THE UNIVERSITY OF NEW MEXICO  
Board of Regents’ Audit and Compliance Committee Meeting  
March 15, 2018 – Meeting Minutes  


Chairman Clifford called the meeting to order at 9:02 AM in ROBERTS ROOM, Scholes Hall, UNM.  

ACTION ITEMS:  

- Following the Chairman’s announcement of the postponement of agenda item #5, the Committee unanimously approved the agenda.  

- Regent Hosmer noted he likes the Chairman’s guidance to shorten the minutes and pull out follow up items. The Committee unanimously approved the minutes from October 18, 2017.  

- Liz Metzger, University Controller provided the Committee with updated information regarding the recommendation for approval of the second year of a three year award of the FY18 external audit contract to Moss Adams, with clinical pieces subbed out to KPMG. UNM put out an RFP last year and received four bidders. A committee of six individuals reviewed the proposals and in-person presentations from each of the bidders and made a recommendation for an audit firm; however, that firm was not selected following further review of the firm’s status with the State Auditor’s Office (SAO). The committee then went to the firm that scored second highest - Moss Adams and KPMG.  

During the previous entrance conference with Moss Adams, KPMG, and the SAO, this Committee specifically brought up the issue of rotation and how the SAO would view that. The SAO agreed there could be some perception it is a problem, but also indicated that with the knowledge and skills of those two particular firms, and switching who does main campus and who does clinical areas, the SAO was comfortable with that. Ms. Metzger added that the first year a new firm comes in and audits, there is a learning curve requiring extra effort. The current firm’s fees are lower this second year to reflect the efficiencies gained the first year.  

Regent Hosmer asked if all four bidders were in-state. Ms. Metzger replied there was one firm from outside New Mexico who was partnering with an in-state firm. Audit Director Patel stated he thinks the in state partner was CLA. Mr. Patel did discuss the rotation issue with the current SAO staff. On the Moss Adams side, the engagement partner has changed. KPMG is willing to do the same. The SAO indicated there are not many big firms in this state who can take on a job this large. David Harris, EVP for Administration informed the committee that the SAO was also a part of the external audit last year. The SAO wanted $30,000 in additional follow up funds this year that UNM found to be excessive because UNM has complied with the audit findings. Director Patel assisted to negotiate that fee down to $10,000. That fee is not included in the figure for the external audit contract. Director Patel stated he will invite the Deputy State Auditor to attend the next meeting on March 28th. Chairman Clifford stated he believes the Moss Adams auditors did a good job, but he does have some concerns about the managing partner for KPMG, so they should work very closely with the partner they rotate in.
The Committee voted unanimously to approve the contract for the FY18 external audit.

- The Committee approved the remaining Committee meeting dates for calendar year 2018.

By unanimous consent, the meeting went into Executive Session at 9:51 AM per the agenda.

a. Discussion of draft Internal Audit Reports, and discussion 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 Status of FY18 Audit Work plan, pursuant to RPM 1.2;
d. Vote to re-open the meeting.

The meeting returned to open session at 11:37 AM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following audits:

- UNMH Outpatient Pharmacy Schedule II-V Controlled Substances, Report 2018-02
- SRMC Schedule II-V Controlled Substances, Report 2018-02
- UNMMG Data Transit Integrity Audit, Report 2018-01
- UNMH Materials Management, Report 2018-05
- SRMC Materials Management, Report 2018-03
- UNMH IT Follow Up Terminated Employees Removal from System Access, Report 2018-03
- SRMC IT Terminated Employees Removal from System Access, Report 2018-05
- UNMMG IT Terminated Employees Removal from System Access, Report 2018-03
- UNMH Centralized Outpatient Charge Entry & Coding, Report 2018-06
- SRMC Centralized Outpatient Charge Entry & Coding, Report 2018-04
- UNMMG Centralized Outpatient Charge Entry & Coding, Report 2018-02

INFORMATION ITEMS:

- Advisors’ Comments: None.

- Chien-chih Yeh, Internal Audit Manager provided a status update on prior audit recommendations. Mr. Yeh explained the nature of the reports and the processes involved (including management responses, implementation dates, and if a recommendation is high, medium, or low risk) to President Stokes.

Chairman Clifford asked about Information Security recommendations that ask for the President to provide direction. Chairman Clifford stated that if the CIO has not already, it might be good if he meets with the President to provide background/status on these findings. President Stokes replied she did meet with him, but could spend some more time on it.

Chairman Clifford stated that the UNM Press debt issue seems more like a budget planning issue than an audit issue. David Harris stated that Provost Abdallah and his staff would be best suited to present a report to ASAR and to the Finance and Facilities Committee. UNM Press
has issues too many publications that increase costs but not necessarily revenue. UNM has learned from consultants that these press operations do not survive without some kind of subsidy; that is true all over the country. A line item budget request at the State level was not considered for approval this year, but UNM will attempt RPSP next year.

Chairman Clifford asked Mr. Yeh to pull out the SHAC recommendations into a separate report; he would like for the SHAC director to meet with President Stokes. Director Patel offered to sit down and go through high profile audits with President Stokes. Chairman Clifford asked Mr. Patel to bring the directors of those areas to the meetings.

There are two recommendations remaining from the Payroll audit. Ms. Metzger provided background and status to President Stokes. They have developed a robust process for tracking payroll adjustments in order to target what areas need training. Regent Hosmer asked if there is anything built in to the management response to check on results. Ms. Metzger responded for the payroll report that was the purpose of providing the tool and rollout process to Internal Audit for their review. Director Patel stated he can schedule a review of results in six months. Regent Hosmer suggested building it into the risk assessment.

Regent Hosmer asked if there is periodic testing of our information security. Director Patel responded that there is an outside security firm that does penetration testing.

Chairman Clifford asked about a long standing open item about faculty research. Melissa Vargas, Provost’s Office Director of Operations stated she will get an update and report back to the Committee; the issue requires a technology solution and is now being addressed at OVPR.

Regent Hosmer noted there is an SRS item with an implementation date over a year old. Mr. Yeh replied it is partially closed, but they have not completed a central receiving center.

Mr. Yeh provided a separate report that included both implemented and pending items on a Physical Plant audit. Chairman Clifford asked for an update on the status of these recommendations. Mr. Yeh reported two more items are resolved in this reporting cycle, leaving four items still pending. Chairman Clifford inquired if their reporting process has changed. Mr. Patel responded the construction department went through reorganization.

- Director Patel provided his Internal Audit Director’s Report including the status of audits on the FY18 audit plan. The department recently lost a staff member, and is in the process of filling that vacant position. Applications have been reviewed and the interview process will start soon. Director Patel requested reinstatement of a prior Auditor 2 position. This position can be funded from vacancy savings and streamlined costs in FY19; however, the department will require recurring funds for this position. Chairman Clifford asked Mr. Patel to provide a personnel schedule with salaries and vacancies.

The meeting adjourned at 11:40 AM.

Approved:

[Signature]

Audit and Compliance Committee Chairman