Chairman Hosmer called the meeting to order at 9:00 AM in ROBERTS ROOM, Scholes Hall, UNM. The meeting was suspended at 9:01 AM due to an evacuation of the building. The meeting resumed at 9:26 AM.

ACTION ITEMS:

- The Committee unanimously approved the meeting agenda and the minutes from the meeting of November 5, 2015.
- The Committee will check their calendars and advise the Internal Audit Director regarding the proposed meeting dates of August 4, 2016 and October 20, 2016 (Exit Conference for FY16 External Audit). The meeting will start at 9:00 AM, to precede ASAR.
- The Committee approved Regents’ Policy, Section 8.8 – Harwood Foundation and Regents Resolution Regarding the Governing Board of the Harwood Foundation. This was the result of an audit that found that Harwood needed more direct oversight. It is the only museum not tied to a University or College. The UNM President assigns the individual who oversees the Director and appoints the UNM membership on the Harwood Board. Harwood reports in name to the Board and functionally to the UNM President.
- The Committee approved the final year of the external audit contract (FY16) with KPMG and Moss Adams, pending information and instruction by the State Auditor’s Office as to if an independent public accounting firm will perform the audit work versus State Auditor’s Office staff. There is a cost increase each fiscal year. The Controller’s office will speak with KPMG to see if there is any room for cost reduction. Liz Metzger, University Controller stated the new bidding process will begin in either late fall or early next calendar year 2017.

By unanimous consent, the meeting went into Executive Session for the reasons stated in the agenda. The meeting went into closed session at 10:33 AM.

a. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant to RPM 1.2
b. Discussion of limited personnel matters pursuant to exception at Section 10-15-1.H (2) NMSA (1978)
c. Schedule of Audits in Process and FY16 Audit Work plan, pursuant to RPM 1.2
d. Vote to re-open the meeting
INFORMATION ITEMS:

- The Chairman asked for Advisors’ Comments. Faculty Senate President Posse addressed the Committee. He stated that Faculty Senate is meeting with the Compliance Office. He is surprised that so few International students have health insurance and would like to see them covered. Staff Council President Davis stated she had no comments. GPSA President Texanna Martin sent representation as she was not available to attend; GPSA has no comment.

- Follow-Up Items from November 5, 2015 Meeting – Internal Audit Director Patel stated there are three items. The first item is the Minors on Campus policy. Helen Gonzales, Main Campus Chief Compliance Officer informed the Committee that the Compliance Committee has a new draft of the policy that is pending administrative approval. There is a training course that will be available soon on line. Eventually when the policy is implemented, some individuals will be required to take the training. Chairman Hosmer asked Ms. Gonzales about the revised Whistleblower policy. Ms. Gonzales deferred to administration. Amy Wohlert, Chief of Staff informed the Committee that the policy is multifaceted with impact over many areas. They are waiting a few months until the right people are in place. Much work has been completed and the Compliance Office has come about 95 percent of the way. Administration wants to wait until they see what the structure is for Internal Audit and Compliance a few months from now. There is a current policy in place.

Mr. Patel provided the Committee with current, updated information regarding third party audits and reviews. There are currently four audits/reviews underway. NSF is looking into 12 million worth of grants that date from present back to fiscal year 2013. Once that is complete, Mr. Patel will inform the Committee if there are any major findings or recommendations. The University of South Denmark has a yearly expenditure review usually done by KPMG. That review is for 1.2 million in funds and will cover December 2013-November 2016. Sandia National Labs had one minor finding for travel costs in a recently completed review. They are going back and looking approximately 11.5 million dollars for fiscal years 2013-2015.

- Ms. Gonzales asked Eileen Sanchez, Compliance Specialist and hotline system administrator to provide the Committee with a brief overview of the hotline. Ms. Sanchez outlined a report with some benchmark data. The report compares data from the UNM Compliance Hotline with data from the Navex Global database (provider of the Ethics Point incident management system used by UNM). The data was generated from 2100 Navex Global clients representing 32,000,000 employees for a total of 730,000 reports. The data represents 26 industries and 45 sub-industries, including higher education. Reporting and reviewing the benchmarking data can allow for early detection of problems and risks. Problems may be resolved before they escalate into serious and perhaps damaging financial, legal and reputational risks.

The first set of information is regarding reporting volume per 100 employees. UNM’s report volume is significantly lower than other organizations at 0.6 versus nationally at 1.05. The system also tracks inquiries versus allegations. UNM has only about five percent where the national average is about 21 percent.

Reporters do have a choice in the system to be anonymous. UNM had 46 percent anonymous reporting compared to 61 percent in other organizations. There is a follow-up method, and lack
of follow-up by a reporter could be a cultural red flag indicator. UNM’s follow-up rate is lower at 27 percent, compared to 33 percent overall. Chairman Hosmer noted that the only way to get back in touch with the reporter is if they go back in to the system and that really limits the potential in pursuing the issue. The Chairman inquired if the complainants are fully informed that this is a third party administrator and not inside the UNM system. Ms. Gonzales stated that if the identity is known to the third party it is then known to UNM. The third party forwards all the information they receive.

The report looks at number of cases that are substantiated. UNM has 37 percent of closed cases that were fully or partially substantiated. The overall percentage for other organizations is 40 percent. However, there are two categories at UNM that have a 100 percent substantiation rate. That is because there was only one case for each of those categories.

The average case closure time for UNM is 49 days. The average for organizations is 39 days. Best practice calls for an average of 30 days.

Finally, the report looks at report intake method. UNM’s web intake rate is on par with other entities; it is higher in phone reporting and lower in walk-in reporting.

Chairman Hosmer stated he thinks this information should be taken to the full Board of Regents to inform them on how it is working. He asked Ms. Gonzales to summarize what appears to be significant.

- Stuart Freedman, HSC Chief Compliance Officer provided the Committee with a quarterly report. He shared information regarding a presentation he has been making across north campus. The presentation starts with an interactive discussion about what compliance is. Compliance consists of both following rules and doing the right thing. Healthcare is the second-most highly regulated industry, next to the financial sector. Mr. Freedman stated he is focusing in this presentation on behavior. We want to model a “Mr. Rogers” type of behavior: respect, dignity, and quiet conversation. Several entities have lately been in the news for types of behavior not to model, such as FIFA, the Veterans’ Administration, and Volkswagen. FIFA demonstrated a culture of bribery for decades. Volkswagen lied about diesel emissions. They faked the emission control device. The fines imposed on Volkswagen, just in the U.S., total 20 billion dollars. The Veterans’ Administration lied about standard of care. They vastly underreported patient wait times. There is also a culture of retaliation for reporting incidents.

Mr. Freedman supplied some statistics from the Ethics and Compliance Institute for organizations that do not have a good compliance program versus those that do. First, those surveyed were asked if they compromise standards. In organizations that do not have a good program, almost one-fourth of employees reported they compromise standards. Only three percent reported compromising in organizations with a good culture of compliance. When asked if people observe misconduct, 62 percent responded “yes” in those without a good program. The organizations with a good program reported 33 percent observed misconduct. When asked if they see something, do they say something, the percentage was 87 percent for those who feel comfortable reporting, and only 32 percent for those without a good program. When people see something and say something in an organization that doesn’t have respect for employees, nearly 60 percent of people feel retaliated against. Whereas, if an organization has a good ethics and compliance program, that number is only four percent, a significant difference.
In 2014, they surveyed people at UNM HSC – faculty and staff – with about 1000 respondents. For observing misconduct, Mr. Freedman reported the UNM HSC number in this category is 43 percent. The retaliation number is 40 percent. They have a way to go. They will be doing another survey this year.

Two external compliance officers came in to HSC a year ago and found two best practices: the Code of Ethics and a health system provider committee. Rules are burdensome for the clinicians. The committee gives them a voice.

The posters for the compliance hotline have been updated. The three-year-old code of ethics is now updated as well as the Learning Central content. There are four Human Resources departments and they have never standardized education about compliance. Therefore, they created brochures for privacy and compliance with the same message regardless of the area in which an employee will work.

Mr. Freedman stated his area is also proposing a five year effort related to tone at the middle that is based on scenario-driven live sessions instead of web training. The concept is the people in the middle are receiving a message from the top of doing more with less and making the numbers. From employees, they are hearing it is getting harder to get the job done. The person in the middle gets caught. If they raise issues, they are dismissed. Most managers are promoted up to management but not provided assistance and training. However, there are a lot of resources available to provide assistance. If we can create the right culture where people can take pride in coming to work, we can reduce the amount of wrongdoing and retaliation.

Chairman Hosmer asked Ms. Gonzales if Main Campus Compliance has considered a similar survey on this side of campus. Ms. Gonzales responded that a couple of surveys have been done that may have included some overlap of this content, but not specifically this exact survey.

- Chien-chih Yeh, Internal Audit Manager, updated the Committee on the status of audit recommendations. The first three pages are implemented items. A few more items are reported as completed by the auditees but Internal Audit has not verified the paperwork. There was good progress otherwise in this reporting cycle. Other items are progressing as expected. There are none that are significantly overdue. There is one delay on payroll items due to an impending implementation of a new system.

- Mr. Patel reviewed his Director’s Report. Internal Audit has completed eight of the audits on the FY16 audit plan; four are in fieldwork, and one is in report writing. Four are assigned, and five others are unassigned and will need to be delayed to a future audit plan because of the addition of some lengthy investigations. The department financial report is attached to the Director’s Report. The Department expenditures as of the end of January are $438,000. Mr. Patel reported he expects to end the fiscal year with approximately $50,000 in reserves. This reserve balance is due to one staff auditor vacancy that will not be filled this fiscal year.

In addition to the one auditor vacancy, the Department has one vacant student position. The student position is posted in UNMJobs, but the Department has not received any applications.
Summary of the Regents’ Audit and Compliance Committee Meeting
March 3, 2016

The meeting returned to open session at 11:41 AM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following UNMH audits:

- UNMH Human Resources, Audit Report #2015-01
- SRMC Human Resources, Audit Report #2015-01
- UNMH Accounts Payable, Audit Report #2015-02
- SRMC Accounts Payable, Audit Report #2015-02
- UNMH Capital Assets, Audit Report #2015-03
- SRMC Capital Assets, Audit Report #2015-03
- UNMH Internal Audit Workplan for Calendar Years 2016-2018, Report #2015-07
- SRMC Internal Audit Workplan for Calendar Years 2016-2018, Report #2015-08

The Committee unanimously approved the following UNM audit:

- Audit of BioNutrition Program P-Card Use, Audit Report #2016-05

The meeting adjourned at 11:44 AM (Motion: Regent Fortner; Second: Chairman Hosmer).

Approved:

[Signature]
Audit and Compliance Committee Chairman