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


Chairman Clifford called the meeting to order at 9:03 AM in the Roberts Room, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the meeting agenda.
- The Committee approved the prior meeting minutes from May 17, 2018.
- The Committee approved the next meeting date of October 15, 2018, the remaining date for the remainder of the calendar year. This meeting will include the exit conference for the FY18 external financial statements audit.

By unanimous consent, the meeting went into Executive Session at 10:32 AM per the agenda.

a. FY18 External Audit Status Report pursuant to exceptions at Section 10-15-1H NMSA (1978) and Section 12-6-5 NMSA (1978) (State Auditor’s Office, Moss Adams, and KPMG);
b. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant RPM 1.2;
c. Schedule of Audits in Process and FY19 Audit Work plan, pursuant to RPM 1.2;
d. Vote to re-open the meeting.

The meeting returned to open session at 12:05 PM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following audits:

- Audit of UNM College of Nursing Dean’s Scholars Award, Report #2018-02-A
- University President’s Travel, Entertainment, and Other Expenses, Report 2017-10
- Audit of Internet Native Banner User Access, Report # 2018-06

INFORMATION ITEMS:

- Advisors’ comments: None.
- Internal Audit Director Patel provided his Internal Audit Director’s Report. He included proposed dates for the remainder of FY19, including a date in May for the FY19 external financial statements audit entrance conference. FY19 will be the last year of this audit contract.
The fiscal year just started. The department has a reserves carry forward balance of $102,000. This is due mostly to salary savings. There was one retirement and there were some student employee vacancies as well. The department has re-budgeted $48,000 of the carry forward balance in this current fiscal year. It is too early to see how the department will close FY19.

Chairman Clifford inquired about audit plan status. Mr. Patel stated there is a schedule that will be covered in executive session. Regent Hosmer asked about carryover audits from FY18. Director Patel informed him there are audits from FY18 in the executive session materials.

Director Patel reviewed the schedule of current external audits. Chairman Clifford stated he would like more detail on these audits, but perhaps less frequently. The most important is the National Science Foundation. They contracted with a private CPA firm to review about $79 million in grant expenditures. Of that, they identified $73,000 in questioned costs. That is a very insignificant portion. The University’s Contract and Grants Department and PIs should be credited for that. There is also a contract audit through CMS for Medicare/Medicaid. For the first six months in 2017, they looked at $1.3 million in expenditures that got reimbursed. Of that, $150,000 were repaid. There are still three more claims they are looking into. Chairman Clifford asked if the external auditors interview CMS. Lisa Todd from KPMG replied that they do not interview the CMS staff. They look at their reports and correspondence between CMS and the Hospital. Chairman Clifford asked Purvi Mody, Health Science System Chief Compliance Officer to provide information regarding the process and findings, as well as the scope of what they look at each year at the next meeting.

Internal Audit has hired Jane Tinker, an Auditor 3, in June, 2018 to replace an employee who retired early this year. The Department also reestablished and posted an Auditor 2 position. That new hire will start the first week of September.

- Chien-chih Yeh, Internal Audit Manager provided a review of prior audit recommendations. At the last meeting, there were eight (8) outstanding recommendations. After the completion of some new audits, there are now 32 new items added to this meeting’s report. Some of the 40 total recommendations have been implemented. Chrome River items, such as standardized PCard training, approval group updates, and supervisor approvals of expenses, particularly travel, are implemented. Liz Metzger, Controller added that the Accounting office can see when international travel occurs and can verify the correct pre-approval was obtained and submitted. Chairman Clifford asked Mr. Yeh to provide more information regarding an audit where there was a management issue of non-compliance with travel approval.

Chairman Clifford asked for more information on the first two facilities items (PPD Remodel). Victor Griego, Auditor 3 stated these recommendations are waiting for legal issues with the contractor. The Chairman asked for follow up on these recommendations for the next meeting.

Rob Robinson, Fiscal Operations Director for Athletics provided the Committee with detailed information on recommendations. Chairman Clifford stated a summary sheet versus a lot of detail might be helpful. On the deficit reduction plan, the recommended action is to implement a plan. It is a lot of different activities. It is going to be hard to keep track of what that means, and it is ongoing. Mr. Griego stated Internal Audit can keep this recommendation open and monitor the activity, making sure they are complying with the plan. Chairman Clifford noted they need actionable items. Mr. Robinson replied the plan is what was approved by the full Board of
Regents in April, the 10 year deficit reduction plan. Once FY18 is officially closed out, he can show a benchmark and they are doing a quarterly cost analysis for each unit. That is another item in the follow up. The Chairman affirmed it meets his expectation.

Mr. Robinson stated all fundraising activities are housed in the Lobo Club. There is a separation of public and private funds. That is in place and is the model moving forward. Internal Audit verified these activities. Director Patel added Internal Audit will be able to verify future transactions using the quarterly cost reporting. Additionally, Internal Audit can do another in depth follow-up audit on the high risk areas in the next 18-24 months.

Regarding past instances of coaches’ overpayments, Athletics has entered into a shared services agreement with HR resulting in tremendous improvement for best practices and standard operating procedures. They have moved all salaries to each appropriate index versus housing them all in one index. This makes it easier to track, but also identifies salary savings by program. There are now more eyes that look at the contracts and payments. Dorothy Anderson, Vice President for Human Resources informed Chairman Clifford that her office can provide more information on the process.

Athletics now has all personnel who are recipients sign agreements with the providers of courtesy cars. Internal Audit is also reviewing mileage reports.

Per Internal Audit’s recommendation, the Learfield agreement has been amended, executed, and reviewed by Internal Audit. The issue was the previous written agreement was from several years ago, and the Department had been operating under a verbal agreement. Credits owed to either party were resolved. The external auditors confirmed that was one of the findings from the FY17 audit. As a follow up, they have looked at the new agreement. Now, contracts are reviewed at the department level, Purchasing, Budget Office and through a designee at the President’s Office. Mr. Griego noted that since the report was issued, Athletics has entered into one agreement. Internal Audit tested the transaction and verified the agreement was approved by Purchasing.

Mr. Robinson stated all year end budget process journal vouchers have adequate supporting documentation, including endowment journal vouchers. All new indices must now have a fund establishment form that tracks the purpose. A complete review of the Banner system was performed. Any duplicate indices were removed.

Athletics separated the duties for event parking. One individual is responsible for acquiring and counting the money; another individual counts it again and deposits the money the next day. Internal Audit tested some collections for recent Isotopes games and there were no exceptions.

There is a process and procedures manual, but it is outdated due to new systems implementation and restructured practices, etc., and it is being updated. They expect a fall completion time.

Expenses can be adjusted in real time based on ticket revenues, as they have restructured the budgeting. Chairman Clifford asked Mr. Robinson to provide a schedule with timing of revenues and expenses when they meet with the Finance Committee each month. The Chairman would like to review it with Mr. Robinson.

Mr. Griego stated that the Memorandum of Agreement to define the roles and duties of the Foundation and the Lobo Club should be complete by the end of September.
All PCard activity is now reviewed by the fiscal shared services’ office with Mr. Robinson’s involvement. He is provided monthly reports for each index. Athletics has moved away from cash advances whenever possible. They are using per diem debit cards for team travel. All PCard holders complete cash management training.

There is a committee that reviews donor instructions for endowed funds and makes sure funds are used in compliance with donor intent. Chairman Clifford asked if Internal Audit will review these transactions. Mr. Griego stated Internal Audit has done test work. What is still pending is some outstanding reimbursement for prior incorrect charges to endowments. Chairman Clifford asked about shared services’ involvement. Nicole Dopson, Director of Financial Operations responded that they provide reports to the team, they review them and provide recommendations. Fiscal shared services reviews these for appropriateness and makes the distribution.

All outstanding collections for suite sale payments have been received. The Lobo Club houses the payments. The final pending item is the Memorandum of Agreement. Mr. Griego noted they made a lot of improvements on their processes. People can pay in installments, but tickets are not released until payment is made in full. Chairman Clifford asked the external auditors if this item is part of their scope. Ms. Todd stated that was part of the State Auditor’s Office’s work, but they are also including it as part of their follow-up.

Staff NCAA Mountain West tournament tickets are now purchased through Athletics’ index, and donors purchase through Lobo Club to keep the transactions separated. Internal Audit will go in and test the purchases.

Athletics is coordinating with HR shared services on payroll processing for event management staff. Issues occur when there is a Monday deadline for processing time and an event occurred the previous Thursday, Friday or Saturday.

Rich Wood, Interim Provost updated the committee on the status of a pending item for tracking research productivity. Chairman Clifford asked Mr. Yeh to add IT and Vice President for Research to the follow-up report. Interim Provost Wood started by recognizing the terrific work and partnership with IT. The Provost's Office began work on this several years ago. There were some good software products on the market, but they were remarkably expensive and not perfectly adequate for them. The decision was made to build software internally. There was a beta version as of about a year ago.

There is an incredible range of reporting that is done by faculty. It is currently disjointed, overlapping, and repetitive. They wanted a full system that would add the research productivity element, but unburden faculty from the current chaotic system. Interim Provost Wood provided a handout to the Committee presenting the extent of what they want to track. There are better commercial software systems out now – options have improved dramatically. Cost is in the range of $100-$200K annually, plus startup costs. The Provost’s Office is nearly ready to come forward to the President’s Office for a decision/request for funding. Chairman Clifford added that the scope of this project has increased so much from the original recommendation that Internal Audit will need to come back and revisit it after they start implementation to make sure research funding is being tracked adequately. The Chairman would also like information to back up the categories on the chart.
Regent Hosmer asked if there was anything of value retained from going down the home built route. Interim Provost Wood replied that there is; mostly lessons learned about what various types of units need. However, he does not think the actual software is going to be useful for this project.

Mr. Yeh returned to the follow-up report. There is a pending CliftonLarsonAllen (CLA) risk assessment. Duane Arruti, CIO and Ari Vazquez, HSC HIPAA Privacy Officer informed the committee that CLA has sent them a report which is currently under final review and response at the CIO’s Office. Upon completion of the report, they will finalize the project plan, and Internal Audit will review the information and verify management’s response. Any procedural changes will be reflected in proposed new policies. Regent Hosmer asked about mechanisms to capture new entities. Mr. Arruti and Ms. Vazquez described multiple avenues specifically for this purpose.

Ms. Metzger stated most of the remaining Chrome River items have a completion date of October 1, 2018 and are partially completed. Since this is a system programmed by the vendor, in some cases UNM has to reach out to them to see what changes can be made. Director Patel stated this is another case where Internal Audit will go back in after a period of time to take another look. Chairman Clifford asked Ava Lovell, Executive Officer for Finance and Administration at HSC to come back to the next meeting in October to update the committee on the HSC Chrome River recommendations. Ms. Metzger clarified they are mostly joint recommendations.

Mr. Patel stated the accountable plan policy updates were approved by the President. Multiple communications have gone out campus-wide about the updates and complying with the policies.

The meeting adjourned at 12:06 PM.

Approved:

[Signature]

Audit and Compliance Committee Chairman