THE UNIVERSITY OF NEW MEXICO
Board of Regents’ Audit and Compliance Committee Meeting
May 17, 2018 – Meeting Minutes

Members Present:  Thomas Clifford, Chair, Garrett Adcock, Vice Chair, Lt. Gen. Bradley Hosmer (quorum).

Other Attendees:  Garnett Stokes, David Harris, Liz Metzger, Libby Washburn, Chaouki Abdallah, Melissa Vargas, Carla Domenici, Duane Arruti, Jeff Gassaway, Brad Hutchins, Ava Lovell, Cinnamon Blair, Peggy Davis, Rich Wood, Pamina Deutsch, Che Shu-Nyamboli, Ella Watt, Purvi Mody, Mallory Reviere, Lisa Todd (Moss Adams), Chris Noyes (Moss Adams), Mark McComb (KPMG), Mark Valenzuela (LFC), Wayne Johnson (State Auditor), C. Jack Emmons (Deputy State Auditor), Manu Patel, Chien-chih Yeh, Victor Griego, Amy O’Donnell.

Chairman Clifford called the meeting to order at 8:59 AM in ROBERTS ROOM, Scholes Hall, UNM.

ACTION ITEMS:

• The Committee approved the minutes from March 15, 2018. Regent Adcock abstained as he was not on the Committee. Chairman Clifford had follow up questions. He asked about SHAC follow up with President Stokes. Internal Audit Director Patel stated he provided the President with documents but they have not yet set up a meeting. At the last meeting, there was a question from Regent Hosmer about the IT follow up process. Mr. Patel replied there will be a presentation on that from the CIO in the Executive Session of this meeting. Regent Hosmer inquired about Research follow up. Mr. Patel stated there has not been much progress as there was a staffing change; there will be further discussion in the follow up later in the meeting. Chairman Clifford asked Mr. Patel for the department’s personnel schedule. Director Patel stated he will email it to the members.

• The Committee discussed meeting dates for the remainder of the calendar year; proposed dates have changed and Mr. Patel will send new dates to the Committee. The Committee moved approval of the new dates, contingent upon the members’ review of their calendars after the meeting.

By unanimous consent, the meeting went into Executive Session at 10:50 AM per the agenda.

a. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant 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 FY18 Audit Work plan, pursuant to RPM 1.2;
d. Vote to re-open the meeting.

The meeting returned to open session at 1:58 PM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following audits:

• UNM Health System Timely Documentation Report, Report 2018-07
• UNMMGG Clinic Medication Administration and Billing, Report 2018-04
• UNMMG Guarantor Set-up and Billing, Report 2018-05
• Review of UNM Chrome River, Report 2017-11
• Audit of Athletics Administration, Report 2017-15
INFORMATION ITEMS:

- Advisors’ comments: None.

- The external auditors from Moss Adams and KPMG provided the entrance conference materials for the FY18 external audit. Lisa Todd, Partner, Moss Adams, introduced her team for the audit. They are auditing main campus and non-clinical operations. This is Ms. Todd’s second year in the role of audit partner on this audit. Mark McComb presented the team members for KPMG, stating he is based in San Francisco, but was the concurring partner on this audit last year. KPMG will audit the clinical operations. Chairman Clifford inquired as to what the concurring partners do. Mr. McComb stated they look at all the key judgements and estimates and the key audit areas that they conclude on. They read the financial statements and provide comments. Ms. Todd added they are a fresh set of eyes for quality control. Chairman Clifford asked the auditors to provide resumes for the team members.

Each team talked about the scope and approach to the audit. They focus on specific material audit risks, based on multiple factors. The audit is performed in phases. They begin with internal controls, gain an understanding to determine how much they can rely on the controls, and determine if they are designed and are operating effectively. There is a lot of time spent on IT work. They bring in IT specialists. They also look at compliance and controls over Federal grant requirements. They conclude their work with final audit testing, testing June 30, 2018 balances and financial statement disclosures, and providing an audit opinion regarding whether the financial statements for all units, areas, and branches are materially correct. They use governmental auditing standards and uniform guidance to guide the audit. The auditors detailed in depth what they will look at and also detailed the single audit review process.

Chairman Clifford stated he has had questions from the Hospital’s Board of Trustees regarding the structure of the audit. The legal relationships among the entities are confusing, especially regarding how to explain and understand the transactions between them. He stated he needs to be comfortable that the scope includes this; he is not sure it has been tested in the past to the extent he would like for it to be this year. Mr. McComb replied they do not anticipate that it would require a lot of extra effort to include the queries, and UNM’s Internal Audit is doing a lot of the heavy lifting on that.

Chairman Clifford asked the State Auditor’s Office (SAO) about changes to the 2018 State Audit Rule. The Deputy Auditor reported there should be only minor changes, and they have already been in contact with Ms. Todd regarding rule changes. Chairman Clifford also asked the SAO about timeliness of this year’s audit. He inquired if it would be processed more quickly this year, as last year saw some delays. The Deputy Auditor responded they believe they have some solutions to speed up the process. Ms. Todd stated they are aware that the SAO completed their audit of Athletics and that they are doing a follow up audit this year. The audit team will work with them directly to stay on top of it throughout the audit process. The SAO stated they are very interested in what has been done to correct deficiencies.

Chairman Clifford stated there have been issues – certainly with regard to some of the component units. There is a complicated structure in terms of how UNM manages its finances. He asked Liz Metzger, University Controller, how the Regents get assurance that the system is working. There is a shared services program. Are there folks who need to sign up for that?
Ms. Metzger replied that as they identify issues in departments or areas of the University, they do their best to correct control issues that may be occurring or recommend solutions. Shared services is one solution if that works for the area. Individuals in shared services process things on a more regular basis, so they are more versed on the policies and transactions. Chairman Clifford stated he is not sure if UNM as an entity is addressing the structure of how to do this.

David Harris, Executive Vice President for Administration stated he agrees with that and it may be more of a legal analysis (in particular with Research Park corporations) than a financial analysis. We would need to find out if we want to standardize the structures and if we would gain effectiveness from that. It is something that would come from the Regents. Regent Clifford agreed, but he said he was also speaking about internal budget units. He would like a better understanding of who is managing the books and how, assessing the risks, and how we could better organize internally. He asked Ms. Metzger to come back with a proposal. Mr. Harris said that is something that could actually be done through Internal Audit. UNM probably could and should come up with an operations manual. There is no statute that purposes each unit within the University. Regent Clifford replied he is looking at a more comprehensive look across the entire University. Regent Hosmer asked who should do that; he would think David Harris. We may have a solution looking for a problem. Perhaps there should be a review to assess if there is a problem. Chairman Clifford said he would like the external auditors to look at the student loan programs. He also asked the audit teams to come back for the August meeting and provide a full audit update.

- Libby Washburn, Chief Compliance Officer provided the Committee with her Status Report that includes the 2018 Compliance Plan, current as of this month. The Department of Justice (DOJ) compliance has been a main area of focus. Last year, her office filed five status reports with the DOJ, published progress reports and had a site visit from the DOJ. This year, there will be approximately the same number of reports.

Ms. Washburn does not believe any other University has had to complete in person training for every student. The training, called Grey Area, is approximately 1.5 hours in length. The Dean of Students office has a group of trainers who have provided the training to approximately 25,000 people over the course of one year. The numbers were provided to the DOJ, who seems to be very happy with the 87% completion rate among the student body. Chairman Clifford stated it would be good to know what the coverage is by area. UNM also provided specialized training for how to interview victims of sexual assault as well as anti-retaliation training for senior leaders and specialized training for Athletics.

They just completed another climate survey for main campus. The Compliance Office and OEO will provide an analysis of results to this Committee in August. Chairman Clifford asked if the DOJ reviews the methodology. Ms. Washburn replied they do, prior to it being sent out. They also analyze the responses. Ms. Washburn provided an updated schedule of DOJ deliverables, and a progress report on Minors on Campus including tracking the information and background checks done through UNM Human Resources (HR).

Ms. Washburn stated that since the inception of the current compliance hotline system in April of 2015, they have logged in more than 2,000 tips. Regent Hosmer asked if there is anything being done within the University community to publish hotline activity and results. Ms. Washburn stated they have provided presentations to some individual units around campus, but it is not published on the website. Regent Hosmer stated he would like to do whatever
possible to publicize it University-wide. Ms. Washburn also noted that there was internal investigation training for 90 investigators that was completed last year. The Compliance Office and IT have taken the lead in working with a federal executive order regarding Controlled and Unclassified Information (FERPA and HIPAA). The Compliance Office is assisting OEO with a new ADA plan and is also administering peer hearings. Chairman Clifford stated he would like to have side-by-side compliance update reporting from the HSC as well as main campus. David Harris added that UNM needs to be thinking about a functional review of compliance and how to resource it adequately and correctly.

Peggy Davis, Administrative Officer provided the Committee with an update regarding hotline activity over all units, including HSC, hospitals, and branches. The largest number of reports fall under HR, which is standard. Chairman Clifford informed Ms. Davis he would like for her to break down the HR information into subcategories. The web intake is the most popular way to report. Anonymous reports are at 61%, and 47% of reports were found to be unsubstantiated. Regarding the hot topic of retaliation, Ms. Davis compiled the data from the inception of this hotline, and broke it down through the years. Approximately 10% noted a primary or secondary concern of retaliation; 23 cases were in 2017. Two of those cases were substantiated. In 2018, they are already monitoring five cases with a primary concern of retaliation. Cases that span multiple areas of concern take quite a while to investigate, so that affects case closure rates.

- 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 position. This year, Mr. Patel requested reinstatement of a prior Auditor 2 position and the Department will post the position soon. The Chairman noted an anticipated shortfall in FY19. Mr. Patel replied there is no shortfall for FY19; the department should have a fund balance at the end of FY18 due to vacancy savings. The additional position that was approved will be funded 50% from additional general pool funds and 50% from FY18 reserves for FY19. Mr. Patel updated the Committee on the status of external audits, most of which are audits of grants and contracts.

- Chien-chih Yeh, Internal Audit Manager provided a review of prior audit recommendations. Three recommendations were implemented in this reporting cycle; there are some in the College of Arts and Sciences and SHAC that are still pending. There is a separate report for PPD recommendations, with two implemented and two pending. Chaouki Abdallah, Provost, and Rich Wood, Senior Vice Provost responded to the research activity recommendation. The goal is to unburden faculty with some over-burdensome reporting requirements and track engagement efforts; they are trying to figure out if it is better to develop internally or purchase software. The piece to track qualifications is going to be handled now in the UNMJobs system. Mr. Wood cautioned against using the software to compare across unlike areas/departments. Mr. Harris stated there was significant reorganization in response to the PPD recommendations.

The meeting adjourned at 1:59 PM.

Approved:

[Signature]

Audit and Compliance Committee Chairman