

### **10-3 Board of Regents Manual: Part Three: Financial Matters and Reports**

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#### **1. Budget Requests.**

- A. **Preparation of Budget Requests.** The president of the University is responsible for the preparation of budget requests. The president presents budget requests to the Board, to the Higher Education Department and to the state Department of Finance and Administration. The president assists in presentation of the funding requests to the New Mexico Legislature.
- B. **Review of Budget Requests.** The Higher Education Department receives, adjusts and approves the University's budget request prior to submission of the budget request to the Legislature. [See NMSA 1978, § 21-1-28 (1980).]

#### **2. Operating Budgets.**

- A. **Responsibility for Preparation.** The president of the University is responsible for preparation of the operating budget, based on information from each University department. The president presents the operating budget to the Board and assists in modification of operating budgets as necessary. The operating budget, as finally approved by the Board, is submitted by the president to the Higher Education Department and the state Department of Finance and Administration.
- B. **Expenditures.** University expenditures shall be in accordance with the operating budgets approved by the Board.

3. **Accounting for Moneys Received and Reports.** The Constitution of the state of New Mexico requires that the University keep an accurate account of and report all moneys received. [N.M. Const. art. V, § 9.] The University must comply with all of the requirements in the accounting manual of the Higher Education Department, submit reports to the Higher Education Department as requested and furnish such additional information as the Higher Education Department deems necessary. [See NMSA 1978, § 21-1-33 (2003).] The University also makes full reports on federal money received to the Governor, who in turn transmits them to the Legislature. [See NMSA 1978, § 21-1-12 (1889).] The Legislature, however, does not have the power to limit or control the use of disbursement of these federal funds. Power to use federal funds rests with the Board. [See *Sego v. Kirkpatrick*, 86 N.M. 359, 524 P.2d 975 (1974).]

#### **4. Internal Audit.**

- A. **Audit Department.** Internal auditing is a comprehensive review of the diverse records and operations of the University. It is a managerial control that functions by

measuring and evaluating the effectiveness of other controls. Its purpose is to assist all personnel in fulfilling their assigned responsibilities by providing objective analyses of the activities reviewed. Internal audit functions for the University are provided by the internal auditor, who reports on internal audit activities to the Board. The internal auditor is responsible for the accomplishment of internal audits of all University departments at appropriate intervals determined by the president of the University.

- B. **Audit Reporting.** The internal auditor communicates the results of the internal audit directly to the Audit and Finance Committee of the Board and to the president of the University.
- C. **Internal Communication of Audit Information.** Direct communications of audit information among the internal auditor, the Audit and Finance Committee of the Board, the president of the University and the independent auditors of the University are authorized and encouraged.

## 5. External Audit.

- A. **Annual External Audit.** State law requires the University to undergo an annual audit conducted by the state auditor or by personnel of his or her office or by independent auditors approved by the state auditor. [See NMSA 1978, § 12-6-3 (2003).]
- B. **Retention of Certified Public Accountants.** In order to assure reasonable continuity in the auditing operation, the Board customarily approves the retention of certified public accountants to perform the audit and recommends that the same certified public accounting firm perform the audit for at least three (3) consecutive years.
- C. **Audit Results.** The certified public accountants performing the external audit shall report the results of the audit to the Audit and Finance Committee of the Board and to the president of the University and shall also deliver a formal written audit report to the Board.

## 6. Borrowing and Bonding Authority.

- A. **Institution Bond Act.** In conformity with the Institution Bond Act, NMSA 1978, § 6-13, the Board is authorized to borrow money through the issuance and sale of bonds of the University for the purpose of erecting, purchasing or otherwise acquiring, altering, improving, furnishing and equipping any necessary buildings or structures at the University, or acquiring any necessary land for use by the institution or for retiring the whole or any part of any series of bonds previously issued by the University under the provisions of laws. The Institution Bond Act provides, among other things, that bonds issued by the University under the Institution Bond Act may be sold at public or private sale, at the discretion of the Board. The proceeds from the sale of such bonds shall be paid to the secretary and treasurer of the Board, who shall then place these

proceeds in a separate fund known as the "building and improvement fund," to be used and paid out only for the specific purposes stated in the Institution Bond Act and the specific purposes for which the bonds were issued. At the time of issuing bonds, the Board shall establish for the payment of the principal and interest thereof a fund to be known as the "interest and retirement fund." The issuance and sale of such institution bonds constitute an irrevocable pledge by the Board of so much of each year's income from the permanent funds of the University as will be needed to provide the "interest and retirement fund" for the ensuing year and each succeeding year of the issue of sufficient moneys to pay the interest and principal on these bonds.

- B. Bonds Issued against Income-Producing Buildings and Improvements.** The Board is also authorized to borrow money through the issuance and sale of bonds for the purpose of purchasing, erecting, altering, improving, repairing, furnishing and/or equipping of any income-producing dormitory, auditorium, dining hall, stadium or swimming pool, and for acquiring any necessary and convenient lands for that purpose. The Board is authorized to impose and collect such fees as it deems necessary in order to retire those bonds on schedule. [See NMSA 1978, § 6-17.]
- C. Books of Account.** The Board shall maintain proper books of account and records relating to the pledged gross revenues and bond service fund. These records are audited annually by the state.

## 7. Use of Funds.

- A. Draws on State Treasury.** New Mexico law provides that the secretary and treasurer of the Board makes disbursements of the funds in his or her hands on the order of the Board, which order is countersigned by the president of the Board, and states on what accounts the disbursement is made. The vice president for Business Affairs of the University, pursuant to order of the Board, draws on funds in the state treasury to the credit of the University to commence the erection of any necessary buildings or improvements or pay running or other expenses of the University, provided that the Board only draws money as necessary to disburse it. [See NMSA 1978, §§ 21-1-10 (1995) and 21-1-11 (1889).]
- B. Limitations on Use of Funds.** Funds appropriated in the General Appropriations Act for the University may not be used by the Board for the support of any program of graduate study, other than those programs maintained by the University prior to September 1, 1954, except by explicit approval of each program by the Higher Education Department and the state Board of Finance prior to the use of such funds. [See NMSA 1978, § 21-1-24 (1971).] The Board may not expend money for the purchase of real property or the construction of buildings or other major structures or for major remodeling projects without prior approval of such actions by the Higher Education Department and the state Board of Finance. [See NMSA 1978, § 21-1-21 (1971).]

- 8. Branch Campuses.** The branch community college campuses, off-campus instruction centers, extension services and public broadcast stations are subject to the applicable policies and procedures of the University and the Board, unless the Board specifically directs otherwise. Provosts, deans and directors of the branch community college campuses and off-campus instruction centers are delegated their power and authority by the president of the University.

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