

THE UNIVERSITY OF NEW MEXICO  
Board of Regents Audit Committee  
June 25, 2009 – Meeting Minutes

Members Present: Chairman Regent Raymond Sanchez, Jamie Koch (Quorum).

Other Attendees: David Schmidly, David Harris, Breda Bova, Ava Lovell, Therese Sears, Brandon Fryer, Greg Monk, Jason Gallaway, Cynthia Reinhart, Bob Fondino, Don Duszynski, Lissa Knudsen, Jim Dixon, Ella Watt, Carol Stephens, Patrick Apodaca, Michael Carr, Richard Holder, Bill Turner, Roger Eldridge, Bruce Cherrin, Donna Smith, Elizabeth Metzger, Laura Putz, Mike Tuttle, Wynn Goering, Richard Schuetz, Luther Wilson, Lisa Wauneka, Pam Losinski, Avedona Lucero, Richard Swanson, Melissa O'Neill, G. Christine Chavez, Yvonne Cox, Amy O'Donnell.

Regent Sanchez called the meeting to order at 10:35 a.m. in ROBERTS ROOM, Scholes Hall, UNM.

**ACTION ITEMS:**

- Discussion regarding Minutes of the Regents' Audit Committee (Committee) Meeting from April 16, 2009:

The Committee approved the Minutes of the Regents' Audit Committee Meeting from April 16, 2009 (Motion: Regent Koch, Second: Chairman Sanchez).

**INFORMATION ITEMS:**

- Internal Audit Director, G. Christine Chavez announced that the UNM Internal Audit Manager, Yvonne Cox, is retiring from the University of New Mexico, effective June 30, 2009. Director Chavez thanked her for her 26+ years of service.
- Brandon Fryer of Moss Adams, LLP, and Cynthia Reinhart and Greg Monk of KPMG, LLP presented the audit plan for the FY09 external financial audit to the Committee. The Regents were given a handout detailing the information for the presentation. The audits that will be performed include Main Campus, branches, UNM Hospitals, Health Sciences Center, the Medical Group, clinical operations, and component units. The audit process is required to follow three (3) primary requirements:
  1. Governmental Auditing Standards issued by the Comptroller General of the United States;
  2. OMB Circular A-133 (Federal funding), Audit of States, Local Governments, and Non-Profit Organizations; and
  3. New Mexico Office of the State Auditor – the State Auditor Rule.

There is a new auditing standard which requires enhanced formal and informal communication. The approach is risk-based. The main responsibility is to form and express an opinion on the financial statements.

The draft audit will be presented to UNM and the final revision process will be October 5-10. The delivery date to the State Auditor is October 15, 2009 (one month in advance of the true deadline with the State Auditor).

Regent Koch asked the external auditors to provide a written opinion on the appropriateness of the process for contracting high-profile projects such as the Pit renovation and the Cancer Center. He stated UNM would be willing to pay extra for this service.

Further details regarding the audit plan can be found in the information packet provided to the Regents.

Regent Koch also requested that Chairman Sanchez or President Schmidly contact the State Auditor's office to try to move forward on the faculty issue. Chairman Sanchez stated he would make that request.

- Audit Manager Yvonne Cox provided the Audit Committee with three reports as of June 19, 2009: "Past Due Findings", "Cleared Findings", and "Not Past Due Findings."
  1. Ms. Cox began with the past due findings. One item is an update on a finding regarding Parking and Transportation Services. This is a difficult finding to clear because it deals with credit card transactions. The University must be in compliance with PCI. However, it should be cleared soon. Another item is regarding reporting hours not worked with Enlace. They are working to resolve this; however, there is a delay because the transaction was posted to the incorrect account by Financial Services. Chairman Sanchez stated he wants this cleared as soon as possible, and President Schmidly stated he would assist in this effort if necessary.
  2. The next report presented is cleared findings. Ms. Cox commented on one of the findings regarding financial aid at Taos. There was a settlement agreement reached between the US Attorney's office and the former employee, and UNM does not owe any money to the US Department of Education.
  3. Ms. Cox reviewed not past due findings. Chairman Sanchez stated he is concerned about the number of items related to the Office of Capital Projects (OCP) and the Physical Plant Department (PPD). He stated that at some point in time - maybe in Executive session - we will talk a little bit more about that, but he has some concerns with all the notations regarding the Physical Plant.
- Ms. Cox discussed supplemental follow-up information provided by Office of Capital Projects (OCP) and Physical Plant Department (PPD). Chairman Sanchez noted he is glad to see this information. This "dashboard" information addresses the status of the audit findings and the progress of clearing findings by OCP and PPD.
  1. Bill Turner and Roger Eldridge gave a presentation reviewing the material provided to the Regents by the Office of Capital Projects. Mr. Turner stated that the policy and procedure manual is the most complex task they are undertaking. They have finalized about 1/3 of the items, and are in the final draft stage on a few more items.
  2. Ms. Cox gave a brief explanation of PPD's best practice document they use to track findings to assure that they are cleared.
- Director Chavez presented the Director's Report to the Regents.
  1. Ms. Chavez reported that Internal Audit is proposing FY 09-10 Audit Committee meeting dates. The dates are October 15<sup>th</sup>, January 21<sup>st</sup>, April 15<sup>th</sup> and June 17<sup>th</sup>. These dates fall on Thursdays. Chairman Sanchez noted that he will not be chairing this committee in FY 09-10, but that we can move forward with the dates, subject to change.
  2. In relation to the audit plan status, during this year, four investigations were added. One investigation expanded, causing a postponement of another audit (2009-10 relating to an IT area). All audits identified as unassigned are audits that were postponed.

3. Internal Audit asked Jim Dixon, Chair of the University Collections and Management Committee and Director of the Maxwell Museum to present the results of the committee's work in relation to the internal audit of Art Collection Management issued in 2007. Mr. Dixon highlighted a few key areas from the full report given to the Regents. He noted the audit focus was on art collections, but the effort expanded to all the museums, and even includes biological and anthropological specimens. Chairman Sanchez stated he is concerned about making sure there is a reliable system in place for loaning inventory. Ms. Chavez stated there is a process in place. Mike Tuttle, Manager Risk Management, Insurance and Claims, was also present to answer any questions the Regents may have regarding insurance coverage. A main concern is for irreplaceable objects. Mr. Tuttle gave the Regents details on policy limits, scope of coverage and deductibles. He has been at UNM for six years, and in that time, there were three losses. Two of them were minimal, approximately \$100 and \$200 in value. The other was in relation to the Zimmerman fire, where several pieces were damaged by smoke. The net loss on that was approximately \$37,000. The assistant vice president for the broker, Huntington T. Block, toured Maxwell, the hospital, and the art museum and was extremely impressed with the security. Ms. Chavez stated she contacted University Services regarding the inventory listings for the museums. She was informed they are good about turning them in, and examples of these listings were provided to the Regents.

The meeting went into Executive Session for the reasons stated in the agenda. (Motion to close: Chairman Sanchez, Second: Regent Koch).

- a. Schedule of Audits in Process, pursuant to exceptions at Sections 10-15-1H(2 and 7), NMSA (1978);
- b. Discussion of Final Internal Audit Reports, pursuant to limited personnel matters exception at Section 10-15-1.H(2) NMSA (1978) and exception for matters subject to attorney-client privilege pertaining to threatened or pending litigation at Section 10-15-1.H(7), NMSA (1978). All audits presented to Committee were approved for publication (Motions to approve: Chairman Sanchez, Second: Regent Koch);
- c. Vote to re-open the meeting.

The meeting returned to open session (Motion: Chairman Sanchez, Second: Regent Koch). Certification that only those matters described above were discussed in Executive Session.

The Committee approved the following audit for publication:

- 2009-18, The University of New Mexico Press Audit of Business Practices and Processes.

There being no further business, the meeting was adjourned at 12:28 pm. (Motion: Regent Koch, Second: Chairman Sanchez).

Approved:

  
Audit Committee Chairman