ROBERT WOOD JOHNSON FOUNDATION CENTER FOR
HEALTH POLICY
AUDIT OF BUSINESS PRACTICES AND PROCEDURES

THE UNIVERSITY OF NEW MEXICO

Report 2009-03
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CONTENTS

EXECUTIVE SUMMARY .......................................................................................................... 1

INTRODUCTION ......................................................................................................................... 2

  BACKGROUND ...................................................................................................................... 2
  PURPOSE ................................................................................................................................. 3
  SCOPE ...................................................................................................................................... 3

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES ............................................... 4

  MANAGEMENT AND GOVERNANCE PLAN ................................................................. 4
    Updated Management and Governance Plan ................................................................. 4
    Regional and Executive Board ....................................................................................... 4
  PROCESSING DOCUMENTS FOR PAYMENT ................................................................. 5
    Review of Documents Processed for Payment ............................................................... 5
    Segregation of Duties ........................................................................................................ 6
  TIMEKEEPING APPROVAL .............................................................................................. 7

CONCLUSION ............................................................................................................................. 8

APPROVALS ................................................................................................................................9

ABBREVIATIONS

Center ......................... Robert Wood Johnson Foundation for Health Policy
FSSC ......................... Finance Services Support Center
Plan ......................... Management and Governance Plan
RWJF ......................... Robert Wood Johnson Foundation
RWJF Center ............... Robert Wood Johnson Foundation Center for Health Policy
UBP ......................... University Business Policy and Procedures Manual
UNM ......................... The University of New Mexico
EXECUTIVE SUMMARY

The Robert Wood Johnson Foundation Center’s (Center) Management and Governance Plan, Section 4.2 requires an internal audit of the Center every two years. Internal Audit conducted this first audit, covering the period of January 1, 2007, through December 31, 2008.

The Center has experienced considerable turnover in interim leadership since its inception in 2007. However, with the hiring of the new Executive Director in January 2008, it appears the Center now has a stable and efficient management structure. Implementation of the strategic plan in April 2008 brought a new and different approach and emphasis to the Center’s operations from the original proposal.

Based on our audit, it appears that the Center has adequate internal controls to ensure that they are in compliance with applicable laws and regulations, University of New Mexico (UNM) Policies and Procedures, Robert Wood Johnson Foundation (RWJF) Policies and Procedures, and policies and procedures developed by the Center. The Center is in compliance with submitting financial information to RWJF. They appear to be operating economically and efficiently to adequately protect acquisition of resources. The following summary provides management with an overview of our recommendations to further refine and clarify the management structure of the Center to conform with current operations.

MANAGEMENT AND GOVERNANCE PLAN

The Executive Director should draft and complete a new Management and Governance Plan (Plan). The Executive Director agreed and stated that a new governance plan has been drafted and will undergo a review by the Provost and RWJF officials in the first quarter of 2010.

PROCESSING DOCUMENTS FOR PAYMENT

The Program Manager should work with the Center’s staff to ensure that procurement documents are processed in a timely manner.
INTRODUCTION

BACKGROUND

According to information provided on the Robert Wood Johnson Foundation Center for Health Policy’s web page:

The Robert Wood Johnson Foundation (RWJF) Center for Health Policy is a collaborative project between the Robert Wood Johnson Foundation and the University of New Mexico. The purpose of the Center is to increase the diversity of those with formal training in the fields of economic, political science and sociology who engage in health services and health policy research. Particularly, the Center seeks to become a nationally recognized locus for health policy research that will support work to inform health policy debates at multiple levels. The Robert Wood Johnson Foundation Center for Health Policy (RWJF Center) is dedicated to increasing the diversity of health policy leaders in the social, behavioral and health sciences and nursing. The RWJF Center’s goal is to increase the number of social and health scientists from Latino, American Indian and other racial and ethnic communities underrepresented in these fields.

The Center was created in January 2007 with one staff member (a program manager), and the Provost, who served as Interim Executive Director. The first cohort of seven doctoral students started that fall. After a year of rotating faculty members serving as interim directors, the current Executive Director was hired in January 2008. By the end of that year, the Center had grown to include the Executive Director and two Associate Directors, five staff members, two full-time faculty, and 15 doctoral fellows. Today, in addition to stable faculty leadership, the Center boasts nine staff members, 21 doctoral fellows in seven different departments, and two resident post-doctoral fellows. The strategic plan for establishing the Center was adopted by the National Advisory Committee in April 2008, and the plan was implemented with a new approach that differs from the original “proposal” emphasis. The new approach is intended to focus on disciplinary studies for graduate fellows in the social sciences, on-the-job research training expected of a world-class doctoral education, and an emphasis in real-world problem solving in health and health care issues.

The program funds to support this grant from the RWJF are $10,173,999.00 for operations, $8,000,000.00 in endowment funds from the RWJF, and an additional $1,000,000.00 in endowment funds raised by the University of New Mexico Foundation for faculty support in accordance with endowment stipulation.

Internal Audit conducted consulting work for the Center in March 2008 regarding their internal controls. This consulting work helped prepare the Center for its first internal audit.
INTRODUCTION

PURPOSE

The purpose of our audit is to conduct an independent, objective, assurance service and consultation to determine whether the Center is in compliance with: the UNM systems of controls; financial, managerial and operating information; risk management; policies, standards, procedures, applicable laws and regulations; economic, efficient and adequately protected acquisition of resources; and, adequate and properly-functioning organizational governance. The audit did not include an assessment or evaluation of the performance of this program.

SCOPE

We conducted an audit of policies, procedures, internal controls, financial records, reconciliations, and governance structure for the time period January 1, 2007, through December 31, 2008, as required by the Plan. We completed the fieldwork on December 16, 2009.
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

MANAGEMENT AND GOVERNANCE PLAN

According to the Robert Wood Johnson Center for Health Policy Management and Governance Plan Section 1.0 Introduction:

The purpose of this plan is to describe the governance and management principles for the Robert Wood Johnson Center for Health Policy at the University of New Mexico. The Center, as it will be referred to in this document, is established as a University Center (Category III) by the Provost according to the Interim Policy for Centers and Institutes at the University of New Mexico dated November 17, 2000. A key requirement of that policy is a viable management plan and this plan fulfills that requirement. The approval authority for this plan is the Provost. This management plan will guide decision-making for the personnel of the Center, especially in cases where there are alternative decisions to be made. Judgments by Center personnel should in every case be consistent with this management plan, in terms of who is making decisions and who may be affected by those decisions. In addition, this plan outlines the transition and start-up period for the Center from proposed Center to operation as a fully established University Center. This plan will be reviewed annually by the Center leadership and staff and changed as appropriate. The plan is in effect upon approval and signature of the Provost. It has been prepared in partial fulfillment of the requirement by the Robert Wood Johnson Foundation that decision making in the Center’s operations be guided by such a plan or by by-laws or memoranda of agreement. By accepting funding from the Robert Wood Johnson Foundation, participants in the Center also accept the authority of this document.

Updated Management and Governance Plan

It appears that the original Plan signed in early 2007 was updated in December 2007. However, the Interim Provost/Vice President for Academic Affairs and the Center never finalized and approved this updated version. Prior to finalizing the Plan, the current Executive Director, who was hired in January 2008, wanted to gain a better understanding of the University’s strengths and weaknesses and how best to structure the Center’s activities to meet its intended mission program. The Plan states: “This plan will be reviewed annually by the Center leadership and staff and changed as appropriate. The Plan is in effect upon approval and signature of the Provost.” Therefore, the Center may be out of compliance with the requirements of the Plan.

Regional and Executive Board

The Center has not developed a Regional Board as defined in the original Management and Governance Plan Section 3.8.2. Therefore, this board has neither met nor developed the required
by-laws per the Plan. The role of this board is to advocate, facilitate and represent Center programs to more closely integrate the communities’ concerns, and assist with working relationships and partnership with the Center. This board is to have representation from local and regional community leadership. According to the Executive Director, he has explored several alternatives for forming this additional advisory board, given that it could be a duplicative advisory board in relation to the Institute for Public Health’s advisory board.

The current Plan states that a Regional Board should be in place that meets at least annually, and that it should be governed by a set of by-laws. Therefore, the Center is not in compliance with the current Plan.

Recommendation 1

The Executive Director should finalize the Plan, and have it reviewed and approved as soon as possible to meet the current operational needs of the Center. The updated Plan should include recommended changes regarding how often the plan should be reviewed and approved. The Plan should also address the types and number of boards necessary to assist the Center for compliance with the Plan.

Response from the Executive Director

Management agrees with this recommendation. A new governance plan has already been drafted and will undergo a review by the Provost and RWJF officials in the first quarter of 2010. The revised management plan will be accepted by April 15, 2010.

Multiple “boards” with duplicative and overlapping advisory roles are identified in the original management and governance plan. The revised governance plan clarifies the need for advisory boards and their roles in accomplishing the goals of the RWJF Center.

PROCESSING DOCUMENTS FOR PAYMENT

To test the process for receiving and paying for off campus purchases, Internal Audit selected for audit a statistical sample of 71 documents representing the time period of January 1, 2007, through December 31, 2008.

Review of Documents Processed for Payment

The Center did not process five of 71 sample documents reviewed (including supporting documentation) in a timely manner. Three of the five untimely payments are due to receiving goods and services prior to issuance of a Purchase Order. One payment was not processed timely after receiving the invoice. The other untimely payment is due to an employee’s failure to submit supporting documentation for travel within the required 15 days.
UBP 4320 “Purchasing Goods Off Campus” Section 3.1. “Purchase Order” states that “A Purchase Order is issued by the Purchasing Department based on an approved Purchase Requisition. A Purchase Order is the official authorization for a vendor to make a shipment or delivery and can be authorized only by the Director of Purchasing or designee. A Purchase Order is a legal contract binding the University and the vendor and contains the University’s Standard ‘Terms and Conditions’. The University will not honor commitments made on any other basis.”

UBP 4370 “Receiving and Paying for Off Campus Purchases” Section 3. “Payments” states that “The department is responsible for following the procedures in this policy to ensure timely payment to the vendor.”

UBP 4030 “Travel”, Section 3. “Reimbursement” state that “The completed DPA [DPI] form and attachments must be sent to the applicable accounting office for approval as soon as possible, but no longer than fifteen (15) working days after completion of the travel.”

**Recommendation 2**

The Program Manager should work with the Center’s staff to ensure that purchases are made in compliance with University Policy, and that documents are processed in a timely manner as required by University Policy.

**Response from the Program Manager**

*Management agrees with this recommendation. We will work diligently with staff to ensure that all documents are processed in a timely manner according to UNM Policy.*

**Segregation of Duties**

An employee has the capability to initiate transactions in Banner and also approve transactions for payment in Banner. This situation increases the risk that a single employee has the ability to make and approve improper purchases.

The Center gave an employee access to both initiate and approve payment of documents due to insufficient staffing.

A fundamental element of internal control is the segregation of certain key duties. The basic idea underlying segregation of duties is that no employee or group should be in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. In general, the principal incompatible duties to be segregated include:

- Custody of assets;
- Authorization or approval of related transactions affecting those assets;
• Recording or reporting of related transactions; and
• Execution of the transaction or transaction activity.

An essential feature of segregation of duties/responsibilities within an organization is that no one employee or group of employees has exclusive control over any transaction or group of transactions.

Recommendation 3

The Program Manager should contact Financial Services Support Center (FSSC) for assistance in the removal of dual roles (initiating and approving) for all employees.

Resolution

Now that the Center is fully staffed and managed, they contacted FSSC; FSSC removed the dual roles (initiating and approving) for all employees.

TIMEKEEPING APPROVAL

Time sheets for one Center employee are not properly signed by the supervisor. The supervisor thought that since she approved this employee’s time in Banner through the approval queue, that the time sheet did not need to be signed. UBP 2610 “Time and Leave Reporting” Section 3.4 “Required Signatures” states that “Departments are responsible for obtaining supervisor and employee signatures on Internal Time Sheets.” As a result of not signing the time sheets, the department is not in compliance with policy, and there is no evidence that the hours worked are certified by the supervisor.

Recommendation 4

The Program Manager should sign as approver on time sheets for all employees supervised under this position.

Resolution

The Center made the appropriate changes and the Program Manager is now signing physical time sheets as well as electronic forms for all employees supervised under this position.
CONCLUSION

Based on our audit, it appears that the Center has appropriate and adequate internal controls to ensure that they are in compliance with applicable laws and regulations, University of New Mexico (UNM) Policies and Procedures, Robert Wood Johnson Foundation (RWJF) Policies and Procedures, and policies and procedures developed by the Center. They are also in compliance with submitting financial information and they appear to be operating economically and efficiently to adequately protect acquisition of resources. Considering this is the first audit of the Center, the staff should be recognized for their efforts in developing and maintaining all appropriate financial control processes and mechanisms.
APPROVALS

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Approved for Publication

Chair, Audit Committee