

BOARD of REGENTS



AUDIT AND COMPLIANCE COMMITTEE SPECIAL MEETING

*Thursday, December 6, 2018 9:00 am
Scholes Hall, Roberts Room*

The University of New Mexico
Board of Regents' Audit and Compliance Committee
Special Meeting
December 6, 2018 – 9:00 AM
Roberts Room
Agenda

ACTION ITEMS

1. Confirmation of a Quorum and Adoption of Agenda
2. Approval of Meeting Minutes from October 15, 2018
3. Audit and Compliance Committee Meeting Dates for Fiscal Year 2019
February 21, 2019
May 23, 2019 (Entrance Conference for FY19 Financial Statements Audit)

INFORMATION ITEMS

4. Advisors' Comments
5. Director of Internal Audit Status Report (*Manu Patel, Internal Audit Director*)

EXECUTIVE SESSION

6. Vote to close the meeting and to proceed in Executive Session as follows:
 - 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 (Director of Internal Audit Department) pursuant to exception at Section 10-15-1.H(2) NMSA (1978);
 - c. Schedule of Audits in Process and FY19 Audit Work plan, pursuant to RPM 1.2;
 - d. Vote to re-open the meeting.
7. Certification that only those matters described in Agenda item #6 were discussed in Executive Session and if necessary ratification of action, if any, taken in Executive Session.
8. Adjournment

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Meeting
October 15, 2018 – Draft Meeting Minutes

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

Other Attendees: Garnett Stokes, Liz Metzger, Jeff Gassaway, Ava Lovell, Cinnamon Blair, Terry Babbitt, Peggy Davis, Dana Allen, Marjorie Goldstein, Jamie Silva-Steele, Daniel Trujillo, Vera Clyne, Rich Wood, Melissa Vargas, Francie Cordova, Rob Burford, Dorothy Anderson, Alfred Mathewson, Eddie Nunez, Rob Robinson, Che Shu-Nyamboli, Mike Wilson, Elaine Rising, Ari Vazquez, Loretta Martinez, Paul Roth, Purvi Mody, Arthur Culpepper, Bonnie White, Michael Richards, Chamiza Pacheco de Alas, John Freisinger, Lisa Todd (Moss Adams), Mark McComb (KPMG), Jamie Cavin (KPMG), Ruth Senior (KPMG), Wayne Johnson (State Auditor), C. Jack Emmons (Deputy State Auditor), Manu Patel, Chien-chih Yeh, Lisa Wauneka, William Cottrell, Jane Tinker, Victor Griego, Gonzalo Olivas, Amy O'Donnell.

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

ACTION ITEMS:

- The Committee approved the meeting agenda.
- The Committee approved the prior meeting minutes from August 23, 2018. Chairman Clifford inquired about an Athletics follow-up item. The media posed some questions about the methodology used to calculate savings that would be realized from terminating sports with regard to scholarship programs. He asked Internal Audit Director Patel to review that going forward and get back to them on that methodology. Director Patel replied he has had discussions with Nicole Dopson, Director of Fiscal Operations, Office of the Provost and he will provide information at the next meeting. Chairman Clifford stated there was some discussion at the Finance and Facilities Committee as well, but he would like Director Patel's opinion on the methodology that was used. Wayne Johnson, New Mexico State Auditor noted they would like to review that as well.

Regent Hosmer stated there are forward-looking items called out in the minutes and it would be useful to summarize those so there are a list of follow-ups. Chairman Clifford agreed and added status would be helpful.

- The Committee tentatively approved the next meeting dates of February 21, 2019 and May 23, 2019 (Entrance Conference for FY19 Financial Statements Audit). Regent Hosmer stated he has a conflict with the date in May but there is a lot of time to work with that.

By unanimous consent, the meeting went into Executive Session at 9:04 AM per the agenda.

- a. Presentation of FY18 External Financial Audit pursuant to exceptions at Section 10-15-1H NMSA (1978) and Section 12-6-5 NMSA (1978) (*Moss Adams, KPMG and Liz Metzger, University Controller*);
- b. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant RPM 1.2;
- c. Discussion of limited personnel matters (Director of Internal Audit Department) pursuant to exception at Section 10-15-1.H(2) NMSA (1978);

- d. Schedule of Audits in Process and Proposed FY19 Audit Work plan, pursuant to RPM 1.2;
- e. Vote to re-open the meeting.

The meeting returned to open session at 12:54 PM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the submission of the external financial audit report from Moss Adams and KPMG to the State Auditor. Director Patel reminded the Committee it is still a draft report and will not become public until approved by the State Auditor's Office.

The Committee unanimously approved the following audit reports:

- UNMH Patient Copayment/Down Payment Report #2018-07
- SRMC Patient Copayment/Down Payment Report #2018-06
- UNMMG Patient Copayment/Down Payment Report #2018-06
- UNMMG Human Resources & Payroll Report #2018-08
- UNMH Purchasing Card and Fuel Card Report #2018-08
- UNM Alumni Association and Relations Audit of Financial and Operational Efficiency Report #2019-01
- University President's Travel, Entertainment, and Other Expenses Report 2018-05
- Audit of HSC Advanced Degree Tuition Payments for Employees Report 2018-02
- UNM Internal Audit Annual Report FY 2017-2018

Director Patel informed the Committee that he will bring the audit plan back to them at the next meeting, to include the changes that were discussed in this meeting.

INFORMATION ITEMS:

- Chairman Clifford stated that in the interest of time, the Committee will accept the informational report items listed on the agenda in their written form.

The meeting adjourned at 12:58 PM.

Approved:

Audit and Compliance Committee Chairman

There is no
handout
required for
this item

There is no
handout
required for
this item

**Internal Audit Director's Status Report
Audit and Compliance Committee Special Meeting
December 6, 2018**

INFORMATION ITEMS

Audit Committee Meeting Calendar. The following are future proposed dates in FY19 for the Committee's consideration. The Committee meets in the Roberts Room. This schedule will accommodate the entrance conference for the FY19 External Financial Statements Audit.

February 21, 2019

May 23, 2019 (Entrance Conference for FY19 Financial Statements Audit)

Audit Plan Status. The project status and hours report for the plan is at Tab #6C. The status of the proposed plan as of November 28, 2018 is:

Completed	8
Report Writing	1
Fieldwork	7
Subtotal	16
Assigned	6
Total	22

The Fiscal Year 2019 (FY19) draft audit plan includes four (4) audits carried over from FY18. The draft FY19 audit plan will be finalized based on the University-wide risk assessment survey and input from the Executive leadership and the Audit and Compliance Committee.

Department Financial Report. At Tab 5 is the Internal Audit Department's budget status report for your review. The FY19 adjusted budget is \$875,043, of which \$822,543 is from the general pooled account, \$4,000 is reimbursements of expenditures from the University of New Mexico Hospital for sharing audit software, and \$48,500 from the departmental reserve. As of November 30, 2018, the department's actual expenditures are \$328,664, and encumbrances are \$377,538. The department estimates to have reserve balance of \$40,000 at the end of fiscal year 2019.

External Audits and Reviews. At Tab 5 is the summary information as of October 31, 2018 regarding the external audits and reviews (third party financial audits) of various grants, contracts, and programs by various federal and state government agencies. There are currently ten (10) reviews underway. The National Science Foundation contracted with the WithumSmith + Brown firm to conduct a financial audit of various grants, totaling \$79 million. The University received a draft report on April 20, 2018 with about \$73 thousand in questioned costs, which is very insignificant compared to overall grant amounts. As of October 31, 2018, the NSF Grant & Contract Cost Analyst has disallowed \$44.5 thousand of previously questioned costs. The Health Resources and Services Administration is auditing two grants totaling \$2.4 million from grant period August 1, 2015 through July 31, 2017. The Office of Justice is auditing four programs totaling \$2.6 million. The Dallas County Hospital District is auditing the \$750 thousand grant for the project Extension for Community Healthcare Outcomes (ECHO). The

Internal Audit Director's Status Report
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Children, Youth and Family Department, State of New Mexico, is auditing various grants and contracts totaling \$13.9 million.

The Center for Medicaid and Medicare Services (CMS) has contracted with Conifer to conduct billing reviews. The University of New Mexico Hospital and Sandoval Regional Medical Center have received requests from the Recovery Audit Contractor (RAC) to provide 48 records related to patient billings, totaling \$2.4 million, from January 2018 through October 2018. Of these, approximately \$57 thousand has been repaid to CMS and twenty-eight (28) claims totaling \$432.7 thousand are pending further review.

Staffing. Internal Audit is fully staffed and has two student employees currently working in the department.

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Account Description	Budget (FYTD) Adopted	Budget (FYTD) Adjustments	Budget (FYTD) Accumulated	Actuals Current Month	Actuals Pct	Actuals Fiscal YTD	Actuals Pct	Encumbrances	Balance Available	Balance Pct
Revenue										
0340 - University Hospital Re!	\$4,000.00	\$0.00	\$4,000.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$4,000.00	100.00%
1640 - Allocations Pooled Allo!	\$822,543.00	\$0.00	\$822,543.00	\$0.00	.00%	\$822,543.00	100.00%	\$0.00	\$0.00	.00%
1900 - Reserves	\$0.00	\$0.00	\$0.00	\$0.00	.00%	\$102,655.88	.00%	\$0.00	(\$102,655.88)	.00%
1901 - Budgeted Use of Rese!	\$48,500.00	\$0.00	\$48,500.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$48,500.00	100.00%
*TOTAL Revenue	\$875,043.00	\$0.00	\$875,043.00	\$0.00	.00%	\$925,198.88	105.73%	\$0.00	(\$50,155.88)	(5.73%)
Expense										
2020 - Administrative Profess!	\$683,716.00	\$51,500.00	\$735,216.00	\$59,319.47	8.07%	\$287,014.30	39.04%	\$349,409.85	\$98,791.85	13.44%
2060 - Support Staff Salary D!	\$47,184.00	\$0.00	\$47,184.00	\$5,444.31	11.54%	\$19,055.07	40.38%	\$28,128.94	(\$0.01)	.00%
20J0 - Student Salaries Gen	\$18,000.00	\$0.00	\$18,000.00	\$1,037.00	5.76%	\$2,709.56	15.05%	\$0.00	\$15,290.44	84.95%
20P0 - Temporary Salary Gen	\$5,000.00	\$0.00	\$5,000.00	\$82.62	1.65%	\$881.62	17.63%	\$0.00	\$4,118.38	82.37%
20SA - Salary Adjustments	\$51,500.00	(\$51,500.00)	\$0.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$0.00	.00%
3100 - Office Supplies Gener!	\$672.00	\$0.00	\$672.00	\$24.99	3.72%	\$69.94	10.41%	\$0.00	\$602.06	89.59%
3110 - Books Periodicals Gen	\$50.00	\$0.00	\$50.00	\$0.00	.00%	\$69.99	139.98%	\$0.00	(\$19.99)	(39.98%)
3140 - Computer Software G!	\$150.00	\$0.00	\$150.00	\$0.00	.00%	\$454.00	302.67%	\$0.00	(\$304.00)	(202.67%)
3150 - Computer Supplies <\$!	\$100.00	\$0.00	\$100.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$100.00	100.00%
3180 - Non Capital Equipmen!	\$0.00	\$0.00	\$0.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$0.00	.00%
3189 - Computers & Servers !	\$2,000.00	\$0.00	\$2,000.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$2,000.00	100.00%
31A0 - Business Food - Local	\$800.00	\$0.00	\$800.00	\$0.00	.00%	\$524.50	65.56%	\$0.00	\$275.50	34.44%
31C0 - Dues Memberships G!	\$4,000.00	\$0.00	\$4,000.00	\$390.00	9.75%	\$1,617.00	40.42%	\$0.00	\$2,383.00	59.58%
31J0 - Parking Permits Gen	\$250.00	\$0.00	\$250.00	\$0.00	.00%	\$444.00	177.60%	\$0.00	(\$194.00)	(77.60%)
31K0 - Postage Gen	\$40.00	\$0.00	\$40.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$40.00	100.00%
31P0 - Training Materials Sup!	\$200.00	\$0.00	\$200.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$200.00	100.00%
3800 - In State Travel Gen	\$1,190.00	\$0.00	\$1,190.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$1,190.00	100.00%
3805 - Instate Travel-Per Die!	\$0.00	\$0.00	\$0.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$0.00	.00%
3810 - Instate Travel-Per Die!	\$0.00	\$0.00	\$0.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$0.00	.00%
6000 - Telecom Charges Gen	\$3,500.00	\$0.00	\$3,500.00	\$292.50	8.36%	\$1,462.50	41.79%	\$0.00	\$2,037.50	58.21%
6020 - Long Distance Gen	\$50.00	\$0.00	\$50.00	\$3.52	7.04%	\$4.29	8.58%	\$0.00	\$45.71	91.42%
6060 - Voice Mail Box Gen	\$634.00	\$0.00	\$634.00	\$55.00	8.68%	\$235.00	37.07%	\$0.00	\$399.00	62.93%
6300 - Alarm System Gen	\$200.00	\$0.00	\$200.00	\$11.25	5.63%	\$81.25	40.63%	\$0.00	\$118.75	59.38%
6315 - Electronic Databases	\$1,200.00	\$0.00	\$1,200.00	\$126.00	10.50%	\$630.00	52.50%	\$0.00	\$570.00	47.50%
63A0 - Conference Fees Gen	\$1,000.00	\$0.00	\$1,000.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$1,000.00	100.00%
63A2 - Seminars/Training Fe!	\$6,900.00	\$0.00	\$6,900.00	\$0.00	.00%	\$1,668.61	24.18%	\$0.00	\$5,231.39	75.82%
63C0 - Copying Gen	\$100.00	\$0.00	\$100.00	\$0.00	.00%	\$0.00	.00%	\$0.00	\$100.00	100.00%

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Account Description	Budget (FYTD) Adopted	Budget (FYTD) Adjustments	Budget (FYTD) Accumulated	Actuals Current Month	Actuals Pct	Actuals Fiscal YTD	Actuals Pct	Encumbrances	Balance Available	Balance Pct
63J0 - Legal Services Gen	\$.00	\$.00	\$.00	\$.00	.00%	\$5,264.93	.00%	\$.00	(\$5,264.93)	.00%
63V0 - Consultant Fees Gen	\$15,000.00	\$.00	\$15,000.00	\$.00	.00%	\$.00	.00%	\$.00	\$15,000.00	100.00%
69Z0 - Other Professional Ser!	\$13,500.00	\$.00	\$13,500.00	\$716.59	5.31%	\$3,638.59	26.95%	\$.00	\$9,861.41	73.05%
7000 - Plant Repairs Mainten!	\$200.00	\$.00	\$200.00	\$.00	.00%	\$296.34	148.17%	\$.00	(\$96.34)	(48.17%)
70E0 - Computer Hardware !	\$600.00	\$.00	\$600.00	\$.00	.00%	\$.00	.00%	\$.00	\$600.00	100.00%
70E1 - Computer Software M!	\$11,500.00	\$.00	\$11,500.00	\$.00	.00%	\$.00	.00%	\$.00	\$11,500.00	100.00%
70F0 - Equipment Rent Expe!	\$2,400.00	\$.00	\$2,400.00	\$291.35	12.14%	\$1,068.87	44.54%	\$.00	\$1,331.13	55.46%
75Z0 - Other Repairs Mainten!	\$.00	\$.00	\$.00	\$.00	.00%	\$20.00	.00%	\$.00	(\$20.00)	.00%
80K0 - Banner Tax	\$607.00	\$.00	\$607.00	\$.00	.00%	\$156.40	25.77%	\$.00	\$450.60	74.23%
80K2 - Foundation Surcharge	\$2,800.00	\$.00	\$2,800.00	\$.00	.00%	\$1,297.08	46.32%	\$.00	\$1,502.92	53.68%
*TOTAL Expense	\$875,043.00	\$.00	\$875,043.00	\$67,794.60	7.75%	\$328,663.84	37.56%	\$377,538.79	\$168,840.37	19.30%
Total Revenue:	\$875,043.00	\$.00	\$875,043.00	\$.00	.00%	\$925,198.88	105.73%	\$.00	(\$50,155.88)	(5.73%)
Total Expense:	\$875,043.00	\$.00	\$875,043.00	\$67,794.60	7.75%	\$328,663.84	37.56%	\$377,538.79	\$168,840.37	19.30%
Net:	\$.00	\$.00	\$.00	(\$67,794.60)	.00%	\$596,535.04	.00%	(\$377,538.79)	\$218,996.25	.00%

Parameters:

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Groupings:

Warning: These reports will show fiscal year activity. For inception to date activity for Grants please use the FRRGLDS - Grant Ledger Detail Summary report.

**External Audits and Reviews
As of October 31, 2018**

Granting Agency/Entity	National Science Foundation (NSF)	Dallas County Hospital District	HRSA	HRSA	NMDPS	CYFD	OJP	Sandia	University of North Carolina	CMS (Patient Billings) - RAC Requests as of July 31, 2018
Contract/Grant/Program Title	Various; 92 total awards tested.	3R207	3RY66	3RX49	3RCJ2	Various; 20 total contracts tested.	Various; 4 total awards tested.	Various; 118 total POs tested	3RM67	Medicare
Contract/Grant Period	Various; Audit covers FY14-FY16	2016-2017	8/1/15 - 7/31/17	4/1/15 - 3/31/17	1/1/17 - 12/31/17	Various; Financial on-site review covers FY17 Federal funds only.	Various; Financial and programmatic on-site review.	Various; Audit covers FY16-FY18	7/1/13 - 6/30/18	Various
Contract/Grant Total Amount	Various; 92 awards in totaling \$79 million tested by OIG-Contract auditor.	\$750,000.00	\$945,256.00	\$1,465,732.00	\$14,920.00	\$13,899,820.63	\$2,635,502.00	Various; 118 PO's	\$436,315.00	N/A
Contract/Grant Amount - Current FY										N/A
Principal Investigator	Various	Sanjeev Arora	Steven Williams	Steven Williams	Hannah Kastenbaum	Various	Various	Various	Robert Rhyne	N/A
Department	Various	ECHO	Infectious Diseases	Infectious Diseases	OMI	Various	Various	Various	FCM	Hospital RAC Audits
Agency Audit/Review Notification Date	7/14/2016	Dallas County Hospital District	HRSA	HRSA	NMDPS	CYFD 5/15/2018	OJP 4/12/2018	SNL 10/24/2018	University of North Carolina	Various
Audit/Review Entrance/Visit Date(s)	7/27/16 Entrance Call 3/27/17 - 4/7/17 On-Site	TBD	6/13/2017	6/13/2017	3/7/2018	6/7/2018	8/13/2018	TBD	8/1/2018	Remote
Audit/Exit/Final Report Issued	TBD	6/28/2017				Report issued on 8/30/2018	TBD	TBD	TBD	Continuous
Questioned Cost, if any	Formal draft report issued April 20, 2018. Questioned costs of \$73,278; However, still subject to detailed discussions and negotiations with NSF.					N/A	N/A			N/A
Audit/Review Major Finding, if any	TBD									See Comments
Corrective Action Plan, if any	TBD									In Process
Planned Implementation Date	TBD									N/A
Campus	Main/HSC	HSC	HSC	HSC	HSC	Main/HSC	Main/HSC	Main/HSC	HSC	Hospital RAC Audits
Auditor if Different than Grantor	WithumSmith+Brown (WSB)									Cotiviti
Comments	NSF, OIG Audit Received Formal Draft Report from WithumSmith+Brown on April 20, 2018. UNM provided a response letter to WithumSmith+Brown on May 2, 2018. The NSF Grant & Contract Cost Analyst allowed the previously questioned costs of \$28.7k and other costs totaling \$44.5k were disallowed. We have until December 10, 2018 to respond to internal controls and any other matters.	On-site review, pending draft report. Communication via email with Edward Davila in March, May and August of 2018; no report provided to date.	Initial response letter sent November 2017. Revised report submitted May 2018 and waiting for response from Sponsor.	Initial response letter sent November 2017. Revised report submitted May 2018 and waiting for response from Sponsor.	Initial response letter sent November 2017. Revised report submitted May 2018 and waiting for response from Sponsor.	UNM responded to CYFD's final report in a letter dated and sent on November 1, 2018. CYFD had a recommendation finding to ensure federal flow-through awards were properly identified as federal in our SEFA. The University disagreed with this finding since it is a pass-through entity's responsibility (CYFD). The CYFD confirmed receipt of our response letter, and will send a final close out letter for this site visit.	UNM completed all follow-up actions required from site visit. We are still awaiting OJP approval of GANs submitted.	Received audit engagement letter on 10/24/18. General ledger and payroll detail provided to auditor for preliminary analysis. TBD on further review or fieldwork, if necessary.		20 Claims were reviewed with reimbursement of \$2.04 million from 1/1/2017 - 10/31/18. Repayment in the amount of \$56.8 thousand was made. Twenty (28) claims are pending review with original reimbursement of \$432.7 thousand.

EXECUTIVE SESSION