THE UNIVERSITY OF NEW MEXICO  
Board of Regents Audit and Compliance Committee Meeting  
August 18, 2015 – Draft Meeting Minutes

Members Present: Chairman Lt. Gen. Bradley Hosmer, Vice Chair Suzanne Quillen appeared by phone; Member Regent Fortner (Quorum).


Chairman Hosmer called the meeting to order at 9:04 AM in ROBERTS ROOM, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the meeting agenda and the minutes from the meeting of June 29, 2015. (Motions: Regent Fortner; second Regent Quillen)

- The Committee approved the next meeting date of November 5, 2015. The meeting will start at 10:00 AM to accommodate travel. The remaining February and April dates are still to be determined as it appears they conflict for some Committee members. Members agreed to report back to the Chairman via email to confirm dates after consulting their calendars. Chairman Hosmer asked for a motion to approve pending amendments and adjustments. (Motion: Regent Fortner; second Regent Quillen)

INFORMATION ITEMS:

- Chairman Hosmer stated that there is a full agenda, so in the interest of time he would like for presenters to summarize and point out what is significant in all presentations in this meeting.

- The Chairman asked for Advisors’ Comments. There were none.

- Chien-chih Yeh, Audit Manager, and Robert Burford, the newly-hired, incoming Clery Coordinator provided the Committee with follow-up information regarding interim status on the Clery audit recommendations. Mr. Burford has been with UNM for over 20 years. He stated the University is making progress and is on track with or ahead of where other universities are in this area.

Chairman Hosmer asked Amy Wohlert, Chief of Staff, President’s Office to share her thoughts on the pace of fulfilling the recommendations. She stated they are taking the matter very seriously. The pace and quantity of work performed to date University-wide has been truly admirable. Ms. Wohlert noted there is also a new director of the Office of Equal Opportunity – Francie Cordova. Ms. Cordova has a J.D. and a background in human rights. Ms. Wohlert stated one of the biggest areas of concern is keeping everyone coordinated and moving forward in the same direction. Mr. Burford agreed.

Chairman Hosmer asked for input on the Clery recommendations from the Provost. Provost Abdallah stated they formed a coordination committee that formed what became LoboRESPECT. The issue with all the new compliance commitments is there is a cost associated with this work that takes away from other areas. It is important to see what can be
done to minimize other reporting requirements. It is getting very complicated and some things are in conflict.

Regent Fortner asked Mr. Burford if he views his position more as an investigator, an organizer, or a combination. Mr. Burford stated it is a combination but it is mostly making sure everyone is coordinated -- there are a lot of areas involved. Regent Fortner then inquired how an investigation will work. Will it be done at his direction or by police, if, say, there is inappropriate conduct? Mr. Burford replied it would depend on the incident and where it falls, for instance it could be OEO. His role is to make sure we are complying with Clery. Regent Fortner wanted to know if a student is assaulted off-campus is that under Clery? Mr. Burford stated it is part of the statistics. Chairman Hosmer asked for clarification between compliance under Mr. Burford and compliance under Helen Gonzales, Chief Compliance Officer, Main Campus. Ms. Gonzales stated she works collaboratively with all the compliance partners, of which Mr. Burford is one. They will also be collaborating on data statistics and trends, as well as making sure the University reports appropriately.

- Ms. Gonzales provided the Committee with her quarterly report. She focused on a 2015 ethics and compliance benchmark report that came out from UNM’s new hotline vendor. The report provided her office with the opportunity to compare their very early data to the “book of business” by NeveX Global. The data will change quite a bit because the new hotline system was just implemented April 1, 2015. Her office also had to make assumptions about what categories they use versus categories used by the vendor. The vendor’s report is not specific to higher education; it is for all of their industries, comprised of many thousands of organizations, including higher education. Ms. Gonzales added she will formally present to the Committee at least once per year on how UNM compares to this benchmark. Chairman Hosmer asked if it is possible to obtain a subset of the data for higher education. Ms. Gonzales replied that her office has requested the data but has not received a commitment on that. They are also working with colleagues in other institutions to see if they can convince the vendor to produce that report.

Ms. Gonzales reported that from April 1, 2015 through June 30, 2015, there were 52 hotline cases. Since June 30, there have received another 30. The reporting volume is very close to the volume in the benchmark report. Generally, about 1.4 percent of employees call the hotline per year. The hotline report created five categories: accounting, auditing and financial reporting, business integrity, human resources diversity and workplace respect, environmental health and safety, and misuse of assets. However, Ms. Gonzales stated the University has created categories that are unique to higher education. For example, academic misconduct is one of our reporting areas. Therefore, they had to make a decision as to which of those categories it would go into. The decision on that example was business integrity. Over time, when the amount of data increases, the information will become much more useful. In this very early stage, UNM’s statistics for anonymous reporting show that it is actually lower than the benchmark. Meaning that more people at UNM are identifying themselves. Yet in actuality, according to the vendor, the industry with the highest instances of anonymous reporting is education.

There are multiple methods of submitting a complaint. A person may call in and the vendor will ask them the same questions that are also found on a form that a person can log in and fill out on line. Either way, the person is assigned a unique ID that they can use to follow up if they call back in or log back in. Complainants may also walk in to an office and file a complaint. Then that office enters the data into the complaint system. The site is not hosted on UNM
computers and there is no way to trace where the person is calling or logging in from.
Chairman Hosner noted one of the reasons why institutions utilize a contracted source is
because doing so allows complainants to find out what is going on without revealing identity.

Regent Fortner stated a concern about false claims, and how a person who is the victim of a
false claim can then file their own claim for slander. Ms. Gonzales replied that she understands
the concern but it is no different than previous methods people used for reporting anonymous
claims. For instance, the President’s Office receives anonymous complaint letters on a regular
basis. Through the review process associated with the complaints, allegations are considered
appropriately, reviewed appropriately, and some can be determined to be frivolous or without
merit in the process. Sometimes cases where the person identifies themselves can be reviewed
more thoroughly. It is possible to go back and ask more questions or for more details. One
valuable component of the hotline system is that it does allow for this communication with
anonymous complainants as well. However, you may or may not get responses to the inquiries.
In addition, the data shows that frivolous complaints make up a very small percentage of the
population. Generally, people who contact the hotline feel that their complaint is valid and do
not use it with frivolous or malicious intent. Chairman Hosner noted that as the data increases,
the Committee will be interested to see if there appears to be trust levels with the hotline
system and/or leadership. Ms. Gonzales noted that for the small amount of data, the
substantiation rate was 32 percent. The benchmark report states the average is 40 percent. The
rate is actually higher at UNM (in the small amount of data) for anonymous complaints.
However, there are several categories of cases: substantiated, partially substantiated, etc. They
can also be closed for insufficient information. Regent Fortner noted the benchmark of the 40
percent number is not something the University is aspiring to, it is simply the average number
that exists in the benchmark report data. Chairman Hosner replied that is an excellent point and
would like the labels to be changed to reflect that. Chairman Hosner also wants Ms. Gonzales
to establish what the goals might be. Regent Quillen added that data can reflect effectiveness of
educating the population who may use the hotline as well.

- Stuart Freedman, HSC Chief Compliance Officer addressed the Committee regarding his
quarterly report. His presentation outlines the work plan for the calendar year. Mr. Freedman’s
office has five things they want to accomplish or initiate; however, they will not all be
complete by the end of the calendar year. The focus is on culture of compliance. Recent stories
on the Veterans Health Administration and Amazon demonstrate what an important issue this
is. In October 2014, two colleagues that are peer institutions came out and assessed the HSC
corporate compliance program. They found two things they considered best practices. The first
was their code of ethics, and the second was their practice of engaging physician champions.
They created their code of ethics three years ago; it is now time to look at revamping it. Many
things have happened in healthcare in the past three years. It is a very fast paced industry.

Mr. Freedman reported he will also be working on alongside Purvi Mody, UNM Hospitals
Executive Director, Compliance and Audit to standardize all new employee orientation content
any employee receives, regardless of how they are entering the system. A third area is training
the competency of mid-level or front line supervisors in compliance and business ethics. Mr.
Freedman believes this is a critical success point and is calling it “tone at the middle.” Based on
interviews they performed with their senior executives, the Association of American Medical
Colleges found their tone at the top is largely very healthy. But is that message pushed down to
the front line supervisors? Or do demands of meeting financial objectives get in the way of
teaching those managers how to act properly, and to listen to and embrace the tone at the top? The supervisors need to make ethics a part of the agenda all the time. Mr. Freedman’s goal with the project is to address all faculty and 2,000-plus front line supervisors, provide them with materials, make sure they communicate available resources, and are active listeners. At the same time, his office will measure effectiveness through the use of surveys and statistics. This will be a five-year project.

A study was done earlier this year by the National Business Ethics Survey of U.S. and multinational corporations. They looked at both organizations that had an effective compliance program and those that did not. The study discussed critical data points. When there is not a good compliance program, 23 percent of people feel they have pressure to compromise their ethics. When there is an effective program that number drops to three percent. For employees in a non-compliant environment, 62 percent observe misconduct and do not report it. The number is almost half, at 33 percent, when there is a compliant environment. Retaliation is perceived by 59 percent of people in a non-compliant environment, while the number is only four percent in corporations with good compliance. On the medical center side, Mr. Freedman’s office surveyed their employees twice, and the employees did talk about fear of retaliation. Regent Fortner stated he might change the label from business ethics, so as to widen the scope from financial issues and include how you treat people. Chairman Hosmer agreed and added that the label of business ethics might convey a misperception; perhaps they could call it professional or organizational ethics. Mr. Freedman replied that he could do that. He would like to come back and report outcomes.

As a final note, Mr. Freedman stated that if the government ever comes in and asks, they need to show how they are meeting the seven elements of compliance. If we as an institution can show that, fines and penalties can be greatly reduced. Training is provided both on-line through Learning Central and in person. It is a blended approach.

- Mr. Yeh presented the audit follow up items. There were two reports: Implemented and Pending. For this reporting cycle, there are a total of 16 implemented items. Status updates are provided for older pending items. Mr. Yeh asked the Committee if they had any questions about any particular items. Chairman Hosmer inquired about one of the implemented items for the College of Education that implied there will be extensive data analysis. Will it fall under Internal Audit or the Provost’s Office? Mr. Yeh replied it will be under the Associate Provost. Chairman Hosmer inquired about a pending item about faculty research tracking that was not completed due to budget constraints. Is that issue now solved in the current budget year? Mr. Yeh replied that they are looking for an alternative solution at a lower cost. Provost Abdallah stated they are in a holding pattern in that area. They are in a different mode, trying to develop a lot of applications internally. There are some technical challenges. Chairman Hosmer asked Gil Gonzales, CIO if he is comfortable with UNM’s position on information security. Mr. Gonzales reported it is a moving target. UNM can and does learn from intrusions at other institutions and has an information assurance program that is reasonable. Chairman Hosmer asked if Mr. Gonzales is satisfied that University leadership understands where we are with regard to risk exposure. Mr. Gonzales replied that recent actions resulting from consulting exercises have led him to believe that they are.
Mr. Patel reviewed his Director’s Report. He noted he will follow up with changes to the meeting dates. For FY15, Internal Audit completed 14 audits, one is in fieldwork, two are in the report writing stage, and five are unassigned and will carry forward to the FY16 work plan.

The Department finished the fiscal year with $33,000 in reserves, with $10,000 of that amount re-budgeted to this current budget year. There is one staff auditor vacancy. An Internal Auditor II left the Department at the end of July. Chairman Hosmer noted that one of the penalties of having very good people and excellent training processes is losing them to other opportunities. Mr. Patel added that the Department had two student employees who graduated in May. Both students found external employment following graduation; one at Sandia Labs and one at a private accounting firm. The students are happy with the experience they received and their employers are as well.

Mr. Patel provided the Committee with a summary list of current external audits being performed on the University. Some are simply desk reviews from the National Science Foundation. New Mexico State University is also performing desk reviews of cost sharing for sub awards.

By unanimous consent, the meeting went into Executive Session for the reasons stated in the agenda.

a. Discussion of Final Internal Audit Reports, pursuant to limited personnel matters exception at Section 10-15-1.H(2) NMSA (1978), exception for matters subject to attorney-client privilege pertaining to threatened or pending litigation at Section 10-15-1.H(7), NMSA (1978).
b. Discussion of limited personnel matters pursuant to exception at Section 10-15-1.H(2) NMSA (1978);
c. Schedule of Audits in Process, pursuant to exceptions at Sections 10-15-1H(2 and 7), NMSA (1978);
d. Proposed FY16 Audit Workplan exceptions at Sections 10-15-H(2 and 7), NMSA (1978); and
e. Vote to re-open the meeting.

The meeting returned to open session at 12:14 PM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following UNMH audits:

- UNM Hospitals Food and Nutrition, Report #2014-04
- Sandoval Regional Medical Center Food and Nutrition, Report #2014-05
- UNM Hospitals Emergency Department, Report #2014-06
- Sandoval Regional Medical Center Emergency Department, Report #2014-07
- UNM Hospitals Operating Room Supplies, Report #2014-05
- Sandoval Regional Medical Center Operating Room Supplies, Report #2014-06

The Committee unanimously approved the following UNM audits:

- Payroll Process Follow-Up Audit, Report #2015-01
- University-Wide Required Training Audit, Report #2015-01-A
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- University President’s Travel, Entertainment, and Other Expenses, Report #2015-04

The Committee approved the following informational Memorandum for publication:

- Review of University of New Mexico Tax Reporting Responsibilities for FY2014 (Form 990)

The meeting adjourned at 12:17 PM (Motion: Regent Fortner; Second: Regent Quillen).

Approved:

[Signature]
Audit and Compliance Committee Chairman