



**NEW MEXICO INSTITUTE  
OF MINING AND TECHNOLOGY  
EMPLOYEE BENEFIT TRUST**

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2014 and 2013**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
New Mexico Institute of Mining and Technology  
Employee Benefit Trust

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Qualified Opinion on Other Post Employment Benefits Unfunded Liability**

As more fully described in Note I to the financial statements, a post employment benefit for retired faculty is contained in the benefit structure of the plan. The Trustees of the plan have not yet engaged a qualified actuary to perform the GASB 45 other post employment benefit (OPEB) study in order to determine the magnitude of potential unfunded accrued actuarial liability (UAAL) associated with the OPEB obligations. Accounting principles generally accepted in the United States of America require the measurement and accrual of annual OPEB cost on an accrual basis and require that the Trust obtain a periodic actuarial study. Certain disclosures and required supplementary information associated with actuarial values of OPEB plans are not reported since there has been no actuarial study.

### **Qualified Opinion**

In our opinion, except for the effects of not recording the estimated costs of post employment benefits under GASB 45 and reporting associated disclosures, as discussed in the Basis for Qualified Opinion on Other Post Employment Benefits Unfunded Liability paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Trust as of June 30, 2014 and 2013 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

The financial statements of the Trust are intended to present financial position and changes of financial position attributable to the Trust. They do not purport to, and do not, present fairly the financial position of New Mexico Institute of Mining and Technology and changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not modify our opinion for this matter.

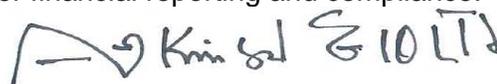
### **Other Matters**

#### ***Required Supplementary Information***

For the years ended June 30, 2014 and 2013, Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
January 23, 2015

New Mexico Institute of Mining and Technology  
Employee Benefit Trust

**STATEMENTS OF NET DEFICIT AVAILABLE FOR BENEFITS**

June 30,

	2014	2013
<b>ASSETS</b>		
Investments at fair value		
New Mexico State Investment Council		
Large Cap Active Pool	\$ 682,829	\$ 817,641
Core Bond Fund	292,366	-
Mid/Small Cap Pool	149,534	119,453
Non US Developed Pool	104,851	85,867
New Mexico State Treasurer Local Government Investment Pool	65,518	65,450
Total investments	1,295,098	1,088,411
Cash and cash equivalents	201,502	154,570
Employee contributions receivable	279,352	242,975
Health insurance prepayments	4,016	6,341
Total assets	1,779,968	1,492,297
<b>LIABILITIES</b>		
Due to New Mexico Tech	1,350,000	1,750,000
Flexible benefits payable	7,785	6,895
Unfunded accrued actuarial liability (Note I)	-	-
Claims incurred but not reported	1,325,000	700,000
Total liabilities	2,682,785	2,456,895
Net deficit available for benefits	\$ (902,817)	\$ (964,598)

The accompanying notes are an integral part of these financial statements.

New Mexico Institute of Mining and Technology  
Employee Benefit Trust

**STATEMENTS OF CHANGES IN NET DEFICIT AVAILABLE FOR BENEFITS**

Years Ended June 30,

	2014	2013
Increase in net position attributed to		
Contributions		
Employer	\$ 4,704,921	\$ 4,507,296
Employee	3,540,464	3,460,520
Total contributions	8,245,385	7,967,816
Investment income		
Increase in fair value of investments	206,619	143,530
Interest	5,807	3,755
Total investment income	212,426	147,285
Other revenue	10,413	3,891
Total additions	8,468,224	8,118,992
Decrease in net position attributed to		
Claims expense, net of stop-loss refunds of \$1,548,700 in 2014 and \$594,542 in 2013	7,054,106	7,733,094
Insurance premiums	1,033,084	999,466
General and administrative	319,253	369,611
Total deductions	8,406,443	9,102,171
Net increase (decrease) in net position available for benefits	61,781	(983,179)
Net (deficit) position available for benefits, beginning of year	(964,598)	18,581
Net (deficit) position available for benefits, end of year	\$ (902,817)	\$ (964,598)

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

### NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Organization

The Board of Regents of the New Mexico Institute of Mining and Technology (the Institute) created the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust) to operate, control and maintain a self-funded program to provide certain health benefits (medical and dental) to eligible Institute employees and certain members of their families. Retired employees of the Institute are eligible to participate provided that they continue paying the employee contribution assessed to active Institute employees, as well as the contribution portion which is paid by the Institute for active employees (see Note B). In addition, this program is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health, life, and dependent care expenses. These collective benefits comprise the Trust. The Board of Regents of the Institute serves as Trustees (Trust Committee) and has delegated the operations of the Trust to the executive staff of the Institute. The Trustees and Institute management have designated a third-party administrator to process the claims submitted by covered participants.

#### 2. Basis of Presentation

The financial statements of the Trust have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities acting as fiduciaries. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared on the accrual basis. The Trust has been determined by management that the Plan is a legally formed independent trust and is recorded as an agency fund in the Institute's financial statements. The Trust accounts are separately audited as required under GASB 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*.

#### 3. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with maturities of three months or less when purchased. The Trust maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits requirements. The Trust has not experienced any losses in such accounts.

#### 4. Investments

The New Mexico State Investment Council's (SIC) investments are stated at fair value in accordance with GASB Statement No. 31, with increases or decreases in fair value recognized in the statement of changes in net assets at the end of each month. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared. Current fair value of investments may fluctuate markedly from what is recorded at June 30 of each year. The investments function similar to mutual funds and are secured by purchased financial securities. The SIC issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

4. Investments – Continued

report may be obtained by writing to State Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507. The report is also available on the SIC's website at [www.sic.state.nm.us](http://www.sic.state.nm.us).

The SIC's investments are reported by the SIC within the Trust in the following categories: private-purpose trust funds and external investment trust funds. Both types of funds are participants in the Office's Large Cap. Active, Large Cap. Index, Core Bonds, Structured Credit, Mid/Small Cap., Non-U.S. Developed Markets, Non-U.S. Emerging Markets and Absolute Return investment pools. Interest rate risk, custodial risk, credit risk, and risk of uncertainty of these investments are described in detail within the SIC's financial report.

5. Health Benefits Payable

Health benefits payable are accrued based on Plan experience being the provision for incurred but not reported claims. The Trust holds employee and university contributions which are used solely to offset claims incurred and administrative fees associated with the Plan. As of June 30, 2014 and 2013, there were \$1,325,000 and \$700,000 claims incurred but not reported as accrued health benefits payable.

6. Flexible Benefits Payable

Flexible benefits payable represent the Trust's liability for employee contributions to the Flex Plan. Employees have the option to participate in the Flex Plan by making pre-tax contributions from their salaries up to defined maximum limits. The Institute has no obligations under the Flex Plan. The Trust administers the Flex Plan and any unclaimed amounts in the flexible benefits payable at the end of the calendar year revert to the Trust for use at its discretion.

7. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include claims incurred but not reported liability (IBNR) and unfunded accrued actuarial liability (UAAL) for post employment benefits.

8. Subsequent Events

Subsequent events have been evaluated through January 23, 2015, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2014. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

9. Eligibility

All full-time employees of the Institute and their eligible dependants are eligible to participate in the Plan. An employee is eligible for coverage on the first day of the month following attainment of status as a full-time employee.

**NOTE B – FUNDING POLICY**

The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis.

The Trust has stop-loss insurance for individual employee claims in excess of \$135,000, with an overall limitation on aggregate claims of \$2,000,000.

**NOTE C – INTEREST IN THE LOCAL GOVERNMENT INVESTMENT POOL**

The investment in the State Treasurer's investment pool is valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the funds were invested. Participation in the LGIP is voluntary. The Trust has no control over the State Treasurer's investment pools and provides the following disclosure provided by the State Treasurer's Office concerning the Trust's investment in the *New MexiGROW* LGIP:

June 30, 2014

*New MexiGROW* LGIP    AAAM rated    \$65,518    49 day WAM(R) and 116 day WAM(F)

New Mexico Institute of Mining and Technology  
Employee Benefit Trust

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE D – TRANSACTIONS WITH NEW MEXICO TECH**

The Institute advanced \$600,000 and the Trust repaid \$1,000,000 during the year ended June 30, 2014 (see Notes F & H). This decreased the total obligation due to New Mexico Tech by \$400,000. As of June 30, 2014 and 2013, the Trust owed New Mexico Tech \$1,350,000 and \$1,750,000, respectively.

Certain employees of New Mexico Tech provide administrative and accounting services for the Benefit Plan at no charge to the plan. The cost of the annual audit has been paid by New Mexico Tech.

**NOTE E – CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of June 30, 2014 and 2013 have been based on the Institute's historical claims' experience. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

As of June 30, 2014 and 2013, the changes in reserves for claims and claims adjustment expenses are as follows:

	<u>2014</u>	<u>2013</u>
Liability for claims and claims adjustment expenses at beginning of year	\$ 700,000	\$ 380,846
Incurred claims and claims adjustment expenses	7,054,106	7,733,094
Payments, net of recoveries	<u>(6,429,106)</u>	<u>(7,413,940)</u>
Liability for claims and claims adjustment expenses at end of year	<u>\$ 1,325,000</u>	<u>\$ 700,000</u>

**NOTE F – TERMINATION PROVISIONS**

The Trust may be terminated at any time upon due notice by the Trust Committee or the Institute. Upon termination, all monies remaining in the Trust will be used to pay any unpaid claims or used to continue benefits described in the Trust document until all such monies have been exhausted. In no event, upon termination, shall any assets of the Trust revert back to the Institute. The Institute is not legally committed or obligated to fund deficits in the Trust but has advanced funds on an as needed basis as determined by the sole discretion of the Trust Committee (see Notes D & H). The Institute is required to indemnify and pay the Trust up to \$142,000 in reserves from the contributions made by participants.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE G – INCOME TAX STATUS**

The Internal Revenue Service has determined and informed the Institute by letter dated January 26, 1984 that the Trust is tax-exempt, under Section 501(c)(9) of the Internal Revenue Code. The Trust has been amended since receiving the determination letter. However, the Trust Committee believes that the Trust is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Trust Committee believes that the Trust was tax exempt during the periods covered by the accompanying financial statements.

**NOTE H – HEALTH BENEFIT PLAN CHANGES**

As of January 2015, the Trust has been running a deficit because of high Health Benefit claims since the year ended June 30, 2012. The Institute is not legally responsible for the deficit in excess of \$142,000 (See Notes D & F). In response to recently incurred deficits, the Trust has been revamped during the previous fiscal year by amending and restating the plan effective January 1, 2013. All three of the previous plans were terminated and three new plans were implemented beginning January 1, 2013. The new plans are Preferred Provider Organization (PPO) plans; \$750, \$1,000 and \$1,500 deductible are available for employees. It is expected that the three new PPO plans will be more cost effective over time. During the year ended June 30, 2014, the regents voted to increase employee contribution requirements to the plan by 16%. For FY 2014, increases to net position available for benefits exceeded decreases by \$61,781.

**NOTE I – OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY**

Faculty of New Mexico Tech may continue health benefit coverage at retirement by electing to pay the full active participant premium charged to New Mexico Tech's health coverage plan, a single employer plan. The differential between the active participant premium and that charged for an older retiree on a standalone basis qualifies as a post employment benefit. Governmental Accounting Standards Board Statement No. 45 (GASB 45) "**Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions**" requires accrual accounting for this post employment benefit which in turn requires the determination of the respective unfunded actuarial accrued liability that applies to all participants receiving the benefit. GASB 45 further requires a periodic actuarial study be obtained to measure the amount of the pension benefits on an accrual basis. The Tech plan is currently on a pay as you go basis. These financial statements do not contain the determination of the unfunded actuarial accrued liability (UAAL) that would be accrued. The amount of the UAAL accrual and the materiality to the financial statements is uncertain.

## **SUPPLEMENTARY INFORMATION**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
New Mexico Institute of Mining and Technology  
Employee Benefit Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), as of and for the year ended June 30, 2014, and have issued our report thereon dated January 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged by governance. During our audit we did identify a deficiency in internal control that we consider to be a significant deficiency that is described as item 2014-001 in the accompanying schedule of findings and responses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify a deficiency in internal control that we consider to be a material weakness that is described as item 2013-001 in the accompanying schedule of findings and responses.

## Compliance and Other Matters

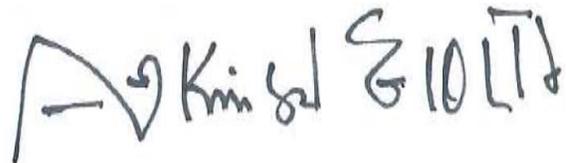
As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The Trust's Response to Findings

The Trust's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
January 23, 2015

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended June 30, 2014

**Prior Year Finding Description**

*Findings – Financial Statement Audit*

2013-001 Other Post Employment Benefits (OPEB) Unfunded Liability (Material Weakness)  
Repeated and Modified

**Current Year Finding Description**

*Findings – Financial Statement Audit*

2014-001 Financial Close and Reporting (Significant Deficiency)

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2014

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2013-001 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY  
(SIGNIFICANT DEFICIENCY)**

**CONDITION**

The Institute's self-insured health plan provides a certain post employment benefit to retired faculty participating in the plan. Retired faculty are charged the premium that is applicable to active faculty including the employer portion. The differential between this active premium (generally lower in amount) and what might be charged to retired faculty for health insurance on a standalone basis (generally higher in amount) is a post employment benefit. Accounting standards require that this liability be estimated and recorded on an accrual basis. The actuarial calculation of this liability is currently not yet contracted for and is not recorded in the financial statements of the benefit trust administered by the university. Certain information was received from an actuary during 2014 but it was not completed in accordance with GASB.

Often, the employer cannot calculate the elements, even if they wanted to. The reason: the pension elements are actuarially derived from the census data of active, inactive or retired employees, which is dependent on demographic data of the plan participants. Employers (collectively, the Institute and the Trust) typically do not maintain the underlying records of inactive or retired plan participants. These records are maintained by the plan. Therefore, the employers will be challenged in ensuring census data for its inactive and retired members are complete and accurate. On an annual basis, employers should obtain the census data file provided to the actuary by the plan to ensure the plan properly accumulates census data information for active members.

**CRITERIA**

GASB 45 requires the NM Employee Benefit Trust (Trust) to obtain an actuarial study in order to measure the magnitude of potential unfunded accrued actuarial liability (UAAL) associated with other post employment benefit (OPEB) obligations. However, the GASB's approach now is strictly an accounting, not funding, one.

**CAUSE**

The Trustees of the plan have not yet received appropriate information from a qualified actuary to perform the GASB 45 OPEB study.

**EFFECT**

Management does not know the impact of the UAAL if material and may have failed to comply with the OPEB disclosure requirements of the Trust under GASB 45. The plan received a qualified opinion due to uncertainty regarding the materiality of UAAL.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2014

**FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED**

**2013-001 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY  
(MATERIAL WEAKNESS) - CONTINUED**

**RECOMMENDATION**

We recommend that management obtain an actuarial study as of June 30, 2014 as soon as possible for this measurement. The study should provide information required by accounting standards to record OPEB expense and liabilities.

Management should also establish effective internal control over financial reporting processes and controls to determine that complete and accurate information is reported to the plan and the plan actuary regarding active members. Employer management must have supporting documentation for the assumptions used in measuring its specific pension amounts with appropriate, reliable and verifiable information. Employer management must be able to support the underlying census data used by the actuary rather than relying solely on what plan management and the actuary tell them to present and disclose in financial statements.

**MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN**

Management will follow up and obtain an actuarial study to comply with GASB 45. New Mexico Tech attempted to have the actuarial study completed before the audit due date, but because of a communication breakdown, the report was not completed. The actuarial consultant did not receive the necessary information on time.

The NMT Human Resource Office and Meritain are gathering the required information for the study. The study has been re-ordered and is expected to be completed in the fall of 2015.

Point of contact: Lonnie Marquez, VP of Finance and Administration and Trustee  
Joann Salome, HR Director

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2014

**FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED**

**2014-001 FINANCIAL CLOSE AND REPORTING (SIGNIFICANT DEFICIENCY)**

**CONDITION**

During our audit, we noticed employee and employer contributions recorded on the general ledger did not reconcile to the subsidiary ledger by approximately \$187,000.

**CRITERIA**

Good accounting practices require regular and systematic reconciliations of significant asset and liability accounts.

**CAUSE**

Management had limited review and approval over financial close and reporting at year end which resulted in certain account balances and classifications not being fully reconciled.

**EFFECT**

Contribution revenues and expenses were not fully reconciled at year end to which certain liabilities were misclassified as revenues and employer and employee revenue classifications were misclassified.

**RECOMMENDATION**

We recommend monthly and annual financial close be reviewed and journal entries and classification of employer and employee contribution revenues be approved by the Vice President of Finance and Administration of the Institute in a timely manner.

**MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN**

As a result of turnover in personnel, it was not clear as to the monthly reconciliation process or who was responsible for year-end entries. Reconciliation was being done every month, but was missing a crucial step in indentifying and correcting the reconciling items that were found.

Corrective Action: The monthly reconciliation process was clarified to ensure that all outstanding items are identified and correcting entries are made if needed.

Point of Contact: Leyla Sedillo, Associate VP for Budget  
Emma Aafloy, Associate Director of Budget

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