

**Financial Committee Meeting:  
April 1, 2024 1100 AM.**

**Financial Committee Members:** Steven Karpowicz- Chair; Elizabeth Valenzuela

Siri Gurunam Kaur Khalsa: Secretary.

Absent: Rey Martinez

New Member: Ram Adhikari-Forestry.

**Ex-officio member:** Stephanie Gonzales.

The Budget Report, looking at it as a preliminary budget with the numbers that NMHU is receiving from House Bill 2 and the state appropriations, there is an increase in the state appropriation funds. Waiting on the compensation budget and budget from the HED. Stephanie did an estimate on the preliminary budget. The compensation increase for FY 24 was 6% and for FY 25 it is 3%. Stephanie took 3%, which is half of the estimated FY 24 compensation increase, and placed it into the spread sheet.

The budget was tabled at the March Board Meeting. There is more work that needs to be done for budget FY 24 and setting the budget for FY 25. Historically, one office did it and put the numbers into spread sheet. This was presented to the board, approved, and sent to HED. This year, Stephanie is working and collaborating more closely with the departments, in order to get a true picture of each department budget.

Historically, the estimate of the next year's budget was twice the amount of university costs calculated from the first semester's numbers. Stephanie had looked at the numbers in banner for the first half of the year and then just doubled it. That method did not provide a true picture. There may have been positions that were not filled. Some "salary savings". There are flaws in that method. Some departments were understated in their budget. IT and athletics departments were understated a lot. FY 24 budget is due to the state on May 1. A Special Board Meeting is scheduled on April 26 to approve the budget. It sounds like there will not be a projected fee and tuition increase.

**Question:** For the past 2 years, it seems that the internal audit costed \$250,000 and the external audit costed \$150,000. What are the expenses with these 2 audits?

**External audits:** This is the independent audit that NMHU has to have over their financial statements each year as regulated by the state and the Office of the State Auditor. (Have to have a debt audit and a single audit). The university has to hire an external CPA firm, who specializes in attestation services for clients. Currently, NMHU contracts with Carr, Riggs and Ingram. A contract goes to the state auditor for approval. This group audits for materiality on the balance sheet. Test the balance for assurance that they are materially correct. They first do the financial audit and then the single audit. There is a rumor that the federal government will increase the single audit threshold to 1 million dollars. Currently, the threshold is \$750,000. If one has federal expenses of \$750,000 or more, then a single audit is required. The auditors come in and use the Office of Management and Budget manual. Any federal moneys are audited for compliance by the university in how those moneys are used. The reports are turned into the state auditor on November 1<sup>st</sup>. The State Auditor then reviews them for compliance: Gap, Gatsby, the Governmental Accounting Standards compliance. NMHU spent a little over \$150,000 for this audit.

**Internal audits:** This is more like consulting work with another accounting agency. In the last 2-years secondary to the HR and Payroll issues, the prior office utilized Moss Adams to audit and reconcile the

insurance payments to the vendors. The project was internally mismanaged. We do not have any work to show for the money that was spent with Moss Adams. It was not due to Moss Adams' lack of trying to gain the information needed to complete the project. Moss Adams provided a report of the steps they tried in completion of the project when Stephanie came on board as VPFA in July 2023. The audit for FY 2023 began in July. To fix the HR payroll problem, NMHU worked with Ultimate Consulting, Taos HR Organics, and Moss Adams. The cost was well over \$800,000 with no work to show for that amount. The university stopped the attempted work with all three consultants. The auditors put an audit finding for FY 23.

There are 3 audits: NMHU isotopes, the NMHU Foundation, and the university. Stephanie will email reports to Steven.

On page 117, of the university audit, the audit finding, 2023-0026, "The Management of External Consultants". The Board of Regents is aware of this audit finding. One solution is to staff HR and Payroll in order to prevent this type of problem in the future. Need to develop procedures, to develop internal controls, build up the HR/Payroll department instead of having external vendors. HR Employment Analysis to look at the historical transaction of the employees to see who was paid, look at contracts, retirement, benefits, gross wages, personnel files. The new HR director is rebuilding the whole department.

**Plan:** Let's not hire external vendors. Let's bring them in-house and take care of the work internally. Let's not hire consultants for those kinds of things. Consultants are paid out of the VPFA budget. NMHU is looking to find appropriate funding for the golf course, based on HED's space policies, according to HED's Financial Recording Manual, Macudos Financial Recording Manual.

The Board of Regents has asked how NMHU is paying for the golf course. Currently, NMHU has a project with Moss Adams to address ways to finance the golf course.

Still working on the CFI calculations. NMHU finished the IPED survey. The IPED survey incorporate the CFI calculations on one of the pages. Almost finished with this.

There is a report from HED that showed the CFI and CFR scores From Fiscal year 2015 to 2022, showing our benchmarks, our rates, and our 8-year averages. In many cases NMHU is not hitting the benchmarks, when looking at the numbers. The benchmark for the Composite Financial Benchmark Score is 3 and our score is 1.4. These are the numbers that are reported to both HED and HLC.

Meeting with HED about the audit findings on April 2.

The chair of Board of Regents has been pushing for the use of the Legacy Endowment funds. These funds are stored at the State Investment Council. Nothing has been done with the funds. The Legacy Endowment funds are historically restricted for scholarship. There are 7 funds. One is General Motors, one is Dawson High School, a High School near Raton, that closed down in the 1950s, Charles Ilfeld, something with New Mexico Laws of '94. The board of regents want to do something with these funds. Funds are restricted for time and purpose. The only thing that can release the restriction is time and purpose. No one else can release those funds. The board would like to tap into those funds in assistance of the dorms, golf course. The university knew they had these funds and had not used them. There is a legal process that one must follow in the release of these funds. Unable to find the historical documents about these funds. Administration has looked for the documents about these funds in the archives and

the state library. There has been no contributions to or withdrawals from these funds. The university may need to go to court or probate to release these funds.

What are the faculty's' thought about the golf course? **History of the golf course:** In the 1950s, the University had owned land at the airport. The university had done a swap with the city, resulting with the city getting the land at the airport and NMHU getting the golf course. The golf course is not part of the university mission and has been operating in the red. The golf course is an axillary, so a business with net income. As noted in Banner, the golf course unofficially had borrowed 3.1-3.3 million dollars of cash from other funds. HLC could see a negative balance from the axillary funds. HLC stated that the golf course issue needed to be dealt with and not incur any more debt from the golf course operations. The board has created MOUs with the city and county, which are helping to pay for the operations of the golf course. There is still debt in operations. The students do not use the gulf course. Unsure about the faculty.

The FY 24 budget is due to the state on May 1<sup>st</sup>. Finalize the adjustments requests for FY 24 and the proposed budget for FY 25. Working on correcting the two material audit issues (HR/Payroll issues and Account reconciliation issues). Meetings have been scheduled with the business office to address the audit issues. The year-end closing and year-end opening will happen this summer.

Questions about Paycom and other business.

- 1) Faculty has their base salary. Paycom is documenting 80 hours for 2 weeks of work. Vacation and Holiday time is reduced from the base salary of 80 hours per pay period and itemized as either vacation time or holiday time so that the total hours recorded as work per pay period is 80 hours.
- 2) 9-month contracts are spread over 12 months for those employees who have benefits. In the summer time the faculty with 9-month contracts, are not required to work. How is the payroll reconciled when Faculty take an overload during the summer? Based positions are entered into Paycom into Form 1. This is the 9-month contract that are annualized over 12-months. Overloads are entered into Form 2. The start date of the overloads is set with the start of a pay period. The end dates of each overload contract have to align with the Pay-period end date. This information has to be manually entered into the system. The amount for each Overload Contract is divided by the number of pay periods. The quotient is the amount paid to the employee for a set number of pay periods.
- 3) Has there been any consideration of using the golf course for other activities, like using it for cross country meets for outside entities? The fairways and driving range of the golf course has to be maintained. We have a MOA with the city, for the use of the golf course for the Eastern and Western golf teams. Before the recreation center was built, there was a path around the golf course where individuals could use for running and walking activities. There are areas within the path which need maintenance. Stephanie will bring it up the idea of the use of the golf course for cross country meets with Aaron.

The March minutes were voted on with the revision. Changed the language of Stephanie's position with this committee from Guest to Ex-officio member. The new member, Ram Adhikari has been added to the committee membership. Elizabeth motion for the March minutes to be accepted. Steven seconded the motion. Minutes were approved.

Rey was on-campus for the Tenure & Promotion committee to review the faculty submissions for tenure & promotion. His plan was to talk with HR during that time. Steven will reach out to Rey to see if he was able to find out information about specifics on job descriptions.

Steven's initial search of the previous budgets revealed:

- 1) There are differences in the annual increases of compensation pay for specific positions from the set percentage increase. (Some positions received greater percentage of increase).
- 2) Under student orientation heading there are 2 individuals who are collectively receiving more than \$160,000 per year. What does the job entail which requires 2 individuals at this salary rate.
- 3) The VP of Forestry is listed under instruction.

The positions in the budget are listed under the FOAP designation. Each position in the university is sent to HR under a specific FOAP.

The new President wants to develop transparency with the funding of the university. Need to have the decisions recorded of the financial decisions made.

Steven noted some errors with the previous budgets. Stephanie will work with Steven while working on the FY 25 budget to address some of errors found in those previous budgets.

Meeting adjourned at 12:08