UNM Lobo Club audit reveals decades of fiscal mismanagement

Written by gallupsun
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ALBUQUERQUE – State Auditor Tim Keller released a special audit of the University of New Mexico Athletics Department and its related institutions including the UNM Foundation and the Lobo Club Nov. 10. The Office of the State Auditor initiated the audit in May after receiving multiple complaints from concerned citizens.

The audit reviews transactions from July 2014 through June 2017 and finds a structure lacking adequate transparency and accountability for financial decisions; and makes recommendations for improving financial accountability and oversight.

“A tangled web of transactions has made it difficult for the public, and even some of the financial staff at the University, to be able to decipher what is going on in the Athletics Department and the various supporting organizations,” Keller stated. “Decades of decentralization and the maze of structures has clouded financial transparency at our flagship university. This structure has historically allowed boards and management to defuse direct responsibility when it comes to important issues. We appreciate the University’s recognition of the problems we’ve highlighted and for their stated desire to get things fixed.”

The special audit contains 10 findings and highlights systemic problems, including:

- *Money mismanagement.* A lack of financial controls and confusion about responsibilities among staff and entities resulted in the University spending considerable effort to recover money lost through poor management.

    - Over $432,000 in uncollected revenue from luxury suites and club suites at Dreamstyle Arena (the Pit), for over half of which UNM had issued no contracts or invoices (over $238,000 of which remained uncollected as of September); over $250,000 in uncollected revenue from a contract with Lobo Sports Properties, LLC (a subsidiary of Learfield Communications); and $185,000 in overpayments to coaches which needed to be recouped.

- *Problematic “perks.”* The audit identified a range of problems with perks.

    - Booster clubs and the Lobo Club raised money that should not have been commingled with public funds. These funds were used for meals and alcohol, hotels, golf outings such as the UNM Scotland Golf Tour, and other uses that should have been purchased with Foundation funds but are not an appropriate use of public funds. The lack of clear policy and sources of funds leads to an appearance of impropriety at best and violations of the anti-donation clause of the New Mexico constitution at worst.

o The audit identified 23 recipients of perks who had not made any monetary contributions to UNM or its related entities. Giveaways or disproportionate perks create a lack of confidence among donors, students, and the public.

- · *No clear lines of accountability.*

o The Lobo Club, and dozens of similar organizations lack a requirement for a treasurer position, a vital best practice; the Athletics Department has not had a Financial Officer for the majority of the past five years; UNM has combined the following roles into one position: Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer (EVP/CFO/COO); and, a lack of clarity about UNM’s Internal Audit communications to UNM’s EVP/CFO/COO instead of reporting solely to the President and Regents as intended.

- · *Circular flow of money.* Funds flowing back and forth between organizations make individual accountability for financial decisions nearly impossible.

In the audit, the OSA recommends a number of governance reforms to increase accountability and transparency among the entities that UNM and the Board of Regents can take immediately, including:

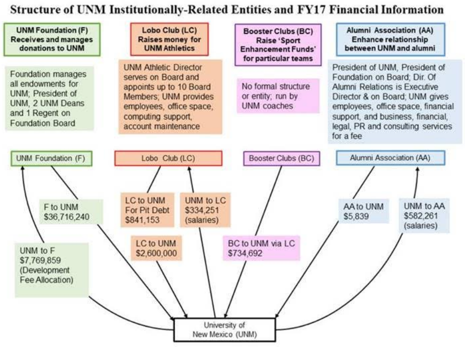
- The annual reporting between the Foundation, Alumni Association, Lobo Club and UNM should be expanded to include information on benefits or perks given to employees and donors so that UNM can identify issues like excess donor benefit and conflicts of interest.

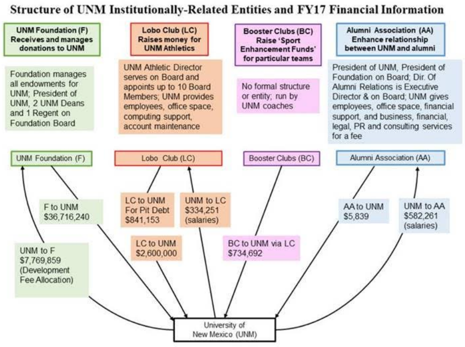
- The mandate of overlapping individuals should be expanded to more clearly discharge UNM’s fiduciary duty to establish high standards of transparency and ethical responsibility, especially for UNM Athletics.

- UNM Internal Audit’s mandate, which is set by the Regents, should be expanded to expressly cover the operations of the related entities, with a specific focus on the Athletics funding and programs. Internal Audit currently has the right to demand information from the related entities as part of various agreements, but the Regents’ Policy on Internal Auditing and Compliance does not address the related entities, such as the Foundation, Booster Clubs and Alumni Association. Furthermore, Internal Audit should report directly to the President and the Regents as described in existing policy.

- Alternatively, UNM and its related entities may establish a centralized office of the ombudsman with the authority to address inter-component unit compliance and ethics concerns related to the dealings among the University, Foundation, Lobo Club and Alumni Association, especially with respect to Athletics. This can be accomplished without compromising the independent governance necessary in each entity.

- UNM should consider separating the Chief Financial Officer position from the Executive Vice President for Administration and Chief Operating Officer roles in order to achieve better segreg


Structure of UNM Institutionally-Related Entities and FY17 Financial Information
UNM Foundation (F) Receives and manages donations to UNM
Lobo Club (LC) Raises money for UNM Athletics
Booster Clubs (BC) Raise 'Sport Enhancement Funds' for particular teams
Alumni Association (AA) Enhance relationship between UNM and alumni
Foundation manages all endowments for UNM; President of UNM, 2 UNM Deans and 1 Regent on Foundation Board
UNM Athletic Director serves on Board and appoints up to 10 Board Members; UNM provides employees, office space, computing support, account maintenance
No formal structure or entity; run by UNM coaches
President of UNM, President of Foundation on Board; Dir. Of Alumni Relations is Executive Director & on Board; UNM gives employees, office space, financial support, and business, financial, legal, PR and consulting services for a fee
UNM Foundation (F)
Lobo Club (LC)
Booster Clubs (BC)
Alumni Association (AA)
F to UNM $36,716,240
LC to UNM For Pit Debt $841,153
UNM to LC $334,251 (salaries)
AA to UNM $5,839
UNM to AA $582,261 (salaries)
LC to UNM $2,600,000
BC to UNM via LC $734,692
UNM to F $7,769,859 (Development Fee Allocation)
University of New Mexico (UNM)



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