

**UNIVERSITY OF NEW MEXICO  
AUDIT OF RESERVES AND DEFICITS**

**Report 2019-13  
May 21, 2019**



THE UNIVERSITY OF  
NEW MEXICO.

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# CONTENTS

**EXECUTIVE SUMMARY ..... 1**

    Reserves Test Work ..... 1

    CONCLUSION..... 3

**INTRODUCTION..... 5**

    BACKGROUND ..... 5

    PURPOSE AND OBJECTIVES..... 5

    SCOPE AND PROCEDURES PERFORMED ..... 6

**OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES..... 7**

    RESERVE ANALYSIS AND TESTING..... 7

        Reserves Test Work ..... 8

        Discretionary Reserves ..... 10

        Deficits ..... 12

**APPROVALS ..... 16**

## **ABBREVIATIONS**

FY.....	Fiscal Year
HSC.....	University of New Mexico Health Sciences Center
Internal Audit.....	University of New Mexico Internal Audit Department
UAP.....	University Administrative Policy and Procedures
University.....	University of New Mexico
UNM.....	University of New Mexico
UNM Banner.....	UNM Banner Finance Accounting System

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## EXECUTIVE SUMMARY

### RESERVE AND DEFICIT ANALYSIS AND TESTING

Reserves represent unrestricted carry-over funds available for spending at the beginning of the year. At fiscal year-end, unspent funds are carried over into the new fiscal year. Reserves are classified into three categories: committed, dedicated and discretionary. At the end of fiscal year (FY) 2018, UNM Campus operations had total reserves of \$183 million, which includes \$116.6 million in committed and \$39.3 million in dedicated reserves.

The following presents UNM's categorization of reserves summarized at fiscal year ended 2018.

<b>Categorization of Reserves for FYE 2018</b>				
	<b>Committed</b>	<b>Dedicated</b>	<b>Discretionary</b>	<b>Total</b>
Main Campus	\$ 65,739,343	\$ 12,522,901	\$ 12,448,182	\$ 90,710,426
UNM Branches	4,597,440	2,995,399	11,699,386	19,292,225
Health Sciences Center	<u>46,223,279</u>	<u>23,759,120</u>	<u>2,969,478</u>	<u>72,951,877</u>
<b>Total Campus Operations</b>	<b>\$ 116,560,062</b>	<b>\$ 39,277,420</b>	<b>\$ 27,117,046</b>	<b>\$ 182,954,528</b>
<b>% of Total</b>	<b><u>63.71%</u></b>	<b><u>21.47%</u></b>	<b><u>14.82%</u></b>	

Source: UNM Budget Office

#### **Reserves Test Work**

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

Supporting documentation was adequate for main campus, branch campuses, and Health Sciences Center (HSC) reserve designations for FY 2019. However, eight (8) of 45 main campus designations tested totaling \$11,428,158 were dedicated to cover deficits in other indices. In many instances, HSC departments also dedicate reserves to cover existing deficits in other indices. Such use of reserves is not the most effective and efficient use of dedicated funds.

#### **Discretionary Reserves**

Discretionary reserves consist of balances remaining after committed and dedicated amounts are deducted. This classification of reserves indicates carry-forward funds, which are not intended for a specific purpose, and may be pulled back into the UNM's central pool and used for other University needs.

At fiscal year ended June 30, 2018, 13.72%, of main campus's reserves were categorized as discretionary, while HSC's discretionary reserves were 4.07%, of its total reserves.

At fiscal year ended June 30, 2018, the UNM branch campuses discretionary reserves made up 60.64% of its total reserves. The significant portion of discretionary reserves is primarily due to

discretionary classification of reserves for the UNM Gallup and Valencia Branches. Discretionary reserves for these branches were \$5.2 million, or 73.41%, of Gallup's total reserves of \$7.0 million; and \$4.0 million, or 81.49%, of Valencia's total reserves of \$4.9 million. The large number of discretionary reserves may be the result of UNM Branches not designating reserves intended for specific purposes.

The following presents UNM's discretionary reserves as a percentage of total reserves summarized at fiscal year ended 2018.

<b>Discretionary Reserves for FYE 2018</b>			
	<b>Total</b>	<b>Discretionary</b>	<b>% Total</b>
Main Campus	\$ 90,710,426	\$ 12,448,182	13.72%
UNM Branches	19,292,225	11,699,386	60.64%
Health Sciences Center	<u>72,951,877</u>	<u>2,969,478</u>	<u>4.07%</u>
<b>Total Campus Operations</b>	<b>\$ 182,954,528</b>	<b>\$ 27,117,046</b>	<b>14.82%</b>

Source: UNM Budget Office

### Deficits

Internal Audit performed a review of department deficits and determined compliance with UAP 7000 regarding deficit reduction plans for deficits exceeding \$50,000.

#### Main Campus

- A deficit reduction plan is not in place for Enrollment Management and Food Services Vendor Billing department deficits of (\$1,572,123) and (\$72,571). However, management for these areas believe the deficits will be eliminated by the end of FY 2019.

#### HSC

- A formal deficit reduction plan was not in place for Obstetrics Gynecology, Radiopharmacy, and Dermatology departments. However, management for these areas believe the deficits will be eliminated by the end of FY 2019.

The following presents UNM department deficits exceeding \$50,000 for Main Campus, Branches, and HSC as of June 30, 2018.

<b>Deficit at June 30, 2018</b>	
<b>Department</b>	<b>Deficit</b>
<b><i>Main Campus</i></b>	
University Press	(6,778,341)
Enrollment Management	(1,572,123)
Athletics	(4,492,379)
CAS Contingent Instruction	(860,467)
Continuing Education	(192,241)
Student Publications	(134,043)
Real Estate Operations	(86,716)
IT Campus Outreach & Engagement	(82,272)
Food Service Vendor Billing	(72,571)
Accessibility Resource Center	(67,008)
<b>Total Main Campus</b>	<b>(14,338,161)</b>
<b><i>HSC</i></b>	
SOM Surgery	(3,649,664)
Internal Medicine	(3,347,565)
Office of the Medical Investigator	(720,725)
Obstetrics Gynecology OB GYN	(690,618)
Department of Dental Medicine	(448,691)
COP Radiopharmacy	(168,860)
Dermatology	(86,131)
<b>Total HSC</b>	<b>(9,112,254)</b>

Source: Banner Accounting System

## CONCLUSION

UNM Campus Reserves designations are accurate and supported with appropriate documentation. In general, adequate internal controls are in place for categorizing reserves, deficit reduction plans, and compliance with UAP 7000: Budgets and Reserves. However, Internal Audit noted where reserves could be utilized more effectively, and the existence of deficits can be reduced and/or eliminated. The following is a summary of recommendations made in the report.

- The Interim Senior Vice President for Finance and Administration, Provost's Office Director of Financial Operations, and HSC Senior Executive Officer for Finance and Administration should conduct a review of index deficits and identify specific indices, which departments can close with available funds.
- The Provost's Office Director of Financial Operations should conduct a review of discretionary reserves reported by Branch Campuses, specifically UNM Gallup and Valencia Branches for reasonableness. Reserves that are intended for specific purposes and are currently reported as discretionary should be designated as dedicated at the beginning of each fiscal year.

- The Provost's Office Director of Financial Operations, The Interim Senior Vice President for Finance and Administration, and HSC Senior Executive Officer for Finance and Administration should:
  - a. Ensure FY 2018 deficits for Enrollment Management, Food Services Vendor Billing, OBGYN, Radiopharmacy, and Dermatology are eliminated prior to the close of FY 2019.
  - b. Monitor and enforce current deficit reduction plans to ensure existing departments deficits are reduced and eliminated according to plans.

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# INTRODUCTION

## BACKGROUND

Budgeting involves all segments of the University and is a continuous process designed to ensure the best use of available funding. Budget management requires short-term and long-range planning, and involves setting up program priorities, requesting funding, allocating available funds to various programs and projects, preparing and maintaining the budget, and reporting on the use of funds and intended use of funds.

Reserves represent unrestricted carry-over funds available for spending at the beginning of the year. At fiscal year-end, unspent funds are carried over into the new fiscal year. The reserve balance carry forward represents actual dollars after net income (loss) from the prior year. Reserves are classified into three categories: committed, dedicated and discretionary. At the beginning of each fiscal year, departments assign portions of reserve balances for either committed or dedicated purposes. Once commitments and dedications have been determined, the remaining reserve balances are discretionary, and will only be used if needed.

As a management request, Internal Audit conducted a review of Reserves in FY 2017. As of February 28, 2017, Internal Audit completed approximately 42% of its testing and did not identify any significant exceptions for compliance with UAP 7000. Due to urgent projects needing attention, Internal Audit determined to suspend further testing of Reserves, and issued a status report dated March 31, 2017 to the Board of Regents Audit and Compliance Committee on March 31, 2017. The same status report was subsequently presented to the Board of Regents Audit and Compliance Committee on October 15, 2018. The following presents campus operations reserves at fiscal years ended 2018. Reserves for UNMH and plant funds were not within the scope of the audit, and therefore, are not included with the following presentation of reserves.

<b>Reserves at Fiscal Years Ended 2018</b>	
Main Campus	\$ 90,710,426
Branches	19,292,225
Health Sciences Center	<u>72,951,877</u>
<b>Total</b>	<b>\$ 182,954,528</b>

Source: UNM Budget Office

## PURPOSE AND OBJECTIVES

The audit was initiated as a management request from the prior Board of Regents Audit and Compliance Committee. The purpose of our audit was to review campus operations Reserves available for FY 2019, assess internal controls for categorizing reserves, and ensure UNM departments comply with applicable UNM polices.



The primary objective was to determine if UNM departments and programs have reasonable support for use of the Reserves and classification of Reserves in accordance with UAP 7000 Budgets and Reserves and RPM 7.20 Budgets and Fund Balances.

## **SCOPE AND PROCEDURES PERFORMED**

Our audit focused on reserves for UNM campus operations available for FY 2019, as determined at the final designation of reserves deadline of September 2, 2019. The scope of the audit does not include reserves for UNMH nor plant funds. Internal Audit performed the following Audit steps:

- Obtain detailed reports that comprise the amounts reported as committed and dedicated from Main Campus, Branch Campuses, and HSC.
- Select a sample to test designations, determine accuracy, and verify support by proper documentation.
- Review discretionary reserves and assess if amounts accurately reflect discretionary funds available.
- Review reserve accounts (Acct. 1900) for deficits and determine if deficit reduction plans are in place.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## RESERVE ANALYSIS AND TESTING

Reserves represent unrestricted carry-over funds available for spending at the beginning of the year. At fiscal year-end, unspent funds are carried over into the new fiscal year. The reserve balance carry forward represents actual dollars after net income (loss) from the prior year. Reserves are classified into three categories: committed, dedicated and discretionary. At the beginning of each fiscal year, departments assign portions of reserve balances for either committed or dedicated purposes. Once commitments and dedications have been determined, the remaining reserve balances are discretionary and will only be used if needed. At fiscal year ended 2018, UNM Campus operations had total reserves of \$182,954,528.

Committed reservations are initiated by a formal, written commitment to use a portion of unrestricted reserve balances. Examples include signed offer letters for start-up funds, documented cost share requirements, direct state appropriations for a special project, institutional bond debt service payments, etc. UNM reserve commitments at June 30, 2018 were \$116,560,062, or 63.71%, of total campus reserves.

Dedicated reservations have a clear, focused purpose with a documented description and identify the entity/individual making the dedication. Examples include an F&A balance that has been dedicated by the dean to fund a lab renovation, a non-endowed gift amount that has been dedicated by the chair for faculty travel, student paid course fees that are being accumulated and dedicated by the dean to fund the purchase of equipment, etc. UNM reserve dedications at June 30, 2018 were \$39,277,420, or 21.47%, of total campus reserves.

Committed and dedicated reserves for UNM campus operations at June 30, 2018 are as follows:

- Main Campus - \$78.3 million, or 86.3%, of total reserves of \$90,710,426
- UNM Branches - \$7.6 million, or 39.4%, of total reserves of \$19,292,225
- HSC - \$69.9 million, or 95.9%, of total reserves of \$72,951,877

The following presents UNM's categorization of reserves summarized at fiscal year ended 2018.

<b>Categorization of Reserves for FYE 2018</b>				
	<b>Committed</b>	<b>Dedicated</b>	<b>Discretionary</b>	<b>Total</b>
Main Campus	\$ 65,739,343	\$ 12,522,901	\$ 12,448,182	\$ 90,710,426
UNM Branches	4,597,440	2,995,399	11,699,386	19,292,225
Health Sciences Center	<u>46,223,279</u>	<u>23,759,120</u>	<u>2,969,478</u>	<u>72,951,877</u>
<b>Total Campus Operations</b>	<b>\$ 116,560,062</b>	<b>\$ 39,277,420</b>	<b>\$ 27,117,046</b>	<b>\$ 182,954,528</b>
<b>% of Total</b>	<b><u>63.71%</u></b>	<b><u>21.47%</u></b>	<b><u>14.82%</u></b>	

Source: UNM Budget Office

## **Reserves Test Work**

At the beginning of each fiscal year, departments assign portions of reserve balances for either committed or dedicated purposes based on University Reserve policy UAP 7000: Budgets and Reserves. Once reserves have been designated, the remaining reserve balances are discretionary and will only be used if needed. Internal Audit completed detailed test work over reserve designations for FY 2019, which covered approximately \$26.3 million of Main Campus reserves, \$2.8 million in Branch Campus reserves, and \$11.4 million in HSC reserves.

Based on detailed testing of Main Campus, Branch Campuses, and HSC dedications, supporting documentation was adequate for reserve designations. However, eight (8) of 45 main campus designations tested were dedicated to cover deficits in other indices. Two (2) of two (2) dedications tested for Continuing Education totaling \$373,907 and six (6) of twelve (12) dedications tested for Institutional Support Services departments totaling \$11,054,251 were dedicated to cover existing deficits in other indices. In many instances, HSC departments also dedicate reserves to cover existing deficits in other indices. Such use of reserves is not the most effective and efficient use of reserves. Departments intending to use reserves in one index to cover a deficit in another should apply reserve funds to eliminate deficits and close out indices. Due to the significant number of reserves dedicated to cover existing deficits, Internal Audit primarily focused on testing reserve commitments. There were no exceptions noted for committed designations.

UAP 7000: Budgets and Reserves states, *The University has limited funds and department heads are responsible for ensuring the most effective, efficient use of those funds. Budgets are valuable tools for measuring performance because they reflect planned activities. Department heads should review their budgets regularly to identify positive and negative variances between expected expenditures and actual costs. These variances will help the department head determine if goals and objectives are being met and if unanticipated events are negatively impacting the department's ability to meet its goals and objectives.*

### **Recommendation 1:**

The Interim Senior Vice President for Finance and Administration, Provost's Office Director of Financial Operations, and HSC Senior Executive Officer for Finance and Administration should conduct a review of index deficits and identify specific indices, which departments can close with available funds.

In addition, financial monitoring processes should be strengthened to ensure indices are not overspent resulting in annual deficits. This will increase the likelihood that reserves are used for the goals and objectives of department operations.

**Response from the Senior Vice President for Finance and Administration:**

<b>Action Items</b>
<b>Targeted Completion Date:</b> June 15, 2019
<b>Assigned to:</b> Associate Vice President for Institutional Services
<p><b>Corrective Action Planned:</b> Institutional Support Services (ISS) agrees six (6) of twelve (12) dedications tested in the amount totaling \$11,054,251 were dedicated to cover existing deficits in other indices. The common business practice is to allocate dollars from a revenue producing index code to indices that are non-revenue under the same fund group. We follow this business practice in order to track expenses in various cost centers managed by one department. For example in Popejoy Hall, we have a school-time series cost center and we allocate revenue dollars from a development index code to cover their expenses.</p> <p>As for Housing, we experienced transition in our Fiscal Officer due to a resignation and we missed the allocation to three (3) indices before year-end close causing them to be in deficit. We have recognized this mistake and will make correcting entries during FY19 to eliminate the deficits (\$9,519,818 of the total).</p> <p>As for Popejoy, we usually allocate money in September, the end of the 1<sup>st</sup> quarter, to cover the deficits from the previous fiscal year of their non-revenue indices. There is a timing difference and these indices are truly not in deficit since we have revenue from the development accounts to cover each fiscal year (\$1,534,433 of the total).</p> <p>We are in the process of reviewing the timing of the allocations across ISS Departments to eliminate any deficits before year-end close.</p>

**Response from the Provost's Office Director of Financial Operations:**

<b>Action Items</b>
<b>Targeted Completion Date:</b> June 15, 2019
<b>Assigned to:</b> Provost's Office Director of Financial Operations
<p><b>Corrective Action Planned:</b> In most cases, minor deficits within each individual index should be cleared out prior to the fiscal year end. However, some units use indices as a way to track profitability within the unit. The units this generally applies to would include auxiliaries and self-supporting units (i.e. Continuing Education). Other exceptions include research clearing accounts and units with summer programs, which expenses post prior to the collection of revenues that cross the fiscal year. With those units, I would recommend an exception as long as the unit makes adjusting entries at the beginning of the fiscal to clear out the deficits and</p>

appropriately categorizes the reserve movement in the Categorization of Reserves (CAR) system. Units with deficit reduction plans should also appropriately categorize deficit balances in the CAR system according to the deficit reduction plan.

An email communication will be sent to Main Campus fiscal agents by June 15, 2019 communicating the importance of fiscal management and policy regarding reserve balances. This communication will remind units that in most cases monthly reconciliations and fiscal management should avoid indices to be overspent, and that minor deficits should be cleared out prior to the fiscal year-end, unless indicated as an exception detailed above.

### Response from the HSC Senior Executive Officer for Finance and Administration:

<b>Action Items</b>
<b>Targeted Completion Date:</b> Immediately
<b>Assigned to:</b> HSC Budget office and SOM Finance
<b>Corrective Action Planned:</b> Management agrees with recommendation #1 for the HSC. Our current standard operating procedure is to address and monitor year-end deficits through the UAP 7000 Categorization of Reserves (CAR) process along with HSC budget reviews. Deficits are reviewed at the College level as well as by the HSC Budget office during the CAR process. There are two possible outcomes when a unit has incurred a deficit: they will have a deficit reduction plan which is documented and monitored or the department will cover the deficit with the next year's operating budget. During HSC budget reviews deficits are examined to make sure they have been addressed or that the deficit reduction plan is being followed. Deficits do occur as a part of normal business operations at the HSC and should not normally be closed out against positive reserves. Tracking these deficits in the University's accounting system is a necessary internal control to ensure departments are spending resources responsibly. The School of Medicine, which has 80% of the academic HSC's budget, also has the largest portion of the deficits at the HSC. All SOM deficits are reviewed on a monthly basis to ensure they do not become a recurring concern. Not all departments can operate with a positive net margin due to the nature of our safety net mission. These deficits will be subsidized as determined by leadership.

### Discretionary Reserves

Discretionary reserves consist of balances remaining after committed and dedicated amounts are deducted. This classification of reserves indicates carry-forward funds, which are not intended for a specific purpose, and may be pulled back into the UNM's central pool and used for other University needs.

At fiscal year ended June 30, 2018, \$12.4 million, or 13.72%, of Main Campus's reserves were categorized as discretionary. Of the Main Campus discretionary reserves, the College of Arts and

Sciences and the Senior Vice President for Administration's Independent Offices have \$8.7 million, or 70.2% of total discretionary reserves. Academic Affairs reported a discretionary deficit of approximately \$5.8 million due to the University Press deficit of \$6.8 million, which is reported as a discretionary deficit at FYE 2018.

Discretionary reserves for HSC are \$3.0 million, or 4.07%, of its total reserves of \$73 million. Of HSC's discretionary reserves, the School of Medicine's discretionary reserves make up the majority at \$1.6 million, or 53.5%. However, the SOM's discretionary reserves are only 4.36% of its total reserves of \$36.5 million.

At fiscal year ended June 30, 2018, the UNM Branch Campuses had discretionary reserves of \$11.7 million, which made up 60.64% of its total reserves. The significant portion of discretionary reserves is primarily due to discretionary classification of reserves for the UNM Gallup and Valencia Branches. Discretionary reserves for these Branches were \$5.2 million, or 73.41%, of Gallup's total reserves of \$7.0 million; and \$4.0 million, or 81.49%, of Valencia's total reserves of \$4.9 million. The large number of discretionary reserves may be the result of UNM Branches not designating reserves intended for specific purposes.

The following presents UNM's categorization of reserves summarized at fiscal year ended 2018. See detailed categorization of reserve presentation at level 3 organization at **Exhibit 1**.

<b>Discretionary Reserves for FYE 2018</b>			
	<b>Total</b>	<b>Discretionary</b>	<b>% Total</b>
Main Campus	\$ 90,710,426	\$ 12,448,182	13.72%
UNM Branches	19,292,225	11,699,386	60.64%
Health Sciences Center	<u>72,951,877</u>	<u>2,969,478</u>	<u>4.07%</u>
<b>Total Campus Operations</b>	<b>\$ 182,954,528</b>	<b>\$ 27,117,046</b>	<b>14.82%</b>

Source: UNM Budget Office

### **Recommendation 2:**

The Provost's Office Director of Financial Operations should conduct a review of discretionary reserves reported by Branch Campuses, specifically UNM Gallup and Valencia Branches for reasonableness. Reserves that are intended for specific purposes and are currently reported as discretionary should be designated as dedicated at the beginning of each fiscal year.

**Response from the Provost's Office Director of Financial Operations:**

<b>Action Items</b>
<b><i>Targeted Completion Date:</i></b> September 30, 2019
<b><i>Assigned to:</i></b> Provost's Office Director of Financial Operations
<p><b><i>Corrective Action Planned:</i></b> During the Categorization of Reserves (CAR) process for FY19 reserves, the Provost Office fiscal team will review the Branch Campus CAR reports to verify that all reserves are being categorized appropriately, and not defaulting to discretionary reserves prior to the CAR system deadline. If it is determined that reserves are not being categorized per policy, branch campus CEOs will be notified and adjusting entries will be made prior to the closure of the CAR system.</p> <p>In addition, an email will be sent by August 1, 2019 (prior to the CAR system opening) that Branch Campuses are required per policy to categorize reserve balances according to UAP 7000, and additional review from the Provost Office will take place this year prior to the reporting deadline.</p>

**Deficits**

UAP 7000: Budgets and Reserves states, *"If departments anticipate a year-end deficit, the department heads must notify their dean or director of the estimated deficit as soon as they are aware of the projected deficit. The dean or director must identify funds to cover the deficit; in the event of a large departmental deficit, a multi-year deficit payoff plan may be implemented with the approval of an executive vice president. The department head must also submit a plan for resolving the causes of a deficit."*

The following presents UNM department deficits exceeding \$50,000 for Main Campus, Branches, and HSC as of June 30, 2018.

<b>Deficit at June 30, 2018</b>	
<b>Department</b>	<b>Deficit</b>
<b><i>Main Campus</i></b>	
University Press UP	(6,778,341)
Enrollment Management	(1,572,123)
Athletics	(4,492,379)
CAS Contingent Instruction	(860,467)
Continuing Education	(192,241)
Student Publications	(134,043)
Real Estate Operations	(86,716)
IT Campus Outreach & Engagement	(82,272)
Food Service Vendor Billing	(72,571)
Accessibility Resource Center	(67,008)
<b>Total Main Campus</b>	<b>(14,338,161)</b>
<b><i>HSC</i></b>	
SOM Surgery	(3,649,664)
Internal Medicine IM	(3,347,565)
Office of the Medical Investigator	(720,725)
Obstetrics Gynecology OB GYN	(690,618)
Department of Dental Medicine	(448,691)
COP Radiopharmacy	(168,860)
Dermatology	(86,131)
<b>Total HSC</b>	<b>(9,112,254)</b>

Internal Audit performed a review department deficits and determined compliance with UAP 7000 regarding deficit reduction plans for deficits exceeding \$50,000.

#### Main Campus

- A deficit reduction plan is not in place for Enrollment Management and Food Services Vendor Billing department deficits of (\$1,572,123) and (\$72,571). However, management for these areas believe the deficits will be eliminated by the end of FY 2019.

#### HSC

- A formal deficit reduction plan was not in place for Obstetrics Gynecology (\$690,618), Radiopharmacy (\$168,860), and Dermatology (\$86,131) departments. However, management for these areas believe the deficits will be eliminated by the end of FY 2019.

#### **Recommendation 3:**

The Provost's Office Director of Financial Operations, The Interim Senior Vice President for Finance and Administration, and HSC Senior Executive Officer for Finance and Administration should:



- Ensure FY 2018 deficits for Enrollment Management, Food Services Vendor Billing, OBGYN, Radiopharmacy, and Dermatology are eliminated prior to the close of FY 2019.
- Monitor and enforce current deficit reduction plans to ensure existing departments deficits are reduced and eliminated according to plans.

**Response from the Provost's Office Director of Financial Operations:**

<b>Action Items</b>
<b><i>Targeted Completion Date:</i></b> July 31, 2019
<b><i>Assigned to:</i></b> Provost's Office Director of Financial Operations and Director of Financial Aid
<p><b><i>Corrective Action Planned:</i></b> If it is determined that a deficit reduction plan is needed, units will work with the Provost Office to establish a reasonable reduction plan within UAP 7000 policy limitations. At this time, all deficit reduction plans are monitored and documented by the Provost Office.</p> <p>Enrollment management did not have a documented deficit reduction plan because the FY18 deficit was to be eliminated by the end of FY19. Enrollment Management has verified that the accumulated deficit will be eliminated by the end of FY19. The Provost Office fiscal team will verify that the deficit has been eliminated at the end of the fiscal year and will send the corresponding report to Internal Audit to document that no further action is needed.</p>

**Response from the Senior Vice President for Finance and Administration:**

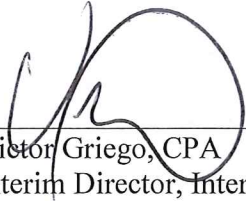
<b>Action Items</b>
<b><i>Targeted Completion Date:</i></b> July 31, 2019
<b><i>Assigned to:</i></b> Director of University Budget Operations
<p><b><i>Corrective Action Planned:</i></b> The Sr. VP for Finance and Administration office will eliminate FY 2018 deficits prior to the close of FY 2019.</p> <p>If it is determined that a deficit reduction plan is needed, units will work with the Sr. VP office to establish a reasonable reduction plan within UAP 7000 policy limitations. At this time, all deficit reduction plans are monitored and documented by the office.</p>

**Response from the HSC Senior Executive Officer for Finance and Administration:**

<b>Action Items</b>
<b><i>Targeted Completion Date:</i></b> 10/31/2019
<b><i>Assigned to:</i></b> HSC Budget office and SOM Finance
<b><i>Corrective Action Planned:</i></b> HSC Management agrees with recommendation #3. The OBGYN and Radiopharmacy deficits have already been resolved while Dermatology will not be able to clear their deficit by the end of FY2019 and will have a deficit reduction plan in place at year-end. Deficit reduction plans will be documented through the FY 2019 CAR process.

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## APPROVALS



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Victor Griego, CPA  
Interim Director, Internal Audit Department

Approved for Publication



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Chair, Audit and Compliance Committee

<b>Main Campus and Branch Campus Discretionary Reserves for FY 2019 by Level 3 Organization</b>			
<b>Department</b>	<b>Total Reserves (Deficits)</b>	<b>Discretionary</b>	<b>%</b>
<i><u>Main Campus</u></i>			
College of Arts & Sciences A&S	16,501,211	4,467,554	27.07%
EVP Admin Independent Offices	17,965,421	4,239,645	23.60%
School of Engineering SOE	12,384,270	2,662,456	21.50%
Vice President for Research	5,906,552	1,569,489	26.57%
College of Education COE	4,572,376	1,256,736	27.49%
Provost Administrative Units	(840,890)	861,426	-102.44%
Assoc. VP Student Life (ACD)	1,436,195	685,093	47.70%
School of Law LAW	5,883,493	624,932	10.62%
College of Fine Arts CFA	3,131,277	467,584	14.93%
Controller	1,320,342	369,910	28.02%
President Admin Indpnt Office	1,382,651	187,200	13.54%
School of Architecture & Planning	1,694,561	184,457	10.89%
VP Student Affairs Administration	709,068	169,527	23.91%
EVP Administration	2,827,535	132,701	4.69%
Human Resources HR	785,114	103,419	13.17%
Continuing Education Cont Ed	(192,241)	53,660	-27.91%
VP Student Affairs Indpdnt Dept ID	396,222	46,350	11.70%
Honors College	157,221	43,088	27.41%
Extended University Ext Univ	1,718,719	41,522	2.42%
University College UC	218,182	27,141	12.44%
College of Univ Lbry & Learning Sci	1,134,924	13,483	1.19%
VP for Equity & Inclusion	185,737	7,853	4.23%
Associate VP Student Services	303,889	4,155	1.37%
VP Institutional Support Services	7,632,425	2,688	0.04%
Anderson Schools of Management ASM	2,796,334	-	0.00%
Information Technologies	2,012,341	-	0.00%
Other	256,442	-	0.00%
VP Division of Enrollment Mgmt	(1,572,123)	-	0.00%
VP Institutional Adv College	899,639	-	0.00%
Intercollegiate Athletics	(2,415,258)	(21,937)	0.91%
Academic Affairs Monitoring	1,518,796	(5,751,948)	-378.72%
<b>Total Main Campus</b>	<b>90,710,427</b>	<b>12,448,183</b>	<b>13.72%</b>
<i><u>Branches</u></i>			
Gallup Branch	7,030,856	5,161,137	73.41%
Valencia County Branch	4,917,442	4,007,248	81.49%
Taos Branch	5,409,387	2,089,098	38.62%
Los Alamos Branch	1,934,540	441,903	22.84%
<b>Total Branches</b>	<b>19,292,225</b>	<b>11,699,386</b>	<b>60.64%</b>
<b>Total Main Campus and Branches</b>	<b>110,002,652</b>	<b>24,147,568</b>	<b>21.95%</b>

Source: Banner Accounting System

Exhibit 1

<b>HSC Discretionary Reserves for FY 2019 - by Level 3 Organization</b>			
College of Nursing	5,181,347	-	0.00%
College of Pharmacy	4,886,389	82,808	1.69%
College of Population Health	757,610	197,712	26.10%
HS Library and Informatics Center	206,933	-	0.00%
HSC VP Research	2,557,998	387,137	15.13%
School of Medicine	36,478,517	1,589,200	4.36%
Other	29,616	50	0.17%
VP HSC Administration	<u>22,853,468</u>	<u>712,570</u>	<u>3.12%</u>
<b>Total HSC</b>	<b><u>72,951,878</u></b>	<b><u>2,969,477</u></b>	<b><u>4.07%</u></b>

**Source:** Banner Accounting System

**Exhibit 1....Continued**