follow the University’s travel policies and procedures regarding reimbursement of only out-of-pocket expenses. The use of an off-campus bank account resulted in the 2012-2013 SBA President’s ability to inappropriately request, and receive, reimbursement for a charge that was already paid by SBA funds.

Recommendation #3:

Internal controls should be strengthened to ensure reimbursements are not received for charges that have already been paid by other funding sources.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Law School Accountant</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>Law School will ban outside bank accounts as detailed in Recommendation #1.</i>• <i>Law School Accounting will monitor reimbursement requests to ensure that reimbursements are not received for charges already paid by other funding sources.</i>

Finding #4: Management Internal Investigations

Condition: Law School management conducted the internal investigation instead of notifying the Internal Audit department. UAP 7205 “Dishonest or Fraudulent Activities, Section 3 Management Responsibility” requires management to report suspected improper activity to Internal Audit, and that they should not conduct their own investigations. Although improper activity was suspected in August 2013, Internal Audit was not notified until October 8, 2013, subsequent to the internal investigation. The Law School does not have a written report of their investigation.

In response to the internal investigation, on September 9, 2013, the AY 2012-13 SBA President submitted a letter explaining account activity related to the NMEFCU off campus bank account. The SBA President stated that the primary use of the SBA off campus bank account was for the purchase of goods and services for SBA events and activities. The SBA President indicated “We had probably an event a month that we were planning for including all of the YLD (Young Lawyers Division) mentorship events. Unfortunately I have none of this written down anywhere. Every year the off campus account was passed down, from what I know probably about 20 years or more. There has never been an official accounting of it. But the truth is I didn’t keep any receipts and didn’t keep a record of what money was being used for, we just used it when we needed to.” The SBA President stated personal transactions were also made using the SBA’s off campus bank account for self-reimbursement for SBA purchases made from personal funds. The SBA President stated “I would just use the card to reimburse myself. These are the charges you see for the airline flight, Tiffany’s, Asos Online Fashion, and bills.” The SBA President acknowledged that there is no support for purchases that did not appear to be for an SBA purpose. The SBA President stated in the letter “I have no receipts or records to prove this (personal purchases for self-reimbursement), so I understand if I need to pay the SBA for these charges since I cannot prove that I was owed them. Almost everything we did we did in cash.”

Criteria: UAP 7205 “Dishonest or Fraudulent Activities, Section 3 Management Responsibility” states: Management should not attempt to conduct individual investigations, interviews, or interrogations to determine if a suspected activity is improper. The Internal Audit Department will conduct an investigation of any suspected dishonest or fraudulent activity working with internal or off-campus departments, such as the University Counsel's Office, University Division of Human Resources, and law enforcement agencies.

Potential Risk: Medium - Non-compliance with UAP 7205 “Dishonest or Fraudulent Activities,” and untimely initiation of Internal Audit investigations.

Cause: The UNM Law School did not follow University policies and procedures when improper activity was suspected. Law School management conducted an internal investigation instead of notifying the Internal Audit department.

Recommendation #4:

In the event that improper activity is suspected within a department and/or organization, Law School management should immediately contact Internal Audit. This will ensure Internal Audit investigations are initiated in a timely manner and in compliance with UAP 7205 “Dishonest or Fraudulent Activities.”

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Law School Dean of Administration</i>
<i>Corrective Action Planned: Law School management will be trained on proper reporting procedures.</i>

Finding #5: Banner Index Monitoring

Condition: The SBA’s Banner account is used to record the SBA’s financial activity within the University’s accounting system, including funds deposited from fees, fundraising, and allocations. Expenditures recorded in the account should be primarily for SBA related activities, including food for SBA events, supplies, conferences, and fundraising events. Beginning in FY 2012, expenses began to significantly exceed revenues in the SBA Banner index. Available funds decreased from \$23,979 at the end of FY 2011 to a deficit balance of (\$8,626) at the end of FY 2013. This was primarily due to revenues generated by SBA fundraising being deposited in the off-campus bank account, while SBA related expenses were primarily charged to the SBA Banner account. The SBA Banner index was not closely monitored by the School of Law’s Accounting department, resulting in a deficit balance of (\$8,626) as of June 30, 2013. The following schedule reflects the decrease in SBA available funds reported in Banner from FY 2011-2013.

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenues	\$ 31,081	\$ 9,707	\$ 5,789
Expenses	<u>(6,641)</u>	<u>(20,571)</u>	<u>(27,530)</u>
Revenues over expenses	24,440	(10,864)	(21,741)
Available funds, beginning of year	\$ <u>(461)</u>	<u>\$ 23,979</u>	<u>\$ 13,115</u>
Available funds (deficit), end of year	<u>\$ 23,979</u>	<u>\$ 13,115</u>	<u>\$ (8,626)</u>

Source: Banner Accounting System

Criteria 1: UAP 4000 Allowable and Unallowable Expenditures states “Managers of University funds must ensure that any obligation for the procurement of goods and services is supported by appropriate financial resources and approved by the person in the department who has authority over the account.”

Criteria 2: UNM Accounting departments should: oversee daily processing and accounting for revenue and expenditures; review and report financial transactions to funding sources; and ensure accuracy, completeness, and compliance with university, local, state, and federal requirements, and standard accounting and audit procedures.

Criteria 3: UAP 7205 Dishonest or Fraudulent Activities states “Management is responsible for detecting dishonest or fraudulent activities in their areas of responsibility. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activities, misappropriation, or dishonest activity is or was in existence in his or her area. When an improper activity is detected or suspected, management should immediately contact the University Campus Police Department if they feel the situation warrants such action (for example, obvious theft has taken place, security is at risk, or immediate recovery is possible). In addition, management should immediately contact the University Internal Audit Department.”

Potential Risk: High - Complete financial activity not being recorded in Banner indices resulting in unallowed activity and deficit balances.

Cause: The Law School’s accounting department did not closely monitor the SBA Banner Index. SBA Fundraising expenses were charged to the Banner account; however, related fundraising revenues were deposited into the off-campus bank account.

Recommendation #5:

The UNM School of Law’s accounting department should closely monitor student organizations’ Banner indices to ensure that complete financial activity is recorded. Timely monitoring of account activity will reduce the risk deficit balances, and/or indicate the possibility of an off-campus bank account.

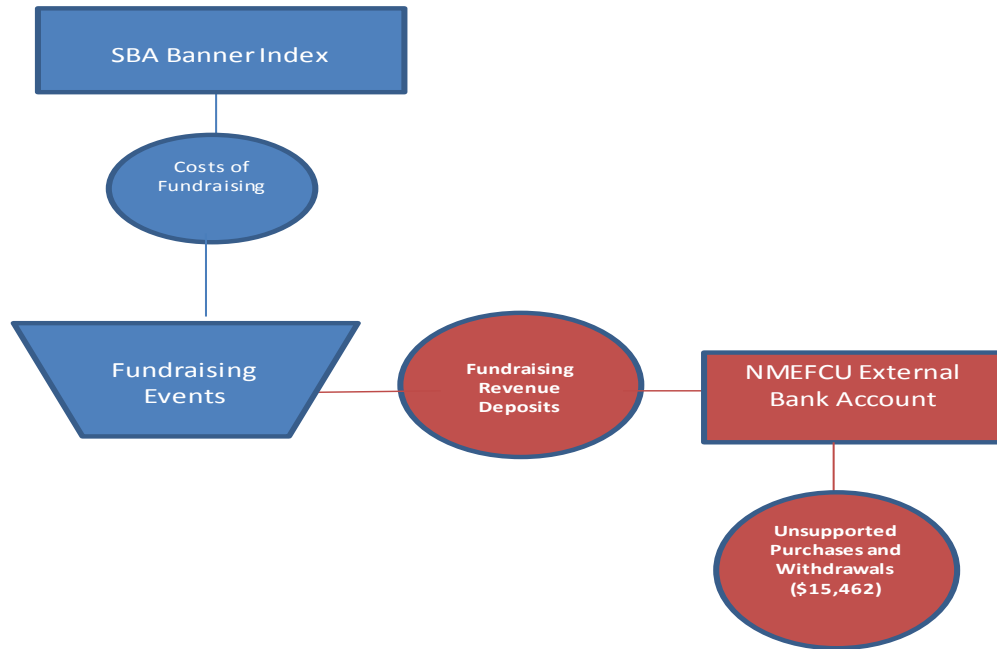
Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Law School Accountant</i>
<i>Corrective Action Planned: Law School accounting will closely monitor student organizations’ Banner indices to ensure that complete financial activity is recorded. Any deficit spending will be quickly identified and explained to the Dean.</i>

SBA FUNDRAISING EVENTS AND ACTIVITIES

The SBA conducts fundraising activities throughout the academic year. The primary fundraising activities in AY 2012-2013 were for apparel sales and ticket sales for the annual Barrister’s Ball. Expenses related to fundraising activities were primarily financed by the Banner account, while fundraising revenues were deposited into the off-campus bank account. Expenses related to the purchase of apparel sales were approximately \$8,100. The rental fee of the venue to host the annual

Barristers Ball was approximately \$6,100. The following flow chart illustrates the flow of SBA fundraising costs from the SBA Banner account to fundraising revenues deposited in the NMEFCU off-campus bank account.



The SBA used an application called Square, Inc. to accept credit card payments for fundraising events. This device is attached to a smart phone and deposit transactions into the NMEFCU off-campus bank account. Internal Audit reviewed the Square, Inc. webpage, <https://squareup.com/security> and verified that Square Inc.’s “Card-processing systems adhere to PCI Data Security Standard (PC-DSS).”

Finding #6: Apparel Inventory

Condition: The sale of apparel is the SBA’s primary fundraising activity. During AY 2012-2013, the SBA purchased approximately 400 apparel items, which included t-shirts, polo shirts, jackets, and sweatpants for resale. Although a significant number of apparel is purchased for resale, the SBA does not have a formal process in place for tracking and monitoring apparel inventory. The SBA does not maintain records of purchased, sold and unsold apparel.

Criteria: Sound internal controls for tracking and monitoring fundraising merchandise, including apparel inventory, should be in place.

Potential Risk: Medium - Theft and/or misappropriation of apparel inventory.

Cause: Internal controls are not in place to monitor or track apparel inventory. The SBA does not maintain records of purchased, sold, and unsold apparel.

Recommendation #6:

Apparel inventory should be adequately safeguarded to prevent theft and/or misappropriation. Internal controls should be developed by the SBA officers to track and monitor apparel inventory.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Dean of Students</i>
<i>Corrective Action Planned: Assistant Dean for Student Services will meet with SBA officers to develop and implement internal controls to track and monitor apparel and merchandise inventory.</i>

Finding #7: Event Planning

Condition: The SBA has several activities and events that are held on an annual basis. Since the purchase of items and services needed for annual activities and events should follow UNM’s purchasing policies and procedures, timely planning using a calendar of events would enable the SBA to purchase items needed for annual events well in advance. Although the SBA’s major activities and events are known, the SBA Executive Board does not prepare a calendar of events at the beginning of each academic year.

Criteria: The purchase of items and services needed for annual events should follow UNM’s purchasing policies and procedures. Timely planning of events should be performed to ensure items or services needed for annual events are purchased in accordance with UAP 4000: Allowable and Unallowable Expenditures.

Potential Risk: Medium - Items or services needed for SBA events may not be purchased by the event date, or may not follow UNM purchasing policies and procedures.

Cause: The SBA does not determine dates of expected annual events at the beginning of each academic year.

Recommendation #7:

At the beginning of each academic year, the SBA officers should prepare a “Calendar of Events” for the upcoming school year. The calendar will provide a means of timely preparation for SBA events, including annual back-to-school barbeques, Halloween parties, Barrister’s Ball, etc. A calendar will ensure the SBA has adequate time to follow UNM purchasing policies and procedures for items and services needed for SBA events.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Dean of Students</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>Assistant Dean for Student services will work with the SBA board to prepare a calendar of events for the upcoming year. The calendar will include listing of events such as back to school barbeques, Halloween parties, Barrister's Ball, etc.</i>• <i>A hard copy of the calendar will be placed on the SBA bulletin board by the Wailing Wall and an electronic copy will be posted to the SBA's student organization website. The calendar will also be provided to Law School Accounting.</i>

Finding #8: Faculty/Staff Advisor Supervision

Condition: During AY 2012-2013, the SBA faculty/staff advisor did not attend regular SBA Board meetings, events, or activities, resulting in a lack of knowledge related to the use of SBA funds.

Criteria: UNM Student Organization Handbook "Faculty or Staff Advisor Role, states "The advisor should attend a sufficient number of the group's activities and meetings in order to know how the group is functioning. Specific duties of the advisor include confirming chartering and University policy requirements are met. The advisor encourages the maintenance of good records of programs and activities in order to provide the long-term continuity of the group. Another responsibility of an advisor is to see the activities of the organization constitute no legal liability to the organization (i.e. that activities are properly planned, supervised, safely conducted, and adhere to campus regulations and civil law). An advisor should also help the group evaluate its activities to determine whether they justify the time, abilities, energy, and resources devoted to them. The advisor is expected to encourage responsibility in advising campus policies and procedures."

Potential Risk: High – The SBA had an off-campus bank account in AY 2012-2013, used for unallowable purchases, and the SBA President used SBA funds for transactions that do not appear to be for an SBA business purpose. The SBA did not comply with UNM purchasing policies and procedures.

Cause: The SBA faculty/staff advisor did not attend regular Board meetings and events and did not have adequate knowledge of SBA activities and the use of SBA funds.

Recommendation #8:

The SBA faculty/staff advisors should provide adequate supervision by attending regular Board meetings as required by the UNM Student Organization Handbook. This will ensure the faculty/staff advisor is fully aware of the SBA’s activities, use of funds, and compliance with UNM policies and procedures.

Response from the Dean, School of Law and the Vice President, Student Affairs:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Dean of Students and designated faculty member advisor</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>Faculty/staff advisors will be informed that they are required to provide adequate supervision by attending regular Board meetings at least once every quarter.</i>• <i>Faculty/staff advisors will have informal meetings with board members and follow up with emails to officers.</i>• <i>A signature line for faculty/staff advisors will be added to club meeting minutes. Faculty/staff advisors will be expected to review the minutes and monitor.</i>

Finding #9: Cash Management Training

Condition: The SBA’s fundraising activities and events require SBA officers to handle cash on a regular basis. Although SBA officers handled cash on a regular basis during AY 2012-2013, none of the officers attended Cash Management training. Other than the Accountant III, there were no School of Law faculty or staff supervisors that attended the required training.

Criteria: UAP 7200 Cash Management states “Individuals responsible for handling cash and their direct supervisor must take the online “Cash Management” training course offered by the University Employee and Organizational Development Department. Supervisors are responsible for ensuring that new employees, students, and volunteers responsible for monies take the required training as soon as possible after being assigned cash handling duties, but no later than sixty (60) days after the assignment date.”

Potential Risk: High – Misuse of cash. Members of the SBA and UNM Law School staff who dealt with cash or credit cards should have taken cash management training to understand accountability and the risks related to cash handling.

Cause: Although SBA officers handled cash on a regular basis, they were unaware of Cash Management training. School of Law faculty advisors and accounting supervisors did not enforce UNM policies and procedures related to cash management.

Recommendation #9:

SBA faculty/staff advisors should require SBA officers handling cash to take Cash Management training. In addition, all UNM Law School staff that handle cash, and their direct supervisors, should also take Cash Management training as required by UAP 7200: Cash Management.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: September 30, 2014</i>
<i>Assigned to: Dean of Students, Dean of Administration, and designated faculty member advisor</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>Faculty/staff advisors will require SBA officers handling cash to take Cash Management training.</i>• <i>All law school faculty, staff and direct supervisors who handle cash will take Cash Management training.</i>

Finding # 10: Governmental Gross Receipts Tax

Condition: The SBA sold apparel to raise funds for their organization. The SBA did not pay Governmental Gross Receipts Tax on the sales of apparel.

Criteria: UAP 6010 University Business Activities, Section 2. Sales to the General Public states:

Business activities that sell goods or services to the general public should meet one or more of the conditions listed below. For the purpose of this policy "general public" is defined as all individuals or entities other than UNM students, UNM faculty, UNM staff, UNM patients, and governmental entities.

2.1. The activity is substantially related to the University's education, research, or public service mission.

2.2. The activity provides a public service derived from our educational or research efforts.

2.3. The activity sponsors or provides facilities for recreational, cultural, or athletic events.

2.4. The activity provides health services or medical treatment; public service radio and TV broadcasting; or events or functions whose principal purpose is the improvement of relations between the University of New Mexico and the general public.

2.5. The sale of donated goods or services are related to fund raising activities.

2.6. General public consumption of the good or service is incidental to the ordinary and authorized function of a campus entity, for example, sales by the Bookstore or Student Union to campus visitors.

2.7. The equivalent good or service is not available in the local area or otherwise easily accessible to the general public.

UAP 6010 University Business Activities, Section 4.2. New Mexico Governmental Gross Receipts Tax states:

Effective July 1, 1991, Senate Bill 315 imposes a tax of five percent (5%) on receipts from the sale of tangible personal property from facilities open to the general public, the performance of or admissions to recreational, athletic, or entertainment services or events in facilities open to the general public (Section 7-9-3.2, NMSA 1978). Dean, Directors, and Department Heads responsible for University business activities should contact the Financial Services' Office for a determination on the taxability of their business activity. The Associate Vice President for Financial Services will determine which receipts are subject to New Mexico governmental gross receipts tax. The tax liability and tax return preparation costs will be charged on a pro rata basis to the department conducting the business activity subject to the tax. For more information regarding governmental gross receipts tax, contact the University Taxation Department or the Financial Services' Office.

Potential Risk: High - UNM Departments are required to maintain records of their receipts for at least 3 years after the end of the year in which the tax was due. However, the New Mexico Taxation and Revenue Department can assess tax back from 6 - 10 years under conditions of under-reporting by at least 25%, non-filed reports, and/or tax fraud. Failure to remit GGRT for all University departments may alert the New Mexico Taxation and Revenue Department to initiate an audit for all University departments that are selling goods subject to GGRT.

Cause: The funds from sales of the apparel were not deposited into the SBA Banner index; they were deposited in the external bank account. Student organizations selling goods are instructed by Student Government Accounting Office to put the proceeds of sales into account code 0510. This account code is reviewed by Unrestricted Accounting and GGRT is calculated and remitted on a monthly basis by Unrestricted Accounting for all University departments.

Recommendation #10:

The SBA should deposit all revenues received for the sale of apparel and other items subject to Governmental Gross Receipts Tax (GGRT) in their Banner index using account code 0510 (Merchandise Sales Revenue). The responsible SBA Accountant in the School of Law should monitor the SBA’s Banner index to ensure that monies received from the sales of apparel and other items subject to GGRT are deposited in their Banner index using account code 0510.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Dean of Students and Law School Accountant</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>SBA officers will be trained that all funds received by the SBA and subject to the GGRT should be identified and deposited in Banner account code 0510. This will occur at the annual student organization officer training.</i>• <i>Law School Accounting will work with the SBA to make sure that all required deposits are made to account 0510.</i>

Finding #11: Timely Check Deposits

Condition: On May 14, 2013, the SBA President closed the account at NMEFCU and received a check for \$792 for the funds that were remaining in the account on the date it was closed. The check was not deposited in the SBA Banner Account until October 13, 2013.

Criteria: UAP 7200 Cash Management, Section 2, Deposits, states “Monies received should be deposited at the University Cashiers Department intact by the next working day following receipt. When less than fifty dollars (\$50) is involved, monies may be accumulated up to a week.”

Potential Risk: High - Monies that are not deposited in a timely manner are at risk for being lost, stolen or not deposited intact.

Cause: The SBA Executive officers and their faculty advisor did not attend Cash Management training and were not aware of the University’s policy requiring that all monies received be deposited at the University Cashiers Department intact by the next working day following receipt.

Recommendation #11:

All funds in excess of \$50 received by the SBA should be deposited within one working day.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date:</i> August 31, 2014
<i>Assigned to:</i> Dean of Students
<i>Corrective Action Planned:</i> SBA officers will be trained that all funds received by the SBA should be deposited within one working day as required by UAPP 7200. This will occur at the annual student organization officer training.

Finding #12: SBA Approved Budgets

Condition: An annual budget was not prepared and approved by the SBA Executive Board for AY 2012-2013. In addition, the SBA President and Treasurer did not ensure that expenditures were approved by the SBA Executive Board, and were within the approved budget. Finally, an approved budget was not posted throughout the school year, and non-budgeted expenditures were not posted upon approval by the SBA Executive Board.

Criteria: The “Student Bar Association Constitution, Article XI – Budget” states:

1. The budget of the Student Bar Association shall provide for activities and programs pursuant to Article II of this Constitution.
2. The Association budget shall not be a major source of funding for other student organizations.
3. The Treasurer shall prepare a budget proposal for the major expenses of the Association.
4. The budget must be approved by a majority vote of the Executive Board. The expenditures of any non-budgeted funds of the Association must be approved by a majority vote of the Executive Board.
5. The President and the Treasurer shall have executive responsibility for keeping expenditures approved by the Executive Board within the approved budget.
6. The approved Budget will be posted and remain posted throughout the school year. Non-budgeted expenditures shall be posted immediately upon approval by the Executive Board.

Potential Risk: Medium - The SBA is not in compliance with its Constitution regarding the preparation and posting of annual budgets. Budgeted and non-budgeted expenditures are not approved by the SBA Executive Board.

Cause: The SBA President and Treasurer did not abide by its Constitution related to the preparation and posting of annual budgets.

Recommendation #12:

Formal SBA budgets should be prepared and approved by the SBA Executive Board at the beginning of the academic year and should be posted throughout the school year. All budgeted and non-budgeted expenditures should be approved by the SBA Executive Board and posted to the budget. This will ensure compliance with the SBA Constitution, Article XI, Budgets.

Response from the Dean, School of Law:

Action Items
<i>Targeted Completion Date: August 31, 2014</i>
<i>Assigned to: Dean of Students</i>
Corrective Action Planned: <ul style="list-style-type: none">• <i>Assistant Dean for Student Services will inform SBA officers that Formal SBA budgets must be prepared and approved by the Executive Board at the beginning of the academic year and must be posted throughout the school year. This will be done through the annual student organization officer training.</i>• <i>Assistant Dean for Student Services will inform SBA officers that all budgeted and non-budgeted expenditures must be approved by the Executive Board and posted to the budget. This will be done through the annual student organization officer training.</i>

APPROVALS



Manu Patel, CPA
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee

Attachment 1

**UNM School of Law Student Bar Association Audit
External Bank Account Transactions by Vendor
4/15/2012 through 5/14/2013**

Transaction Type	Date	Vendor	Transaction Description	SBA Expense	No Support for SBA Purpose	Appears as a Personal Purchase	SBA Business Purpose
POS Withdrawal	4/15/2013	Artisan Art Supplies	Art Supplies, Arts & Crafts Supplies, Art Goods	\$ (118.76)			Supplies for SBA
Fees	4/15/2012	ATM Fee	Fees	\$ (1.50)			Fee assessed during account activity
POS Withdrawal	4/13/2013	Costco	General Store (supplies)	\$ (249.97)			Supplies
Debit charge	11/28/2012	Domino's	Restaurant	\$ (181.41)			Pizza for SBA meeting
Debit charge	11/5/2012	Domino's	Pizza Delivery	\$ (118.86)			Pizza for SBA meeting
Debit charge	9/27/2012	Etched Glass Designs	Customized gifts	\$ (117.70)			Recognition
Debit charge	10/24/2012	Etched Glass Designs	Customized gifts	\$ (117.00)			Recognition
Debit charge	7/17/2012	Hyatt Hotels Resort	Hotel and Resort	\$ (146.74)			Annual State Bench and Bar Conference
Withdrawal	5/14/2013	In branch	Cash Withdrawals	\$ (792.01)			Close account
Debit charge	8/27/2012	Jubilation Wine and Spirits	Alcohol	\$ (555.46)			Alcohol for Back to School Barbecue
Debit charge	10/26/2012	Jubilation Wine and Spirits	Alcohol	\$ (262.80)			Alcohol for Halloween Party
Debit charge	5/13/2013	Jubilation Wine and Spirits	Alcohol	\$ (165.61)			2013 Graduation toast
Debit charge	5/14/2012	Jubilation Wine and Spirits	Alcohol	\$ (139.86)			2012 Graduation toast
Debit charge	7/27/2012	Kelley's Brewery	Alcohol	\$ (25.81)			Mentorship Program Event
Debit charge	10/19/2012	McAllisters Deli	Restaurant	\$ (14.58)			Discuss goals of SBA
Overdraft fee	8/15/2012	NMEFCU	Overdraft fees	\$ (29.00)			Fee assessed during account activity
Overdraft fee	12/10/2012	NMEFCU	Overdraft fees	\$ (29.00)			Fee assessed during account activity
Overdraft fee	1/15/2013	NMEFCU	Overdraft fees	\$ (29.00)			Fee assessed during account activity
Overdraft fee	1/15/2013	NMEFCU	Overdraft fees	\$ (29.00)			Fee assessed during account activity
POS Withdrawal	1/15/2013	Costco	General Store (supplies)	\$ (142.03)			Geeks who drink
Debit charge	1/15/2013	Trader Joes	Grocery Store (Wine)	\$ (36.78)			Geeks who drink
Overdraft fee	8/14/2012	NMEFCU	Overdraft fees	\$ (21.00)			Fee assessed during account activity
Monthly Service Fee	7/31/2012	NMEFCU	Account Service Fee	\$ (5.00)			Fee assessed during account activity
Monthly Service Fee	11/30/2012	NMEFCU	Account Service Fee	\$ (5.00)			Fee assessed during account activity
Monthly Service Fee	12/31/2012	NMEFCU	Account Service Fee	\$ (5.00)			Fee assessed during account activity
Monthly Service Fee	1/31/2013	NMEFCU	Account Service Fee	\$ (5.00)			Fee assessed during account activity
Monthly Service Fee	2/28/2013	NMEFCU	Account Service Fee	\$ (5.00)			Fee assessed during account activity
Debit charge	5/13/2013	O'Neills Pub	Bar and Grill	\$ (330.95)			Woody Awards
Debit charge	5/13/2013	O'Neills Pub	Bar and Grill	\$ (254.13)			Woody Awards

Debit charge	4/17/2013	O'Neills Pub	Bar and Grill	\$ (100.00)			Woody Awards
Debit charge	4/4/2013	Pizzaria Farina	Pizza Parlor	\$ (313.30)			End of term celebration
Debit charge	9/20/2012	Relish	Caterer	\$ (64.20)			Food for SBA Meeting
Debit charge	10/10/2012	Satellite Coffee	Coffee Shop	\$ (51.01)			Coffee for SBA Meeting
Debit charge	8/14/2012	Satellite Coffee	Coffee Shop	\$ (16.04)			Coffee for SBA Meeting
Debit charge	4/3/2013	Starbucks	Coffee Shop	\$ (85.36)			Coffee for SBA Meeting
Debit charge	10/3/2012	Starbucks	Coffee Shop	\$ (21.40)			SBA meeting
POS Withdrawal	10/18/2012	Target	General	\$ (211.52)			Decorations for Halloween Party
Debit charge	5/9/2013	The Recognition Place	Awards and recognition	\$ (105.00)			Graduation Ceremony
Debit charge	10/22/12	ABC-INS-Rent	Insurance Provider		\$ (195.00)	\$ (195.00)	No documentation provided to support SBA purpose
Debit charge	11/6/2012	ABCWUA Utility Payment	Water Utilities		\$ (46.54)	\$ (46.54)	No documentation provided to support SBA purpose
Withdrawal	4/15/2012	ATM/In branch	Cash Withdrawals		\$ (303.21)		No documentation provided to support SBA purpose
Withdrawal	4/18/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	4/24/2012	ATM/In branch	Cash Withdrawals		\$ (143.39)		No documentation provided to support SBA purpose
Withdrawal	4/26/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	5/2/2012	ATM/In branch	Cash Withdrawals		\$ (80.00)		No documentation provided to support SBA purpose
Withdrawal	5/8/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	5/14/2012	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	5/22/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	5/29/2012	ATM/In branch	Cash Withdrawals		\$ (160.00)		No documentation provided to support SBA purpose
Withdrawal	7/12/2012	ATM/In branch	Cash Withdrawals		\$ (160.00)		No documentation provided to support SBA purpose
Withdrawal	7/20/2012	ATM/In branch	Cash Withdrawals		\$ (140.00)		No documentation provided to support SBA purpose
Withdrawal	7/25/2012	ATM/In branch	Cash Withdrawals		\$ (40.00)		No documentation provided to support SBA purpose
Withdrawal	8/14/2012	ATM/In branch	Cash Withdrawals		\$ (160.00)		No documentation provided to support SBA purpose
Withdrawal	8/15/2012	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	8/20/2012	ATM/In branch	Cash Withdrawals		\$ (160.00)		No documentation provided to support SBA purpose
Withdrawal	8/24/2012	ATM/In branch	Cash Withdrawals		\$ (180.00)		No documentation provided to support SBA purpose
Withdrawal	9/6/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	9/13/2012	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	9/17/2012	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	9/30/2012	ATM/In branch	Cash Withdrawals		\$ (80.00)		No documentation provided to support SBA purpose
Withdrawal	10/2/2012	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	10/10/2012	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	10/22/2012	ATM/In branch	Cash Withdrawals		\$ (160.00)		No documentation provided to support SBA purpose

Withdrawal	10/24/2012	ATM/In branch	Cash Withdrawals		\$ (180.00)		No documentation provided to support SBA purpose
Withdrawal	10/28/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	11/1/2012	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	11/9/2012	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	11/13/2012	ATM/In branch	Cash Withdrawals		\$ (100.00)		No documentation provided to support SBA purpose
Withdrawal	11/14/2012	ATM/In branch	Cash Withdrawals		\$ (80.00)		No documentation provided to support SBA purpose
Withdrawal	11/26/2012	ATM/In branch	Cash Withdrawals		\$ (40.00)		No documentation provided to support SBA purpose
Withdrawal	12/27/2012	ATM/In branch	Cash Withdrawals		\$ (20.00)		No documentation provided to support SBA purpose
Withdrawal	3/21/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	3/23/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	3/27/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	3/28/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	4/2/2013	ATM/In branch	Cash Withdrawals		\$ (144.99)		No documentation provided to support SBA purpose
Withdrawal	4/5/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	4/16/2013	ATM/In branch	Cash Withdrawals		\$ (400.00)		No documentation provided to support SBA purpose
Withdrawal	4/22/2013	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	4/22/2013	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	4/29/2013	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Withdrawal	5/10/2013	ATM/In branch	Cash Withdrawals		\$ (300.00)		No documentation provided to support SBA purpose
Withdrawal	5/14/2013	ATM/In branch	Cash Withdrawals		\$ (200.00)		No documentation provided to support SBA purpose
Debit charge	10/9/2012	Barnes and Noble	Book Store		\$ (76.33)	\$ (76.33)	No documentation provided to support SBA purpose
Debit charge	10/9/2012	Betty's Bath and Body	Bath and Day Spa		\$ (80.25)	\$ (80.25)	No documentation provided to support SBA purpose
Debit charge	11/26/2012	El Paso Café	Restaurant (Los Angeles)		\$ (29.11)	\$ (29.11)	No documentation provided to support SBA purpose
Debit charge	11/26/2012	Enterprise Rent-a-car	Car Rental (Los Angeles)		\$ (221.05)	\$ (221.05)	No documentation provided to support SBA purpose
Debit charge	10/15/2012	Ferrari Carano Winery (Healdsburg, CA)	Winery (Healdsburg, CA)		\$ (23.76)	\$ (23.76)	No documentation provided to support SBA purpose
Debit charge	10/22/2012	Geico	Insurance provider		\$ (202.70)	\$ (202.70)	No documentation provided to support SBA purpose
Debit charge	10/26/2012	Geico	Insurance Provider		\$ 6.10	\$ 6.10	No documentation provided to support SBA purpose
Debit charge	4/20/2012	Golden Pride Chicken	Restaurant		\$ (5.77)	\$ (5.77)	No documentation provided to support SBA purpose
Debit charge	11/14/2012	Jubilation Wine and Spirits	Alcohol		\$ (50.25)		No documentation provided to support SBA purpose
POS Withdrawal	10/4/2012	Coronado Shopping Center	Various Retail Stores		\$ (133.62)		No documentation provided to support SBA purpose
POS Withdrawal	12/10/2012	Coronado Shopping Center	Various Retail Stores		\$ (137.44)		No documentation provided to support SBA purpose
Debit charge	11/13/2012	Korean BBQ House	Restaurant		\$ (21.00)	\$ (21.00)	No documentation provided to support SBA purpose
POS Withdrawal	5/26/2012	Kroger (Smiths)	Grocery Store		\$ (6.10)		No documentation provided to support SBA purpose
Debit charge	9/6/2012	Law School UNM	Law School fee		\$ (8.53)		No documentation provided to support SBA purpose

Debit charge	5/23/2012	MPRE Registration Fee	Exam Fee		\$ (70.00)	\$ (70.00)	No documentation provided to support SBA purpose
Debit charge	9/11/2012	MPRE Registration Fee	Exam Fee		\$ (70.00)	\$ (70.00)	No documentation provided to support SBA purpose
Debit charge	11/6/2012	New Mexico Gas Company	Gas Utilities		\$ (30.22)	\$ (30.22)	No documentation provided to support SBA purpose
Debit charge	10/31/2012	Nordstrom (San Diego)	Department Store		\$ (74.24)	\$ (74.24)	No documentation provided to support SBA purpose
Debit charge	3/30/2013	Online Fashion	Online Retailer		\$ (58.23)	\$ (58.23)	No documentation provided to support SBA purpose
Debit charge	11/4/2012	PNM	Utilities		\$ (72.59)	\$ (72.59)	No documentation provided to support SBA purpose
Debit charge	10/19/2012	Pottery Barn	Home Furnishings		\$ (58.69)	\$ (58.69)	No documentation provided to support SBA purpose
Debit charge	4/18/2013	Qwest Communications	Telecommunications		\$ (164.89)	\$ (164.89)	No documentation provided to support SBA purpose
Debit charge	11/5/2012	Qwest Communications	Telecommunications		\$ (85.94)	\$ (85.94)	No documentation provided to support SBA purpose
Debit charge	4/16/2013	Shogun Japanese	Restaurant		\$ (52.61)	\$ (52.61)	No documentation provided to support SBA purpose
POS Withdrawal	5/10/2012	Smith's Food and Drug Center	Grocery Store		\$ (14.06)		No documentation provided to support SBA purpose
POS Withdrawal	5/21/2012	Smith's Food and Drug Center	Grocery Store		\$ (58.57)		No documentation provided to support SBA purpose
POS Withdrawal	5/25/2012	Smith's Food and Drug Center	Grocery Store		\$ (149.44)		No documentation provided to support SBA purpose
POS Withdrawal	7/22/2012	Smith's Food and Drug Center	Grocery Store		\$ (139.50)		No documentation provided to support SBA purpose
POS Withdrawal	8/15/2012	Smith's Food and Drug Center	Grocery Store		\$ (100.00)		No documentation provided to support SBA purpose
POS Withdrawal	8/17/2012	Smith's Food and Drug Center	Grocery Store		\$ (84.54)		No documentation provided to support SBA purpose
POS Withdrawal	8/24/2012	Smith's Food and Drug Center	Grocery Store		\$ (44.91)		No documentation provided to support SBA purpose
POS Withdrawal	9/26/2012	Smith's Food and Drug Center	Grocery Store		\$ (87.34)		No documentation provided to support SBA purpose
POS Withdrawal	10/5/2012	Smith's Food and Drug Center	Grocery Store		\$ (99.07)		No documentation provided to support SBA purpose
POS Withdrawal	10/11/2012	Smith's Food and Drug Center	Grocery Store		\$ (50.29)		No documentation provided to support SBA purpose
POS Withdrawal	10/17/2012	Smith's Food and Drug Center	Grocery Store		\$ (95.06)		No documentation provided to support SBA purpose
POS Withdrawal	10/21/2012	Smith's Food and Drug Center	Grocery Store		\$ (22.32)		No documentation provided to support SBA purpose
POS Withdrawal	10/23/2012	Smith's Food and Drug Center	Grocery Store		\$ (69.13)		No documentation provided to support SBA purpose
POS Withdrawal	10/24/2012	Smith's Food and Drug Center	Grocery Store		\$ (40.91)		No documentation provided to support SBA purpose
POS Withdrawal	11/1/2012	Smith's Food and Drug Center	Grocery Store		\$ (36.31)		No documentation provided to support SBA purpose
POS Withdrawal	11/15/2012	Smith's Food and Drug Center	Grocery Store		\$ (63.60)		No documentation provided to support SBA purpose
POS Withdrawal	3/23/2013	Smith's Food and Drug Center	Grocery Store		\$ (106.52)		No documentation provided to support SBA purpose
POS Withdrawal	4/13/2013	Smith's Food and Drug Center	Grocery Store		\$ (122.89)		No documentation provided to support SBA purpose
POS Withdrawal	4/13/2013	Smith's Food and Drug Center	Grocery Store		\$ (23.07)		No documentation provided to support SBA purpose
Debit charge	8/28/2012	Southwest Airlines	Airline Services		\$ (282.60)	\$ (282.60)	No documentation provided to support SBA purpose
Debit charge	8/28/2012	Southwest Airlines	Airline Services		\$ (282.60)	\$ (282.60)	No documentation provided to support SBA purpose
Debit charge	6/18/2012	Southwest Airlines	Airline Services		\$ (197.60)	\$ (197.60)	No documentation provided to support SBA purpose
Debit charge	7/23/2012	State Bar of New Mexico	Professional Association Fees		\$ (70.00)	\$ (70.00)	No documentation provided to support SBA purpose
Debit charge	11/26/2012	Taco Bell	Restaurant		\$ (8.43)	\$ (8.43)	No documentation provided to support SBA purpose

Debit charge	3/29/2013	Taj Mahal	Restaurant		\$ (132.35)		No documentation provided to support SBA purpose
Debit charge	3/25/2013	Target	General Store		\$ (21.94)		No documentation provided to support SBA purpose
POS Withdrawal	9/3/2012	Target	General Store		\$ (259.50)		No documentation provided to support SBA purpose
POS Withdrawal	11/3/2012	Target	General Store		\$ (124.88)		No documentation provided to support SBA purpose
POS Withdrawal	11/9/2012	Target	General Store		\$ (198.19)		No documentation provided to support SBA purpose
Debit charge	10/9/2012	Tiffany & Company	Jewelry Store		\$ (200.83)	\$ (200.83)	No documentation provided to support SBA purpose
Debit charge	10/15/2012	Tiffany & Company	Jewelry Store		\$ (200.83)	\$ (200.83)	No documentation provided to support SBA purpose
Debit charge	10/29/2012	Tiffany & Company	Jewelry Store		\$ 0.36	\$ 0.36	No documentation provided to support SBA purpose
Debit charge	10/15/2012	Tiffany & Company	Jewelry Store		\$ 200.83	\$ 200.83	No documentation provided to support SBA purpose
Debit charge	11/3/2012	Trader Joes	Grocery Store		\$ (71.33)	\$ (71.33)	No documentation provided to support SBA purpose
Debit charge	1/15/2013	Trader Joes	Grocery Store		\$ (36.78)	\$ (36.78)	No documentation provided to support SBA purpose
Debit charge	11/26/2012	Trader Joes	Grocery Store (Los Angeles)		\$ (19.44)	\$ (19.44)	No documentation provided to support SBA purpose
POS Withdrawal	11/8/2012	Trader Joes	Grocery Store		\$ (26.91)	\$ (26.91)	No documentation provided to support SBA purpose
Debit charge	11/28/2012	Viet Taste	Restaurant		\$ (23.53)		No documentation provided to support SBA purpose
POS Withdrawal	11/25/2012	Walgreens	General Store		\$ (8.76)		No documentation provided to support SBA purpose
POS Withdrawal	4/2/2013	Walgreens	General Store		\$ (14.91)		No documentation provided to support SBA purpose
Debit charge	10/2/2012	www.asos.com	Online Retailer		\$ (217.23)	\$ (217.23)	No documentation provided to support SBA purpose
Debit charge	10/16/2012	www.asos.com	Online Retailer		\$ 127.62	\$ 127.62	No documentation provided to support SBA purpose
Debit charge	5/2/2012	Zen Nail Spa	Nail Spa		\$ (59.50)	\$ (59.50)	No documentation provided to support SBA purpose
Debit charge	11/13/2012	Zen Nail Spa	Nail Spa		\$ (58.50)	\$ (58.50)	No documentation provided to support SBA purpose
Debit charge	5/29/2012	Zinc Wine Bar and Bistro	Restaurant		\$ (44.24)	\$ (44.24)	No documentation provided to support SBA purpose
Debit charge	5/29/2012	Zinc Wine Bar and Bistro	Restaurant		\$ (22.65)	\$ (22.65)	No documentation provided to support SBA purpose

\$(4,901.79) \$(15,462.60) \$ (3,103.48)

Hyatt Regency Tamaya Resort and Spa Reimbursement (1)

Banner	7/17/2012	SBA 2012-2013 President	Reimbursement for State Bench Bar Conference (Previously Paid by external account).		\$146.74		Reimbursement for previously paid expense from SBA funds
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(1) See Finding #3