

**NEW MEXICO HIGHER EDUCATION DEPARTMENT  
FY19 INITIATIVES AND RECOMMENDATIONS  
ENHANCED FISCAL OVERSIGHT UPDATES**



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**PRESENTATION TO THE LEGISLATIVE FINANCE COMMITTEE  
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# Enhanced Fiscal Oversight Procedures (EFOP)

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- Institutions may be placed on Enhanced Fiscal Oversight when circumstances warrant additional scrutiny of HEI fiscal practices.
- HED's Higher Education Institution Auditor recommends to the Cabinet Secretary when HEIs should be placed on EFOP.
- EFOP requires HEIs to submit additional monthly and quarterly reporting along with governing board meeting minutes and action items.
- After notification HED invites HEI President, VP of Finance, Governing Board members and other pertinent leadership (e.g. Athletic Director) for in-person meetings to discuss EFOP process.
- Currently 3 institutions are on EFOP: Luna Community College; Northern New Mexico College; and UNM-Main Campus (Athletic Department)



# Statutory Authority

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- {9-25-2 NMSA} “The purpose of the Higher Education Department Act {9-25-2 NMSA 1978} is to establish a single, unified department to **administer laws and exercise functions** formerly administered by the commission on higher education.”
- {21-1-26 NMSA} (A)(1) “The higher education department **shall be concerned with problems of finance** of those educational institutions designated in Article 12, Section 11 of the constitution of New Mexico and other public post-secondary educational institutions in the state”.
- {21-1-26 NMSA} (A)(2) The department shall “**receive, adjust, and approve the budgets** submitted by these institutions prior to the submission of these budgets to the state budget division of the department of finance and administration”.
- {21-1-26 NMSA} (D) “The higher education department **is also charged with oversight** of all private post-secondary educational institutions operating within the state”.



# Criteria for EFOP – Key Indicators

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- HED uses the following criteria to determine the need for additional oversight:
  - Financial Solvency (Key Fiscal Metrics...i.e. net position, fund balance, cash and equivalents, short term investments, debt)
  - Financial Stability (Historic CFI Scores)
  - Fraud, Waste, or Abuse (NNMC & UNM)
  - Management & Control (NNMC, LCC, & UNM)
  - Budget Performance (UNM)
  - Annual Audit Results (NNMC)
  - Special audits, Investigations, Criminal Activities (NNMC, LCC, & UNM)



# Luna Community College (LCC) EFOP

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- Initiated July 27, 2016 based on findings of HED Special Audit
- HED met with President, VP of Finance, LCC Board (all members in attendance) November 2016 after special audit completion to discuss EFOP
- Current Status: HED was informed on August 28, 2017 by New Mexico Attorney General Office (NMAG) that field work is complete and a report was forwarded to the Attorney General for review/disposition. AGO findings are presently unknown. The Higher Learning Commission has placed LCC accreditation under show cause review.
- HED continues to monitor board actions and review fiscal health of LCC. HED is monitoring HLC actions with respect to LCC accreditation.



# Northern New Mexico College (NNMC) EFOP

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- Initiated March 10, 2017 based on an Disclaimer of Opinion of FY16 audit, late audit report and allegations of employee embezzlement.
- Met April 10, 2017 with NNMC President, VP of Finance, Board President and Treasurer to discuss EFOP procedure.
- Current Status: NNMC is conducting forensic review to determine if fraud extended to Federal Title III funds; investigation of embezzlement is under purview of NM State Police.
- HED is monitoring fiscal status and governing board actions. NNMC continues to update HED as prior year audit findings are resolved.



# UNM Athletics EFOP

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- Initiated October 3, 2017 based on the results of a Special Audit conducted by the Office of the State Auditor (OSA) and a persistent, multi-year structural budget deficit in the Athletics Budget.
- Met October 31 with UNM President and VP of Finance to discuss EFOP (no Regents or AD director were in attendance)
- Current Status: The OSA's special audit report was released on November 10, 2017 and included findings for financial mismanagement and misuse of public funds (Athletic Department) caused by a lack of control of the University's Governing Board. In response, UNM leadership has undertaken corrective actions to immediately strengthen controls/finances within the Athletic Department.
- HED is awaiting submission of a governing board-approved plan to eliminate the structural deficit within the Athletics budget.