

THE UNIVERSITY OF NEW MEXICO
Board of Regents Audit Committee
April 14, 2011 – Meeting Minutes

Members Present: Chairman J.E. “Gene” Gallegos, Lt. Gen. Bradley Hosmer, Regent James Koch (Quorum).

Other Attendees: Ava Lovell, Gilbert Gonzales, Paul Krebs, Ellen Wenzel, Steve Cogan (REDW), Halie Garcia (REDW), Michael Padilla (REDW), Richard Holder, Susan McKinsey, Carol Stephens, Richard Wood, Ella Watt, Marc Saavedra, Sylvia Andrew, Jean Martinez Monaghan, Jeff Gassaway, Linda Johansen, Donna Smith, Dan Byrne, Denece Kessler, Manu Patel, Lisa Wauneka, Lola Neudecker, Betsye Ackerman, William Cottrell, Amy O’Donnell.

Chairman Gallegos called the meeting to order at 8:35 a.m. in ROBERTS ROOM, Scholes Hall, UNM.

INFORMATION ITEMS:

- The minutes from the Regents’ Audit Committee special meeting of April 11, 2011 will be approved during the June 16, 2011 meeting.
- Chairman Gallegos started the meeting by asking for follow up responses. Manu Patel provided the Committee with a list of those follow up items from recent meetings. Marc Saavedra responded to the first follow up request regarding the Legislative Finance Committee (LFC) evaluation. Mr. Saavedra informed the committee that the implementation team last met in October and finalized the implementation schedule. Since that time, his office was tied up with the legislature. Now, post-legislative session, Mr. Saavedra reports they are 60-70% complete with implementation. He also reported the Provost will call another follow up meeting by the end of the month to check progress. Carol Stephens will provide information for updates as to the responsibilities on the schedule and will present a progress report to this Committee. The University, the State and the Higher Education Department need to come together about the tuition plan and related funding. The Health Sciences Center is being evaluated by the LFC at this time. Mr. Saavedra stated he would like for Charles Sallee of the LFC to present to the Committee at the June meeting. The Committee will be allowed to comment. Mr. Saavedra’s office will be the central office with regard submitting information to the LFC.

Richard Wood gave a status update on information received through the previous Special Procedures engagement. The faculty senate now has clarity. This was the most important result of spending \$50,000 on the special procedure engagement – the clarity of where funds are going and resulting trust formed. The key is the ability to track funds that are going to each unit and where those funds come from in a way that is understandable to a lay person. If the tracing process for contingency funds is detailed in the same way as the special procedure from now on in the regular audit, Dr. Wood will be satisfied with this result. Regent Koch stated we need something from Moss Adams in writing. Chairman Gallegos noted that there will be an audit plan/scope of audit. Dr. Wood asked the Chairman if it would be appropriate for Faculty Senate to work with Moss Adams to draft the language for incorporation into the scope. Chairman Gallegos feels it may be, but only if the language conforms with their professional requirements. Regent Hosmer asked if this is a one-time request or if it is continuing. Ms. Lovell stated she can continue to produce reports the way the Faculty wants them to include in the regular audit. David Harris said they would be happy to produce a schedule. Dr. Wood said he is asking for permanent inclusion of the level of detail to be included in the presentation of findings. Andrew Cullen reported that information on reserve funds has been included for several years. Dr. Wood noted the report Mr. Cullen refers to is not in enough detail; they want detail down to the unit level. Chairman Gallegos felt this should wrap up the matter and there is no more follow up required unless a new issue arises.

Dr. Wood informed the Committee that the faculty members want them to know that the nature of payroll in Faculty Contracts is distinctly different than payroll processes in other parts of the University. For that reason, Faculty Contracts should not fold into HR processes or any other structure. The Chairman stated the logical structure as delineated in the outcome of the Payroll audit should work.

Carol Stephens and Michele Huff provided updated information regarding signature authority. The recommended changes are entering the final stage. The changes will go out for 30 day full campus comment to end on May 13th with a projected effective date of July 1, 2011. Over the next 60 days, the policy office is asking each EVP to make sure the underlying delegations for the past 10 years are accurate, valid, and include any necessary restrictions (time or dollar amount limits, etc.). The President will authorize all delegations. In revising the process, all delegations will be eliminated and replaced with new delegations that are reviewed and authorized at the level of Vice President.

A new Contract Management and Monitoring policy is also in the final stage of a full 30 day campus review process. This includes a database repository, assigning contract owners, and requiring monitoring of deliverables throughout the contract. According to Ms. Stephens, everything should become effective July 1, 2011 – with the exception of the database requirement. It may take 6 months to a year for the database/tracking system to be fully implemented. As soon as a contract is signed, it will be sent to the procurement office as the central repository. Contracts with a dollar amount of \$20,000 or more will now have more stringent monitoring requirements. Chairman Gallegos noted that is a real improvement; he also asked to see the actual policies.

Michael Duran, Chief Operations Officer from Human Resources, provided an update regarding FTEs and the employment data analysis. Ms. Gonzales did provide the Chairman with a preliminary report. Mr. Duran stated that per Helen Gonzales, they are moving forward to provide the Committee with the FTE analysis information.

Richard Holder and Dr. Wood discussed SACs and STEs. SACs are Special Administrative Components and STEs are Special Teaching Components. They are salary add-ons for extra administrative service (SACs) or teaching in another area (STCs) and are determined by department chairs and deans and approved by the Provost's office. The Provost's office is not opposed to a policy on issuing SACs and STCs, but there is not one currently. According to Dr. Wood, creating a policy is difficult because the situations vary so greatly. The Committee feels there is such of range of amounts; is there a standard applied, or are they arbitrary amounts? Dr. Wood stated there are many components involved, including level of work required with specific committee involvement and size of department, etc. Regent Hosmer asked if there could be a way for faculty to work with the Provost's office to index these amounts with levels of duty. Dr. Wood stated that this subject is one reason why Faculty Contracts should remain intact. That office tracks the SACs and STCs. Mr. Patel stated Internal Audit will be working with Mr. Wood when they begin to prepare the scope of the audit for the Provost's office.

Dr. Wood informed the Committee that a disciplinary policy for faculty has been approved by Faculty Senate. The policy will go before Academic Student Affairs in early May, and then come before the Committee, hopefully in June. Dr. Wood feels it is a good policy and that a good disciplinary policy has two effects. It both creates administrative tools for punishing violations and it also protects people from arbitrary use of authority. The proposed policy addresses the concerns of all the parties.

Mr. Patel stated he will continue to distribute minutes and follow up items prior to the meetings.

- Mr. Patel provided a chart in reference to this quarter's Status of Recommendations. For example, in FY2004, there were 13 audits done. There were 54 recommendations and all were implemented. Moving forward to more recent times, in FY2009, there were seven audits performed with 88 recommendations. All but three recommendations from FY2009 are fully implemented. The remaining are IT issues; those take longer. In FY2010, there were 11 audits performed with 70 recommendations. Five recommendations are not past due and five are open and past due – these are almost all IT again. Compared to the last Audit Committee meeting, we have made a lot of progress. For 2011, there are 17 current recommendations. None of these are past due. Also included on the chart are complaints and misconduct investigations. Since FY2004, Internal Audit received 430 complaints and we only have 25 left we are working on. Mr. Patel and IT Auditor Lisa Wauneka detailed the current outstanding findings with the Committee. Ms. Wauneka stated there is nothing on the list that is so far behind that it is of any concern.
- Michael Duran and Ava Lovell reported on the status of EDC s/out-of-cycle payrolls. Per Ms. Lovell, 60 day communication will begin May 1st. By July 1st, they will reduce the number of out-of-cycle payrolls from daily to one per pay period. However, around the beginning of the semester, there will be an extra one or two. Per Mr. Duran, the other two EDCs will have a plan by July 1st, and then will start the communication process. Dr. Holder provided a written report to the Committee members for informational purposes. The report was not discussed.
- The Audit Committee was satisfied with the follow up, Departmental Commitments and Accountability process and indicated it should be part of all future Audit Committee meetings. Regent Hosmer asked that a similar process be recommended to the full Board of Regents at the next meeting. Mr. Hosmer made a motion for the recommendation to identify the items for follow up over the last year and to find out if there should be follow up on those items. Regent Koch further clarified that this is for the full Board only and not other committees and he seconded the motion. The motion passed.

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

- a. Discussion of limited personnel matters pursuant to exception for matters subject to attorney-client privilege pertaining to threatened or pending litigation at Section 10-15-1.H(7), NMSA (1978) (*Manu Patel, Internal Audit Director*)
- 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) (*Lee Peifer, Interim University Counsel*)
- c. Schedule of Audits in Process, pursuant to exceptions at Sections 10-15-1H(2 and 7), NMSA (1978) (*Manu Patel, Internal Audit Director*)
- d. Vote to re-open the meeting

The meeting returned to open session. Certification that only those matters described above were discussed in Executive Session.

Summary of the Regent's Audit Committee
April 14, 2011

- The Committee approved two University of New Mexico Hospital audits: Operating Room Supply Chain dated August 2010, and Extended Business Office and Collection Agency dated November 2010.
- The Committee approved the following audit for publication: 2010-13, Safety and Risk Services Audit of Operations and Compliance.

There being no further business, the meeting was adjourned at 12:47 p.m. (Motion: Regent Koch, Second: Regent Hosmer).

Approved:


Audit Committee Chairman