



Kathie W. Winograd
PRESIDENT

November 15, 2018

Dr. Barbara Damron
Secretary
New Mexico Higher Education Department
2044 Galisteo Street, Suite 4
Santa Fe, NM 87505

Re: Comment on Proposed New Rule 5.3.11 NMAC Enhanced Fiscal Oversight Process (EFOP)

Dear Secretary Damron:

On behalf of Central New Mexico Community College (CNM), I would like to submit official comments on the Higher Education Department's (HED's) proposed rule establishing standard financial reporting requirements and the Enhanced Fiscal Oversight Program (EFOP).

In sum, the proposed revisions are warranted and the proposed process and timeliness are reasonable and consistent with current federal, state, and regional accrediting agency reporting dates for institutions. However, HED could provide greater clarity and guidance for both the Department and institutions to observe the proposed rule and consequences for being on EFOP status. Please consider the following comments to further guide administration and compliance with the proposed rule:

- The definitions of institution (eg., "branch colleges") and accrediting agencies - include regional accrediting agency and/or program accrediting bodies - could be clearer. For example, "Institution" could be defined as a research or comprehensive institution, as defined in Article XII, Section 11 of the New Mexico Constitution and branch community colleges or community colleges or technical vocational institute as defined by Section 21-13, 14 and 16 NMSA 1978.
- Reduce, prioritize, and clarify the risk factors considered by HED. Standards and principles applied by auditors (such as, GAAP, GASB, FASB) or accrediting bodies can be explicitly referenced for clarity.
 - Several of the risk factors are vague and subjective, for example, it is unclear what financial ratios (5.3.11.9 A(1)) will be evaluated or the appropriate thresholds for ratios to indicate liquidity or solvency issues. Risk Factor #20 (5.3.11.9 A(20)), "any other occurrence that indicates a lack of financial stability or lack of strong internal control" is overly broad, and does not guide institutions on what could be considered a risk.
- Provide a priority or ranking system for risk factors, or a combination of factors that are necessary for an institution to be placed on EFOP status. Not all of the risk factors indicate the same level of distress or riskiness. We suggest a lost invoice (5.3.11.9 A(4)) or failure to seek HED approval for a capital project (5.3.11.9 A(21)) may be considered a minor

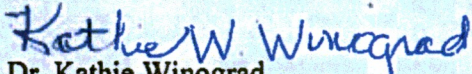


violation of a risk factor, and should not result in an institution being placed on EFOP status, though an institution's negative year-end fund balance (5.3.11.9 A(3)) could warrant such a status.

- Amend 5.3.11.18 to include timely notification of EFOP status determination and removal of status to entities listed in 5.3.11.13(B) or 5.3.11.15(D). The HED should issue final notifications and removal decisions to any entity that the HED notified of the initial determination or received interim reports.

Thank you for the opportunity to provide comments. The College appreciates your efforts to provide technical assistance and otherwise work with institutional leaders to continue to be good stewards of public funds.

Sincerely,


Dr. Kathie Winograd
President