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
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
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
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.
## FOROLDS Operating Ledger Summary
### Through the Month of Nov 2018

**Index: 676000 - 113280-AUDIT DEPARTME-General Activ**

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<tr>
<td>3180 - Non Capital Equipment</td>
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<td>.00%</td>
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<td>3189 - Computers &amp; Servers General</td>
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<td>.00%</td>
<td>$2,000.00</td>
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<tr>
<td>31A0 - Business Food - Local</td>
<td>$800.00</td>
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<td>$.00</td>
<td>.00%</td>
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<td>.00%</td>
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<td>3800 - In State Travel General</td>
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<td>3805 - Instate Travel-Per Diem</td>
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<td>$.00</td>
<td>.00%</td>
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<td>.00%</td>
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<tr>
<td>3810 - Instate Travel-Per Diem</td>
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<td>6000 - Telecom Charges General</td>
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<td>63A0 - Conference Fees General</td>
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## Operating Ledger Summary
### Through the Month of Nov 2018

#### Account Description

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<th>Account Description</th>
<th>Budget (FYTD)</th>
<th>Budget (FYTD)</th>
<th>Actuals</th>
<th>Actuals</th>
<th>Actuals</th>
<th>Encumbrances</th>
<th>Balance</th>
<th>Balance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Adopted</td>
<td>Adjustments</td>
<td>Accumulated</td>
<td>Current Month</td>
<td>Fiscal YTD</td>
<td>Pct</td>
<td>Available</td>
<td>Pct</td>
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<td>63J0 - Legal Services Gen</td>
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<tr>
<td>63V0 - Consultant Fees Gen</td>
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<td>70E1 - Computer Software M!</td>
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<td>80K2 - Foundation Surcharge</td>
<td>$2,800.00</td>
<td>$0.00</td>
<td>$2,800.00</td>
<td>$0.00</td>
<td>0.00%</td>
<td>$1,297.08</td>
<td>$0.00</td>
<td>$1,502.92</td>
</tr>
</tbody>
</table>

### Total Expense

- **$875,043.00**
- **$0.00**
- **$875,043.00**
- **$67,794.60**
- **7.75%**
- **$328,663.84**
- **37.56%**
- **$377,538.79**
- **19.30%**

#### Net Revenue

- **$875,043.00**
- **$0.00**
- **$875,043.00**
- **$67,794.60**
- **7.75%**
- **$328,663.84**
- **37.56%**
- **$377,538.79**
- **19.30%**

**Parameters:**

- Index: 676000 - 113280-AUDIT DEPARTME-General Activ

**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.

---

Page 2 of 2 Date/Time: 12/04/2018 7:46AM Version 1.4
<table>
<thead>
<tr>
<th>Granting Agency/Entity</th>
<th>National Science Foundation (NSF)</th>
<th>Dallas County Hospital District</th>
<th>HRSA</th>
<th>HRSA</th>
<th>NMDFS</th>
<th>CYFD</th>
<th>OJP</th>
<th>Sandia</th>
<th>University of North Carolina</th>
<th>CMS (Patient Billings) - RAC Requests as of July 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract/Grant/Program Title</td>
<td>Various; 92 total awards tested.</td>
<td>3R027</td>
<td>3R049</td>
<td>3R042</td>
<td>Various; 20 total contracts tested.</td>
<td>Various; 4 total awards tested.</td>
<td>Various; 118 total POs tested</td>
<td>3RM67</td>
<td>Medicare</td>
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<tr>
<td>Contract/Grant Period</td>
<td>Various; Audit covers FY14-FY16</td>
<td>2016-2017</td>
<td>8/21/15 - 7/31/17</td>
<td>4/1/15 - 3/31/17</td>
<td>1/1/17 - 12/31/17</td>
<td>Various; Financial on-site review covers FY17 Federal funds only.</td>
<td>Various; Financial and programmatic on-site review.</td>
<td>Various; Audit covers FY16-FY18</td>
<td>7/1/13 - 6/30/18</td>
<td>Various</td>
</tr>
<tr>
<td>Contract/Grant Total Amount</td>
<td>Various; 92 awards in totaling $79 million tested by OIG-Contract auditor.</td>
<td>$750,000.00</td>
<td>$945,256.00</td>
<td>$1,465,732.00</td>
<td>$14,920.00</td>
<td>$13,899,820.63</td>
<td>$2,635,502.00</td>
<td>Various; 118 PO's</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Contract/Grant Period - Current FY</td>
<td>Various; 118 PO's</td>
<td>$436,315.00</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Principal Investigator</td>
<td>Various</td>
<td>Sanjeev Arora</td>
<td>Steven Williams</td>
<td>Steven Williams</td>
<td>Hannah Kastenbaum</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Robert Rhyne</td>
<td>Various</td>
</tr>
<tr>
<td>Department</td>
<td>Various</td>
<td>ECHO Infectious Diseases</td>
<td>Infectious Diseases</td>
<td>OMI</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>FCN Hospital RAC Audits</td>
<td>Various</td>
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<tr>
<td>Audit/Review Entrance/Visit Date(s)</td>
<td>7/22/16 Entrance Call</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Audit/Exit/Review Final Report issued</td>
<td>TBD</td>
<td>6/28/2017</td>
<td>Report issued on 8/30/2018</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>Continuous</td>
<td>Various</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Questioned Cost, if any</td>
<td>Formal draft report issued April 20, 2018. Questioned costs of $79,278; However, still subject to detailed discussions and negotiations with NSF.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Audit/Review Major Finding, if any</td>
<td>TBD</td>
<td>See Comments</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>Continuous</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Planned Implementation Date</td>
<td>TBD</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Comments</td>
<td>NSF, OIG Audit</td>
<td>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 &amp; 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.</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
</tbody>
</table>

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

**Granting Agency/Entity**
- National Science Foundation (NSF)
- Dallas County Hospital District
- HRSA
- NMDFS
- CYFD
- OJP
- Sandia
- University of North Carolina

**Contract/Grant/Program Title**
- Various; 92 total awards tested.
- Various; 20 total contracts tested.
- Various; 4 total awards tested.
- Various; 118 total POs tested.
- Various; 92 awards in totaling $79 million tested by OIG-Contract auditor.
- Various; 20 total contracts tested.
- Various; 4 total awards tested.
- Various; 118 total POs tested.

**Contract/Grant Period**
- Various; Audit covers FY14-FY16
- 2016-2017
- 8/21/15 - 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

**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
- Various

**Contract/Grant Period - Current FY**
- Various; 118 PO’s
- $436,315.00
- N/A

**Principal Investigator**
- Various
- Sanjeev Arora
- Steven Williams
- Steven Williams
- Hannah Kastenbaum
- Various
- Various
- Various
- Robert Rhyne

**Department**
- Various
- ECHO Infectious Diseases
- Infectious Diseases
- OMI
- Various
- Various
- Various
- FCN Hospital RAC Audits

**Agency Audit/Review Notification Date**
- 7/14/2016
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

**Audit/Review Entrance/Visit Date(s)**
- 7/22/16 Entrance Call
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

**Audit/Exit/Review 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 $79,278; However, still subject to detailed discussions and negotiations with NSF.
- N/A
- N/A
- N/A

**Audit/Review Major Finding, if any**
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

**Corrective Action Plan, if any**
- TBD
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

**Planned Implementation Date**
- TBD
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

**Campus**
- Main/HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC
- HSC

**Auditor if Different than Grantor**
- WithumSmith+Brown (WSB)
- Cotiviti
- Various
- Various
- Various
- Various
- Various
- Various

**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.
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

- On-site review, pending draft report. Communication via email with Edward Davila in March, May and August of 2018; no report provided to date.
- Revised report submitted May 2018 and waiting for response from Sponsor.
- Revised report submitted May 2018 and waiting for response from Sponsor.
- 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.
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

- 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.
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various
- Various

- 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