

BOARD of REGENTS



THE UNIVERSITY OF
NEW MEXICO.

AUDIT AND COMPLIANCE COMMITTEE MEETING

Thursday, May 2, 2024 8:30 AM (Open Session)

The University of New Mexico
Board of Regents' Audit and Compliance Committee
May 2, 2024
Scholes Hall, Roberts' Room
Agenda

OPEN SESSION

ACTION ITEMS

1. Confirmation of a Quorum and Adoption of Agenda
2. Approval of Meeting Minutes from February 8, 2024

INFORMATION ITEMS

3. Advisors' Comments
4. Audit and Compliance Committee Next Quarterly Meeting Date

August 7, 2024 (Executive Session)
August 8, 2024 (Open Session)
5. Approval of the 2024 External Financial Statement Audit Contract (Norma Allen, University Controller)
6. Fiscal Year 2024 Financial Statements External Audit, Entrance Conference (*KPMG, Moss Adams, Carr, Riggs & Ingram, and Norma Allen, University Controller*)
7. Director of Internal Audit Status Report (*Victor Griego, Internal Audit Director*)
8. Office of Compliance, Ethics, And Equal Opportunity Report (*Francie Cordova, Chief Compliance Officer, and Beck Rivera, Compliance Coordinator*)
9. Status of Audit Recommendations (*Chien-Chih Yeh, Internal Audit Manager*)

THE UNIVERSITY OF NEW MEXICO
 Board of Regents' Audit and Compliance Committee Quarterly Meeting
 February 8, 2024 – Draft Meeting Minutes

Members Present: Jack Fortner, Chair, Paula Tackett (virtually), Vice Chair, Kim Rael (quorum).

Other Attendees: Garnett Stokes, Norma Allen, Terry Babbitt, Teresa Costantinidis, Loretta Martinez, Ari Vazquez, James Holloway, Angela Vigil, Duane Arruti, Francie Cordova, Beck Rivera, Aria Ponciroli, Joey Evans, Colin Mitchell, Stephanie McIver, Jason Galloway, Jeff Gassaway, Bonnie White, Ajay Gupta (CLA), Randy Romes (CLA), John Kennedy (KPMG), John Bunnell (KPMG), Emily Morelli, Lorenzo Perea, Victor Griego, Chien-chih Yeh, Gonzalo Olivas, Antonio Baca, Walter Peters, Amy O'Donnell.

Chair Fortner called the meeting to order at 1:00 PM. He confirmed there was a quorum.

ACTION ITEMS:

- The Committee approved the agenda.
- The Committee approved the minutes from the meeting of October 26, 2023.
- The Committee approved the dates for the remainder of the calendar year.

INFORMATION ITEMS:

- Advisors' comments: None.
- Norma Allen, University Controller, and John Burnell and John Kennedy from KPMG provided a quick update for the Committee regarding the FY23 external financial statements audit. The team previously presented at the last meeting on October 26, 2023 regarding the result of the audit. Nothing has changed since that date - except one important thing. The one important thing happened subsequent to the meeting on October 26th. On October 30th, UNM received notification from HED – the New Mexico Department of Higher Education that some of the funding UNM was told was from the General Fund of the State of New Mexico actually was not. It was federal monies that were being passed through to UNM. And what that means to auditors is that it has to go on scheduled expenses for federal awards, and depending on the size of dollars expended, it prompts the auditors to conduct some additional audit procedures. In this case it did. It created a new major program. They tested controls around that and tested the compliance.

It really was primarily related to lottery scholarship money thought to be from the lottery actually come from ARPA grants, which are COVID grants. The team didn't have any findings relative to that. They have since submitted the reports back up to the State Auditor. The State Auditor's Office reviewed them and accepted them. This happened across the state. All institutions of higher education had the same issue. The state auditor rejected all the reports that were initially submitted. All the firms had to go back and redo their audit procedures relative to this and all the firms resubmitted. It is considered to be a timely filing because the initial filing was timely, and the updates are really outside of UNM's control. In the end, it's a non-event - except auditors had to come back and do quite a bit more work after the fact.

Chair Fortner asked if they did more work, did the auditors get more money? Mr. Kennedy responded yes. Provost Holloway asked if there is an expectation that the lottery money is going to be federal money from now on? Ms. Allen replied she is not sure. Mr. Kennedy stated he doesn't know how the State's trying to allocate the monies. That really was the problem. There's quite a bit of ARPA money UNM received and the allocations were being adjusted. He doesn't know where the breakdown was; it just didn't get communicated. As long as the ARPA monies are there, it's certainly quite possible they will continue to allocate some of those monies. He thinks they have to be spent in totality by 2026.

Regent Rael asked if the ARPA funds were sent to UNM. Mr. Kennedy replied they were sent to the State as part of their budgeting process. They were sent out as numbers but did not indicate the source. Regent Rael said when they came to UNM, they were labeled as lottery opportunity scholarship initially, so they would still be "scholarship funds," but the source of them was not the actual lottery. Mr. Kennedy added that once the federal

government puts it in, it has to say that all the way through, and they just didn't let UNM know. The reports have been accepted, they are public record, and all concluded.

- Victor Griego, Internal Audit Director presented his Director's Report. Mr. Griego stated he wanted to note the upcoming May 2nd and October 24th meetings are designed for the external financial statement audit. The May meeting is for the entrance meeting for the FY24 financial audit. And the October meeting is for the exit meeting. That is meeting designed for the approval of the audit. Upon approval from this Committee, the audit is actually finalized and submitted to the State Auditor for final approval. These are key dates as far as the remaining schedule of the meetings.

Mr. Griego provided the Committee with an update on Internal Audit (IA) operations and staffing. He hopes this will be the last meeting he reports that IA currently has one vacant auditor position. He is continually reviewing the budget and department staffing needs to account for hiring and internal promotions. Based on mid-year projections, he is planning on filling the auditor and intern positions and is really optimistic that IA can do so in the second half of FY24. It is preferable to hire an Anderson student that's going into finance. Mr. Griego recently gave a presentation to the Anderson auditing class to try to get some interest – not only in the audit and accounting profession, but specifically for a student intern position. He did actually receive feedback and interest. IA had a previous student intern transition to become an auditor with the department.

IA is planning to conduct an internal training on standard internal auditing procedures and investigation procedures, as well as required reporting. The department is hoping to do that in March of this year.

The final FY24 budget is \$1,324,265 which primarily consists almost wholly of I&G funding of \$1,287,020 and is approximately 97% of the entire budget. IA is budgeting \$37,245 from the department's reserves. As of December 31st, based on the mid-year projections, IA has expenditures of \$521,718 and encumbrances of \$394,410, primarily labor-related expenses. For non-labor expenses, the largest ones are licenses for software which are \$11,290 as of December 31st, and \$2,110 for professional training and professional development. Staff primarily attend trainings in the second half of FY24, in April and May. That will be one of the biggest non-labor operating expenses for the second half of FY24.

Mr. Griego presented the audit plan status for FY24. Seven (7) of the nine (9) audits from the FY24 audit plan are completed or in fieldwork. The department has currently completed the annual audit of the President's Travel, Entertainment, and Other Expenses, which will be presented in closed session. IA has completed fieldwork procedures and is in the report writing process for two other audits - Office of the Medical Investigator and Non-Standard Payment Process. These reports will be presented at the next Committee meeting for approval. IA has initiated planning for Anderson School of Management and Information Technology. All the audits that are on the audit plan and that were completed were on the University-Wide Risk Assessment and Three-Year Audit Plan, approved back in August by the Committee.

Mr. Griego stated he is also working on developing the IT audit plan to supplement the three-year audit plan. He met with CLA to help with IT risk assessment process, to identify the higher risks in information technology security which will be used to develop the IT audit plan for the department.

Mr. Griego discussed the status of EthicsPoint complaints. As of January 30, 2024, of the 53 complaints that has been assigned to IA, 27 have been completed and closed; 23 are in process and field work; and, three (3) have not yet been assigned. These are the complaints that deal with financial issues. There are three (3) complaints that are required to be presented to the Audit and Compliance Committee based on Regents' Policy 7.2. He stated he will go over these in more detail in closed session, but they reflected alleged illegal activity over 20,000 and/or high public interest.

For the health system internal audit function, Ajay Gupta and Randy Romes from Clifton Larson Allen are in person at this meeting to present. Mr. Griego thanked them for making the trip to the Committee meeting in person. They have four audit reports to present in closed session as well.

IA obtains information on third party audits from UNM Contracts and Grants that are either conducted by the grant funding agency or could be contracted outside firms. Currently, there are six (6) audits or reviews to report on. The National Science Foundation (NSF) completed two audits, one specific to a grant within the Sustainable Studies Program. This report was issued on January 19th, and there were no findings reported for that grant. They also contracted with an outside firm, Cotton & Co. to review multiple NSF awards through various departments within UNM. This contractor did identify potential findings which UNM is now responding to and trying to resolve to determine if these are questioned costs related to the grant.

There are four (4) audits that initiated in late December and January. Sandia National Labs, Bernalillo County, the City of Albuquerque, and Department of Justice initiated audits for grants awarded to UNM. For Sandia National Labs, UNM received the notification on January 19th, auditing all purchase orders within various departments. Bernalillo County also sent audit notification on December 29th for a grant totaling \$910,000 awarded to the HSC Family Community Medicine Department. The City of Albuquerque provided a notification on December 27th for a grant for \$3.7 million, also under Family Community Medicine. And finally, the Department of Justice notified UNM at the beginning of January they will be auditing a grant for \$714,891 at HSC Biochemistry.

Chair Fortner asked if those are random audits, or they were directed, or does Mr. Griego know? What triggers the audits? Mr. Griego replied he doesn't have the information on that. The information is basically received from Contracts and Grants. He could get follow up on what triggered the audits UNM just received notice of. Regent Tackett asked if the triggering is something that happened, or is it just an automatic thing where UNM has gotten money and they have to audit it? Mr. Griego stated Contracts and Grants might have further information on triggers. Ms. Allen stated from time to time they will audit. This is something just regular. They just finished up one they started a couple of years ago, so it just seems to be something that they regularly do. Mr. Griego said in his experience, the funding agency could trigger just to make sure that UNM is following the terms, provisions, and purpose of the grant. It could be at the discretion of the funding agency.

- Francie Cordova, Chief Compliance Officer presented the CEEO report. Ms. Cordova introduced Beck Rivera who was recently hired as the Deputy Chief Compliance Officer. He will be primarily assisting with non-civil-rights-related compliance issues, the risk assessment, etc. He comes from the City of Albuquerque - most recently as their Civil Rights Director. They stole him from UNM, and UNM is stealing him back.

Ms. Cordova informed the Committee about the EthicsPoint hot line revamp and relaunch. EthicsPoint is the front facing system for the entire enterprise, including the Hospital system, where any public person can report anything of concern to the hotline. It's a compliance best practice and it's meant to allow entities to address things and also trend and benchmark. They really focused on the user experience. They want it to first of all be branded. It's a national product run by a vendor called Navex that looked like a national product. They wanted it to look like a UNM product. The landing page will now be UNM focused. It has UNM branding. Users want the buttons to be big. They want to know how to do it. They want it to be simplified and fluid. They spent a lot of time really making the user experience easy so that people will feel comfortable with reporting. They also wanted to make sure that people don't use this for 9-1-1 things. They can report safety issues such as trees or lights, but if there's a real emergency, they want to make sure they call 9-1-1 and UNMPD. Although, it is manned 24 hours a day, so if they report something that's urgent, there are people the vendor will call on the University campus. The website will now be translated into Spanish and Vietnamese. Vietnamese being one language for the Hospital that is most prevalently used. Someone can choose to file the reports in either of those languages. There is an 800 number, 24 hours a day, in virtually any language.

Information is broken into all the enterprise areas to make it really easy for a reporter to use. They spent a few days with a vendor here on campus trying to standardize the data and using the vernacular of UNM. For example, the academic units are using it on Main Campus and HSC. They speak in terms like C07 or C09, which are complaints against faculty. Those complaints are actually called that now, in the system on the back end. People can manage that data and say we've had "x" number of C09 or C07 complaints. Same with IA,

CEEO, or the Health System - what each area calls their outcomes. They wanted to make sure they were focused on UNM, so that the data coming out that is presented annually to all the stakeholders on campus is clean and clear. The changes will launch on February 16th.

People do know it's out there. In the last two years, they are averaging somewhere between 800 and 1000 complaints that flow through the system. Mr. Griego and Ms. Cordova do a lot of the triaging, and then there's a lot of automatic notifications that go out to stakeholders on campus. Regent Rael asked about privacy and anonymity - what's the tradeoff that you actually need to trace the reporter versus some remaining fully anonymous. Ms. Cordova responded that people are able to report anonymously through this system; there is information in there that says if they report anonymously, UNM may not be able to do the same investigation that it can if somebody identifies themselves. But they don't want to foreclose that possibility. They allow them to report anonymously. It is possible to communicate through the system to the anonymous reporter because the vendor actually is the only one that knows what the e-mail addresses are.

They have statistics that showed that the anonymous reporting had been going down. This year UNM got a rash of anonymous complaints. Ms. Cordova will present that to the Committee at the end of the academic year. Some people go from anonymous to named halfway through the process, once they understand what it is that they're doing. Sometimes it doesn't impact the investigation at all. Sometimes it will impact the investigation if you don't have enough detail and they never respond back.

Ms. Cordova provided an update on Title VI. In November, UNM received guidance from the Federal Department of Education about Title VI, a federal civil rights law that prohibits discrimination based on national origin, race, religion, that sort thing. The guidance was really geared around the Gaza/Israeli/Jewish uprising that is occurring now and is impacting university campuses. The guidance is just for universities to be mindful of it, to respond, and to make sure that people know clearly where to report and what resources you have for them. There have been a lot of communications - coming from the President's Office, University Communication, and various leaders, letting people know where they report and resources on campus for them if they're being impacted.

They are tracking all of these in the EthicsPoint database and hoping people are funneling them to that database for tracking to make sure to know what's going on around campus. They have created a triage system, not just doing siloed investigations or responses, but really partnering. If, for example, they get something through EthicsPoint saying someone has been threatened, it will automatically generate something to the police and crisis manager to make sure UNM is not just looking at maybe the discriminatory aspect, but also the threat aspect to these complaints. It is a big conversation nationally. It's not going away any time soon.

Regent Rael asked if Ms. Cordova has, at a high level, any observations to share regarding Gaza about students, faculty, staff - where the volume complaints are coming from. Ms. Cordova replied that comparatively to other campuses, UNM doesn't have a high volume of cases coming in, for a variety of reasons - primarily location and the population of who is on campus. The vast majority of complaints coming in are coming from people who don't know who the other person was that did something. For example, reporting something chalked on a sidewalk, a protest, or something that was shouted out in a public space. It's not necessarily engagement between individuals, although that's happening as well. Those are much more common than individual one-on-one types of things. Then when there are individual on-on one type of things, it's typically people who have very strong opinions on one side or the other in terms of what position they're supporting and how that impacts the person who is hearing it on the other side. It is not the level of complaints seen on some of the campuses on either of the coasts.

- Angela Vigil, Compliance Officer for UNM Health and Health Sciences provided her update on compliance activities related to three specific items. The first item is the SRMC and UNMH integration and what that means to the governance structure moving forward. On January 1st, UNMH and SRMC integrated under the UNMH hospital license to create a fully integrated, multi-campus hospital. Instead of SRMC having a full board, they will now have an advisory board. Any activities related to internal audits for Sandoval Campus will

be reported to the Audit and Compliance Committee for UNM Hospital. And then, they will be provided to the Sandoval Campus on an informational basis only.

Ms. Vigil provided an update on the dishonest and fraudulent activities policy that Mr. Griego reported on at the last meeting in October. They have been busy drafting a policy related to this. It's very close to being finalized and on the Hospital side; it is being advanced now to the policy committee for approval. That meeting will be held March 1st. They are hoping for approval. On the Medical Group side, that is currently in draft form and that will be advanced up to the CFO for final approval. Ms. Vigil stated she should be able to report at the next meeting that policies have been approved by both entities. Regent Rael asked why they would be different. Ms. Vigil replied there are specific elements on the Medical Group side, even titles, for example, that might differ from those on the Hospital side. For that reason, they have to have a separate policy.

Ms. Vigil reported they have been working very closely with Ms. Cordova and her team on conflict of interest/conflict of commitments. About nine months ago, Dr. Ziedonis asked Compliance to start working on a process for conflict of commitment/conflict of interest and outside activities. They have been busy working on that and drafted a guidance document. They looked at several best practices, and several software platforms. Currently, they are working on a short-term solution to at least start gathering these disclosures to get a feel for what might be out there and what they might need to look at more closely. The anticipated date for rolling out the short-term solution is February 19th. However, this is a work in progress and things are changing daily. Things may change as a result of the meeting with Legal.

Chair Fortner asked if that would address possible conflict of interest where perhaps a doctor is asked to testify against another employee or the Hospital. Ms. Vigil responded that is not being addressed at this level yet. In the short-term solution right now, they are just looking at ensuring that disclosures are being made. If something like that is reported, they would have a committee that would review that disclosure and then determine whether or not a management plan needs to be put into place. But they are not at that point yet. Regent Rael stated she would want to make sure that in adopting best practices, UNM is also cognizant that we want to encourage entrepreneurial activity in our scientists, to have opportunities for entrepreneurial leave, or being involved in a startup company, etc. Rebecca Napier, Vice President of Finance and Administration, Health Sciences Center stated this is really more to make sure that we're not competing within our own selves. If you're utilizing your medical license, a person should not have an outside role where they are also, without the knowledge and permission of the chair, caring for or treating patients that could be a direct conflict.

Ms. Vigil detailed some categories of professional activity that they are looking at for disclosure. They are looking currently at Smartsheet to gather the information. This is a software platform and they are also exploring other software platforms. They now have five questions and drafted success measures. 100% of faculty will need to complete disclosures within 90 business days of launch; 100% of those disclosures will be reviewed by the Chairs and Deans in the first 90 days after submission. Chairs will be responsible for ensuring all faculty members submit the annual disclosure and ensure disclosure is submitted for any new conflict of interest or conflicts of commitment. Ms. Vigil stated she hopes to provide an update again at the next Audit and Compliance Committee meeting.

- Chien-Chih Yeh, Internal Audit Manager presented the audit recommendation follow-up report for this quarter. There are five pages. On the items on the first two pages, the internal auditor was able to verify and determine five (5) out of the 11 recommendations since last October's meeting were implemented during this reporting cycle. The first one is related to the UNM Valencia Branch audit. It is regarding some internal control issues; IT needed to be improved. Last October, they reported they improved the process to do a backup and implemented a disaster recovery policy. They performed a test of the backup. They provided documentation and IA determined this recommendation is implemented.

The next four recommendations are related to the Project ECHO audit. The first one is program income that should have been recorded to certain indices. The grant agreements allowed them to earn program income, but the income was not allocated and then reported to the indices. The Contracts and Grants Office reviewed the process

and provided training to the accountants to make sure the accounts for those are set up during the initial grants receiving. They also completed a review to make sure there are no other similar grants with incorrect reporting of program income. Finally, they also estimated and allocated the interest income earned as a journal voucher entry posted to the account for the transactions. This is considered implemented.

The next two relate to travel reimbursement and expenses. Some information was not documented. The Contract and Grants Accounting Office provided training to Project ECHO's personnel involved with those transactions. IA received documentation that Project ECHO's departments sent people to attend the training - or if they could not attend, they reviewed the training material. IA determined both of these travel-related recommendations to be implemented.

Last is the Project ECHO Section 117, Department Education Reporting for the missed foreign sources' contracts. IA identified a list of the grants that should have been reported as foreign sources, but they were not. Since then, the HSC Sponsored Projects Office updated the system to include screening questions to indicate foreign sources. They also use other sources to compare to make sure the listing they maintain is accurate before they forward to the Main Campus Controller's Office. Also, the one that was missed and should have been reported was identified and forwarded.

The other three pages are items that are in process. They either need additional time and IA has approved extensions, or they are not yet past due. IA will monitor these recommendations and update them for the next Committee meeting. Ms. Costantinidis asked about the Project ECHO time recordkeeping item that is overdue for the implementation date. Mr. Yeh responded that Project ECHO did provide information to IA, and IA is in the process of determining if the item should be implemented or not, or if they need to submit additional information. They just implemented a new policy a few weeks ago.

By unanimous consent, the meeting went into Executive Session at 1:40 PM per the agenda.

- a. Discussion of draft Internal Audit reports and information subject to attorney-client privilege; audit work plans; and information security and privacy report, pursuant to RPM 1.2 and NMSA 1978, § 10-15-1(H)(7) (2013);
- b. Vote to re-open the meeting.

The meeting returned to open session at 2:20 PM with certification that only those matters described above were discussed in Executive Session, and if necessary, ratification of the action taken in Executive Session.

The Committee unanimously approved the following CLA audits:

- SRMC OR/ER Charge Capture
- SRMC OR Implant Implants
- SRMC Infusion Pre-Authorization
- Health System Contract Management

The Committee unanimously approved the following UNM Internal Audit reports:

- 2024-01 President's Travel, Entertainment, and Other Expenses

The meeting adjourned at 2:23 PM.

Approved:

Audit and Compliance Committee Chair

There is no
handout
required for
this item

Advisors' Comments

There is no
handout
required for
this item

Meeting Dates



MSC 01 1300
 Albuquerque, NM 87131-0001
 Phone: (505) 277-5111
 FAX: (505) 277-7662

Date: May 2, 2024
TO: Regent Jack Fortner, Chair, Audit and Compliance Committee
 Victor Griego, Director, Internal Audit
FROM: Norma Allen, University Controller *NA*
RE: Fiscal Years 2023-2025 Annual Financial Statements Audit Contract

I am requesting the Audit and Compliance Committee's approval of the **second year** of the contract with KPMG LLP, with Moss Adams LLC and Carr, Riggs & Ingram LLC (CRI) as subcontractors, for the external audit of the University of New Mexico Fiscal Year 2024 annual financial statements. The Audit and Compliance Committee approved a multi-year contract in Spring 2023. The State Audit rule encourages agencies to pursue multi-year contracts. However, each year the contract must be approved by the Audit and Compliance committee, the Higher Education Department (HED) and the Office of the State Auditor (OSA). The contract is for two years, Fiscal Years 2023 and 2024, with a University option for year three, Fiscal Year 2025. We have received approval confirmations from both OSA and HED (Attachment A). The cost of the audit for the second year is \$1,176,000 plus NM GRT Tax.

Background Information

On December 9, 2022, UNM issued a Request for Proposal (RFP) for Fiscal Years 2023, 2024, and 2025 external financial statements audit. Proposals and evaluation criteria were distributed to a 12-member evaluation committee. The committee consisted of lead financial officers from Financial Services, Academic Affairs, Health Sciences, the UNM Foundation, the University Hospital, UNM Medical Group and Rainforest Innovations. In accordance with appropriate selection criteria established for the procurements, the written proposals were evaluated for responsiveness to mandatory requirements.

Based on the evaluation from the committee members and presentations from the responders, the selection committee recommended awarding the contract to KPMG LLP with subcontracts to Moss Adams LLC for the audit of the clinical areas and Carr, Riggs & Ingram LLC (CRI) for the component units and other special audits.

The cost of the audit for Fiscal Years 2023, 2024, and 2025 are \$1,118,000, \$1,176,000, and \$1,235,000 plus NM GRT respectively for a total of \$3,529,000 plus NM GRT. The cost from Fiscal Year 2023 to Fiscal Year 2025 reflect approximately a 5% increase year over year.

Attachment B of this packet includes a memo from Bruce Cherrin, Chief Procurement Officer, the RFP evaluation criteria table and a breakdown of the cost per year.

For comparison purposes, the cost of the audit with amendments for Fiscal Years 2020, 2021, and 2022 were \$955,500, \$974,000, and \$1,141,400 plus NM GRT respectively for a total of \$3,070,900 plus NM GRT. Attachment C of this packet includes Fiscal Years 2020, 2021 and 2022 OSA connect contracts with Moss Adams.

JOSEPH M. MAESTAS, P.E.
STATE AUDITOR

RICKY A. BEJARANO, CPA, CGMA
DEPUTY STATE AUDITOR



State of New Mexico
Office of the State Auditor
CONSTITUENT SERVICES
(505) 476-3821

April 17, 2024

Garnett Stokes
President
University of New Mexico
presidentstokes@unm.edu

Dear Garnett Stokes,

Pursuant to NMSA 1978, Sections 12-6-3 and -14, and any applicable provisions of the Audit Rule, the Office of the State Auditor (OSA) hereby approves the request and contract for KPMG, LLP (the "IPA") to conduct the Fiscal Year 2024 annual audit or agreed-upon procedures engagement for University of New Mexico (the "Agency"). This approval is contingent upon the following:

- The IPA and the Agency must use the form of contract from the OSA-Connect online portal, with no changes. If any changes are required, a contract amendment will need to be completed and submitted in OSA-Connect for approval.
- The contract price and all other terms of the contract must be identical to the information submitted through the OSA-Connect portal.
- If applicable, the Agency will submit the contract for any additional required approvals from an oversight authority, including any approvals by the Public Education Department or Higher Education Department required by NMSA 1978, Section 12-6-14.
- If applicable, the Agency will submit to the General Services Division Contracts Review Bureau the required number of signed contracts, a copy of this letter and any other required documentation.
- Once you have received all signatures, please login to OSA-Connect and upload your fully executed contract. If you do not upload your fully executed contract, your report release will be delayed.

If any of these conditions is not satisfied, this approval will be void, and the Agency will be required to commence the contracting process again with the submission of new information through the OSA-Connect portal.

If you have any questions, please contact the OSA at (505) 476-3800.

Sincerely,
Office of The State Auditor

2540 Camino Edward Ortiz, Suite A, Santa Fe, New Mexico 87507
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**NEW MEXICO
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Fostering Student Success from Cradle to Career

Michelle Lujan Grisham, Governor
Stephanie M. Rodriguez, Cabinet Secretary
Patricia Trujillo, Ph.D., Deputy Secretary

Date: April 18, 2024

Subject: FY2024 Independent Public Auditor Approval

To: Paul C. Jones (CPA), Budget Officer
University of New Mexico

From: Scott Eccles, External Audit Manager
New Mexico Higher Education Department

In accordance with New Mexico State Statute 12-6-14, the New Mexico Higher Education Department's (NMHED) Institutional Finance Division is tasked with review and approval of FY2024 Independent Public Auditor (IPA) selections for Institutions of Higher Education in New Mexico.

This approval is to ensure that IPA's selected by each Institution to perform their upcoming fiscal year audit(s) have been made in accordance with procedures prescribed by rules of the State Auditor.


As such and based upon our review of the draft audit contracts submitted by University of New Mexico with KPMG, LLP (Primary), Moss Adams, LLP (Subcontract), and Carr, Riggs and Ingram, LLC (Subcontract), NMHED hereby approves IPA selections.



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<http://purchase.unm.edu>

MEMORANDUM

To: Norma Allen, University Controller

From: Bruce Cherrin, Chief Procurement Officer 

Subject: Contract Approval

Date: March 24, 2023

This is a request to submit the following to the Board of Regents Audit Committee for approval. This will need to proceed to the full Board of Regents and to the State Auditor for final approval.

RFP-2390-23: Audit Firm for Financial Statements and Compliance Audits

The University of New Mexico (UNM) solicited proposals from qualified audit firms to perform an audit of its financial statements and conduct compliance audits in accordance with Federal OMB Uniform Guidance and New Mexico State Auditor Requirements as outlined by 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies dated 2022, and superseded by the requirements of 2023.

After tabulation of scores and application of the in- state preference we ask for approval to award to KPMG using Moss-Adams and CRI as sub-contractors for two years with a University option for year three.

Year 1 cost: \$1,118,000.00

Source of funds: Multiple

RFP-2390-23, "Audit Firm for Financial Statements and Compliance Audits"			
Evaluation, Opened January 16, 2023 11:30 PM			
Evaluation Criteria Initial Ranking- 100 Total Points Possible		KPMG, LLP	Weaver and Tidwell, LLP
Criteria - 100 Possible Points		73.01	78.66
Vet Pref (10% of Max Possible Points)		N/A	N/A
State Pref (8% Max Possible Points)		8.00	N/A
Initial Ranking Total		81.01	78.66

KPMG: Proposal for Financial Statements and Compliance				
Service	Hours	2023	2024	2025
Academic Units - KPMG				
University	1,300	197,000	207,000	217,000
University Single Audit	1,200	177,000	186,000	195,000
UNM Foundation	480	66,000	70,000	74,000
Academic Units - CRI				
Alumni Association	200	28,000	29,500	31,000
Lobo Club	210	30,000	31,500	33,000
Lobo Development	200	26,000	27,500	29,000
Lobo Energy	220	30,000	31,500	33,000
Rainforest Innovations	200	29,000	30,500	32,000
KNME	280	38,000	40,000	42,000
KUNM	200	28,000	29,500	31,000
NCAA AUP	110	15,000	16,000	17,000
Clinical Operations-Moss Adams				
UNM Hospital	1,050	156,000	164,000	172,000
UNM Behavioral Health	650	98,000	103,000	108,000
UNMMG	600	92,000	97,000	102,000
SRMC	700	108,000	113,000	119,000
Totals	7,600	1,118,000	1,176,000	1,235,000

Attachment C

Contract No.

STATE OF NEW MEXICO
University of New Mexico
AUDIT CONTRACT AMENDMENT

University of New Mexico, hereinafter referred to as the "Agency," and

Moss Adams LLP, hereinafter referred to as the "Contractor," agree:

1. RECITALS.

Agency and Contractor are parties to that certain Audit Contract dated 04/30/2020 (the "Contract"), which they wish to amend pursuant to this Audit Contract Amendment (the "Amendment")

2. AMENDMENTS.

The parties wish to amend the Contract, as follows:

A. Section None is deleted in its entirety and the following is substituted in its place:

1. Three of the UNM clinical operations received significant funding from the federal government through the CARES Act. This incremental effort relates to the research on the ever-evolving accounting guidance, multiple client meetings, and related audit effort. The additional fees are \$15,000 and the additional hours are 100. We have communicated with management and they have indicated their understanding and agreement with this incremental effort and billing. 2. UNM received significant funding from the federal government through the CARES Act, which required to be audited as a major program under Uniform Guidance and the Single Audit Act for the Covid-19 Educational Stabilization Fund. The additional fees are \$21,500 and the additional hours are 143 related to this audit requirement. We have communicated with management and they have indicated their understanding and agreement with this incremental effort and billing.

B. Sections 3A and 3C are deleted in their entirety and the following is substituted in their place:

A. The total amount payable by the Agency to the Contractor under this Contract shall not exceed **\$1,030,746.00**, including applicable gross receipts tax.

C. Total Compensation will consist of the following:

SERVICES	AMOUNTS
(1) Financial statement audit	\$338,300.00
(2) Federal single audit	\$130,500.00
(3) Financial statement preparation	\$0.00
(4) Other nonaudit services, such as depreciation schedule updates	\$12,000.00
(5) Other (i.e., foundations or other component units, specifically identified) 2 Component Units	\$474,700.00

Gross Receipts Tax = \$75,246.00

Total Compensation = \$1,030,746.00 including applicable gross receipts tax

3. MISCELLANEOUS.

All provisions of the Contract not expressly amended in this Amendment remain unchanged.

Entities that are part of a firm's global or national network are not considered subcontractors for the purpose of this Contract. The Agency and the State Auditor acknowledge that in connection with the performance of services under the Contract, Contractor may use the services of Contractor controlled entities and/or Contractor member firms to complete the services required by this Contract. The Agency and the State Auditor also acknowledge that in connection with the performance of services under the Contract, Contractor uses vendors to provide at Contractor's direction administrative and clerical services to Contractor. These vendors may in the performance of such services have limited access to information, including but not limited to confidential information, received by Contractor from or at the request or direction of the Agency. Contractor represents to the Agency that each such vendor has agreed to conditions of confidentiality with respect to the Agency's information to the same or similar extent as Contractor has agreed to pursuant to this Contract. Contractor will have full responsibility to cause these vendors to comply with such conditions of confidentiality and Contractor shall be responsible for any consequences of their failure to comply. Accordingly, the Agency and the State Auditor consent to Contractor disclosure to a vendor and the use by such vendor of data and information, including but not limited to confidential information, received from or at the request or direction of the Agency and the State Auditor for the purposes set forth herein.

SIGNATURE PAGE

This Amendment is effective as of the date of the signature of the Office of the State Auditor.

AGENCY

University of New Mexico

Elizabeth Metzger
SIGNATURE: _____

PRINTED NAME: Elizabeth Metzger
TITLE: University Controller
DATE: 3/4/2021

CONTRACTOR

Moss Adams LLP

Lisa P Todd
SIGNATURE: _____

PRINTED NAME: Lisa P Todd
TITLE: Partner
DATE: 3/4/2021

State Auditor Contract No. 20 - 969

Contract No.

STATE OF NEW MEXICO
University of New Mexico
AUDIT CONTRACT AMENDMENT

University of New Mexico, hereinafter referred to as the "Agency," and

Moss Adams LLP, hereinafter referred to as the "Contractor," agree:

1. RECITALS.

Agency and Contractor are parties to that certain Audit Contract dated 04/14/2021 (the "Contract"), which they wish to amend pursuant to this Audit Contract Amendment (the "Amendment")

2. AMENDMENTS.

The parties wish to amend the Contract, as follows:

A. Section **Section 1 is amended to add** is deleted in its entirety and the following is substituted in its place:

1) Additional hours and effort for testwork related to the 2021 UNM Health System Data Breach - \$13,000 and 55 hours. (Financial Statement Audit line). All effort performed by KPMG.

B. Sections 3A and 3C are deleted in their entirety and the following is substituted in their place:

A. The total amount payable by the Agency to the Contractor under this Contract shall not exceed **\$1,050,703.00**, including applicable gross receipts tax.

C. Total Compensation will consist of the following:

SERVICES	AMOUNTS
(1) Financial statement audit	<u>\$353,000.00</u>
(2) Federal single audit	<u>\$131,000.00</u>
(3) Financial statement preparation	<u>\$0.00</u>
(4) Other nonaudit services, such as depreciation schedule updates	<u>\$12,000.00</u>
(5) Other (i.e., foundations or other component units, specifically identified) 2 Component Units	<u>\$478,000.00</u>

Gross Receipts Tax = \$76,703.00

Total Compensation = \$1,050,703.00 including applicable gross receipts tax

3. MISCELLANEOUS.

All provisions of the Contract not expressly amended in this Amendment remain unchanged.

Entities that are part of a firm's global or national network are not considered subcontractors for the purpose of this Contract. The Agency and the State Auditor acknowledge that in connection with the performance of services under the Contract, Contractor may use the services of Contractor controlled entities and/or Contractor member firms to complete the services required by this Contract. The Agency and the State Auditor also acknowledge that in connection with the performance of services under the Contract, Contractor uses vendors to provide at Contractor's direction administrative and clerical services to Contractor. These vendors may in the performance of such services have limited access to information, including but not limited to confidential information, received by Contractor from or at the request or direction of the Agency. Contractor represents to the Agency that each such vendor has agreed to conditions of confidentiality with respect to the Agency's information to the same or similar extent as Contractor has agreed to pursuant to this Contract. Contractor will have full responsibility to cause these vendors to comply with such conditions of confidentiality and Contractor shall be responsible for any consequences of their failure to comply. Accordingly, the Agency and the State Auditor consent to Contractor disclosure to a vendor and the use by such vendor of data and information, including but not limited to confidential information, received from or at the request or direction of the Agency and the State Auditor for the purposes set forth herein. "Other allowed nonaudit services" includes NCAA agreed upon procedures totaling \$12,000. "Other" includes KNME Television and KUNM Radio audits as required by the Corporation for Public Broadcasting totaling \$62,000.

SIGNATURE PAGE

This Amendment is effective as of the date of the signature of the Office of the State Auditor.

AGENCY

CONTRACTOR

University of New Mexico

Moss Adams LLP

Norma Allen
SIGNATURE:

[Signature]
SIGNATURE:

PRINTED NAME: Norma Allen

PRINTED NAME: Lisa P Todd

TITLE: University Controller

TITLE: Partner

DATE: 3-8-22

DATE: 3-8-22

State Auditor Contract No. 21-969

**STATE OF NEW MEXICO
University of New Mexico
AUDIT CONTRACT AMENDMENT**

University of New Mexico, hereinafter referred to as the "Agency," and

Moss Adams LLP, hereinafter referred to as the "Contractor," agree:

1. RECITALS.

Agency and Contractor are parties to that certain Audit Contract dated 05/06/2022 (the "Contract"), which they wish to amend pursuant to this Audit Contract Amendment (the "Amendment")

2. AMENDMENTS.

The parties wish to amend the Contract, as follows:

A. Section Section 1 is amended to add is deleted in its entirety and the following is substituted in its place:

Additional hours and effort for 3 new single audits. The new single audits were: Shutter Venues Operator Grant \$14,400 and 80 hours, Child Care Development \$8,100 and 45 hours, and Disaster Grant - FEMA \$9,900 and 55 hours. Total additional hours of 180 and additional compensation of \$32,400.

B. Sections 3A and 3C are deleted in their entirety and the following is substituted in their place:

A. The total amount payable by the Agency to the Contractor under this Contract shall not exceed **\$1,229,859.00**, including applicable gross receipts tax.

C. Total Compensation will consist of the following:

SERVICES	AMOUNTS
(1) Financial statement audit	\$377,222.00
(2) Federal single audit	\$262,178.00
(3) Financial statement preparation	\$0.00
(4) Other nonaudit services, such as depreciation schedule updates	\$14,000.00
(5) Other (i.e., foundations or other component units, specifically identified) 2 Component Units	\$488,000.00

Gross Receipts Tax = \$88,459.00

Total Compensation = \$1,229,859.00 including applicable gross receipts tax

3. MISCELLANEOUS.

All provisions of the Contract not expressly amended in this Amendment remain unchanged.

Other allowed nonaudit services: NCAA agreed upon procedures, Other: KUNM and KNME audits as required by Corporation for Public Broadcasting as part of their grant agreement. OSA portion: 200 hours financial statement audit \$33,000.00, 250 hours Federal Single Audit \$17,000.00. OSA fees are 4.7% of the total audit cost before 7.875% gross receipts tax.

SIGNATURE PAGE

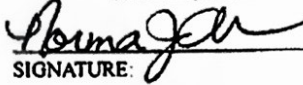
This Amendment is effective as of the date of the signature of the Office of the State Auditor.

AGENCY

University of New Mexico

CONTRACTOR

Moss Adams LLP


SIGNATURE: _____


SIGNATURE: _____

PRINTED NAME: Norma J. Allen

PRINTED NAME: Lisa P. Todd

TITLE: University Controller

TITLE: Partner

DATE: 3/16/23

DATE: 3/16/23

State Auditor Contract No. 22-969



University of New Mexico 2024 Audit Entrance Conference

Discussion with those charged with governance

Audit plan and strategy for the year ending September 30, 2024

May 2, 2024



Who's with you today

Lead partners



John Kennedy

Lead Audit Partner

Clients I have served include:

- California State University System
- Navajo Nation
- New Mexico State University
- Pomona College
- Southern Methodist University
- University of New Mexico



Josh Lewis

Audit Partner

Clients I have served include:

- Benefis Health System
- ClearSky Health
- Ernest Health
- Fort Defiance Indian Hospital Board
- Gerald Champion Regional Medical Center
- UNM Health Operations



Alan "A.J." Bowers, Jr.

Audit Partner

Clients I have served include:

- Central New Mexico College and components
- Eastern NM University and components
- NM Highlands University and components
- NM Junior College and components
- Northern NM College and components
- San Juan College and components

Engagement management to fit your team

KPMG/Moss/CRI and University of New Mexico (UNM) have a joint interest in driving quality and eliminating peaks in workload, particularly in the post year end period to reduce surprises. That's why we're:



Accelerating work and aligning on key expectations to drive quality and an exceptional client experience



Actively listening to your feedback to inform our audit strategy and deliver value in the moments that matter



Proactively communicating and coordinating with all levels of management and those charged with governance, including updates on key milestones



Required communications to those charged with governance

Prepared on: April 15, 2024

Presented on: May 2, 2024



Audit plan required communications and other matters

Our audit of the basic financial statements of UNM as of and for the year ended June 30, 2024, will be performed in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and New Mexico State Auditor Rule 2.2.2 NMAC.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNM's ICFR.

We will also perform an audit of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with OMB Uniform Guidance (single audit).

Matters to communicate		Response
Significant findings or issues discussed with management	X	
Audit participants and strategy	✓	Pages 6 to 9
Materiality in the context of an audit	✓	Page 10
Our timeline	✓	Page 11
Risk assessment: Significant risks	✓	Page 12
Risk assessment: Additional risks identified	X	
Involvement of others	✓	Page 13
Newly effective accounting standards	✓	Page 14
Independence	✓	Page 15
Responsibilities	✓	Page 16
Inquiries	✓	Page 17

✓ = Matters to report X = No matters to report

Audit participants



KPMG Audit strategy – Main, Health Sciences & Branches, and UNM Foundation

Internal controls and substantive audit procedures

Key areas of focus:

- Cash and cash equivalents
- **Investments, including valuation of alternative investments**
- Accounts receivable and other receivables
- Capital assets and depreciation expense
- Accounts payable and other liabilities
- **Long-term debt**
- OPEB liability
- **Net pension liability**
- Student tuition and fees
- **State appropriations**
- Sales and services of auxiliary enterprises
- Salaries and benefits
- Non-payroll expenditures (procurement expenditures)
- **Accounting for transactions with affiliates (UNM Hospitals, SRMC, UNMMG, and other UNM component units)**
- Non-operating revenues and expenses
- VEBA plan
- Journal entry approval
- **Financial statement presentation**
- **State audit rule testing**
- **Federal grant compliance and internal controls (single audit)**

Moss Adams Audit strategy – Clinical operations

Internal controls and substantive audit procedures

Key areas of focus:

- **Patient revenue cycle**
- **Valuation allowance for contractual discounts and uncollectible patient receivables and determination of uncompensated care**
- Estimated third-party payor settlements
- FEMA grant funding
- Recognition of purchased services (physician clinical effort)
- General expenditures and payroll
- Non-operating revenues/grants and expenses
- Cash and investments
- **Mortgage loan and bonds payable**
- Restricted assets, designated assets, and capital initiatives
- Evaluate both information technology and manual controls –incorporate use of IT specialists in the audits
- **Related party transactions between UNM, UNM Hospitals, SRMC and UNMMG**
- Contingencies (malpractice, payor disputes, etc.)
- **Financial reporting and presentation**

CRI Audit strategy – Other component units

Internal controls and substantive audit procedures

Key areas of focus:

- **Revenue recognition (investment income, contributions and other revenue sources)**
- Expenditures
- **Transactions with UNM**
- **Financial reporting and presentation**
- NCAA Intercollegiate Athletics Agreed-upon procedures report
- KNME-TV and KUNM-FM Attestation reports

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the UNM basic financial statements, considering the following factors:

<p>Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.</p>	<p>Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.</p>	<p>Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline

Entity	Planning	Interim Fieldwork	Final Fieldwork	Review Draft Financial Statement	Deliver Drafts to UNM
KPMG					
University of New Mexico	May 13: 1 week	May 20: 3 weeks	August 5: 6 weeks	September 25: 2 weeks	N/A
UNM Foundation	June 3: 1 week	June 10: 2 weeks	August 12 : 4 weeks	September 9: 1 week	September 13
Carr, Riggs & Ingram					
Alumni Association	August 7: 1 week	N/A	August 14: 1 week	September 2: 1 week	September 13
Lobo Club	June 17: 1 week	N/A	August 14: 2 weeks	September 2: 1 week	September 13
Lobo Development	August 7: 1 week	N/A	August 7: 1 week	August 26: 2 weeks	September 13
Lobo Energy	July 10: 1 week	N/A	Last week of July: 1 week	August 19: 1 week	September 13
Rainforest Innovations	July 10: 1 week	N/A	August 7: 2 weeks	September 2: 1 week	September 13
KNME	July 17: 1 week	July 24: 1 week	November 4: 2 weeks	December 2: 1 week	December 12 (issued)
KUNM	July 24: 1 week	N/A	November 11: 2 weeks	December 4: 1 week	December 12 (issued)
NCAA AUP Report	August 21	N/A	October 16: 1 week	November 4: 1 week	December 6 (issued)
Moss Adams					
UNM Hospital	May 6: 1 week	May 13: 1 week	July 29: 6 weeks	September 2: 2 weeks	September 13
Behavioral Health	May 6: 1 week	May 13: 1 week	July 29: 6 weeks	September 2: 2 weeks	September 13
UNM Medical Group	May 6: 1 week	May 13: 1 week	July 29: 6 weeks	September 2: 2 weeks	September 13
Sandoval Regional	May 6: 1 week	May 13: 1 week	July 29: 6 weeks	September 2: 2 weeks	September 13
Filing date: Issue UNM audit report on October 28, 2024					

Risk assessment: Significant risks overall

Significant risk	Susceptibility to:	
	Error	Fraud
Management override of controls Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.		Yes



Involvement of others

Audit of financial statements	Extent of planned involvement
Actuary	Will utilize firm actuaries to review assumptions and approach related to the OPEB and/or Net Pension Liability computations
IT professionals	Will review certain elements of the IT environment
Pricing desk	Valuation of marketable securities
Cost report specialists	Review clinical operations cost reports and estimates of related receivables and payables

Newly effective accounting standards

Effective for fiscal year June 30, 2024	Expected impact	Early adoption permitted
GASB 100 – Accounting Changes and Error Corrections	○	✓
Effective for fiscal year June 30, 2025 or later		
GASB 101 – Compensated Absences (FY 2025)	●	✓
GASB 102 – Certain Risk Disclosures (FY 2025)	●	✓

Expected impact: high ● moderate ● low ● none ○

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG, Moss Adams, and CRI to fulfill their professional responsibility to maintain and monitor independence, management, those charged with governance, and the audit firms each play an important role.

System of Independence Quality Control

The firms maintain systems of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firms' independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over UNM and UNM entities, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with the Auditor

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and audit firms and audit firm covered persons.
- UNM, UNM entities, or their directors or officers, from having certain types of business relationships with audit firms or audit firm professionals.

Responsibilities



Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



Auditors' responsibilities – objectives

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



Auditors' responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
- Withdraw from the audit engagement when possible under applicable law or regulation;
- Communicate the circumstances to those charged with governance, and
- Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting UNM or UNM entities?
 - If so, have the instances been appropriately addressed and how have they been addressed

Additional inquiries:

- What are those charged with governance's views about fraud risks at UNM and UNM entities
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are UNM's and UNM entities objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a.) UNM's and UNM entities internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b.) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditors?
- Has UNM or UNM entities entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?



Questions?

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[kpmg.com](https://www.kpmg.com)

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**Internal Audit Director’s Status Report
Audit and Compliance Committee Meeting
May 2, 2024**

INFORMATION ITEMS

Audit Committee Meeting Calendar. Discussion of new format/new dates for remainder of 2024. Schedule needs to accommodate the FY24 External Financial Statements Audit exit conference.

Internal Audit Operations and Staffing. IA recently filled a student intern position and is planning on advertising an Internal Auditor position in the upcoming weeks.

Audit Plan Status. The FY24 audit project status and hours for the current audit plan is included in the meeting materials. The status of the proposed audit plan for the period of July 1, 2023 through March 31, 2024 is:

Completed/Committee Presentation	4
Report Writing	1
Planning/Fieldwork	2
Subtotal	7
Assigned	2
Unassigned	-
Total	9

Seven (7) of nine (9) audits from the 2024 audit plan have been completed or are in process. Internal Audit has currently completed the audit of the Office of the Medical Investigator (OMI), which will be presented in closed session.

Internal Audit has completed the audit of the Non-Standard Payment Process with pending management responses. The NSP audit will be presented at the August A&C Committee meeting. Planning procedures have been initiated for audits for Anderson School of Management and Information Technology. All audits in process resulted from the Risk Assessment, Three-Year Audit Plan, and IT Risk Assessment.

**Internal Audit Director's Status Report
Audit and Compliance Committee Meeting
May 2, 2024**

The following presents a status of the FY24 audit plan:

Description	Status	FY 24 Budgeted Hours	FY 24 Actual Hours	Variance
Audit Plan				
Prior Years				
Project ECHO	Completed - Follow up	240	133	107
2023 Risk Assessment	Completed	40	40	0
President's Travel and Entertainment FY23	Completed	575	577	(2)
Office of Medical Investigator (OMI)	Committee Presentation	825	694	131
FY 2024 Audit Work Plan				
Information Security	Planning	300		300
Non-Standard Payments (NSP)	Report Writing	250	709	(459)
Anderson School of Management	Planning	400	79	321
Office of Community Health	Assigned	100		100
Education Abroad Programs	Assigned	100		100
Audit Plan Subtotal		2,830	2,232	598

Complaint Status. The current status of complaints assigned to Internal Audit for FY2024, as of April 20, 2024, is:

Completed/Closed	28
Planning/Fieldwork	42
Unassigned	9
Total	79

Complaints assigned to Internal Audit for review are those of financial related matters (i.e., fraud, theft, misuse of funds, time abuse, etc.). A confidential formal memo of Internal Audit complaint reviews is distributed to applicable UNM management and/or leadership to report outcomes of reviews and IA recommendations, if substantiated. Review of EthicsPoint complaints make up 52% of Internal Audit's project hours.

Of the 28 completed/closed cases, 10 complaints were substantiated and 18 were either unsubstantiated or insufficient information was available to complete a review.



**OFFICE OF
COMPLIANCE, ETHICS
& EQUAL OPPORTUNITY**

FRANCIE CORDOVA, JD, CHIEF COMPLIANCE OFFICER
UNM BOARD OF REGENTS - AUDIT & COMPLIANCE COMMITTEE

MAY 2, 2024

2024 Title IX Final Rule

The Details

The Department of Education published its changes to Title IX on April 19th with an effective date of August 1st 2024.

- 103 days to enforce the regulations
- 1,561 pages

These regulations do not address eligibility criteria for athletic teams.

Steps to Take

Read and digest the changes

Update policy (UAP 2720, 2740)

Update CEEO's DGP and attending documents

Collaborate with various stakeholders on process-related changes

Modify CEEO's grievance process to comply with the Final Rule

- Train Title IX personnel on relevant changes

Visit the UNM 2024 Title IX Final Rule page for updates



Notable Title IX Changes

Clarification – sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation, and gender identity fall within the scope of sex-discrimination

Prohibits discrimination against LGBTQI+ individuals – adopting the Supreme Court’s ruling in *Bostock v. Clayton County*

Upholds respect for the autonomy that complainants need and deserve when they come forward

Changes to sexual harassment

- “Unwelcome sex-based conduct that, based on the totality of the circumstances, is subjectively and objectively offensive and is so severe or pervasive that it limits or denies a person’s ability to participate or benefit from the recipient’s education program or activity”
- “A recipient has an obligation to address a sex-based hostile environment under its education program or activity, even when some conduct alleged to be contributing to the hostile environment occurred outside the recipient’s education program or activity or outside the United States.”

Notable Title IX Changes Cont.

Expands protections for pregnancy and related conditions and clarifies parental status

Expands the use of remedies and supportive measures to stop the harassing behavior and prevent its recurrence

Requires the Title IX Coordinator to conduct barrier analysis, with an emphasis on barriers to reporting

Clarifies that a recipient must not separate or treat people differently based on sex in a manner that subjects them to more than de minimis harm (with some exceptions). The final regulations further recognize that preventing someone from participating in school consistent with their gender identity causes that person more than de minimis harm. This general nondiscrimination principle applies except in limited circumstances.

EthicsPoint Data

CEEO will present an overview of EthicsPoint data for the fiscal year at the August Audit and Compliance meeting.

Minors on Campus

CEEO and the Minors on Campus Committee (MOC) have proposed edits and revisions to the MOC policy. [Policy 2205: Minors on Campus :: University Policy | The University of New Mexico \(unm.edu\)](#)

The updates include updated and enhanced reporting requirements for abuse, neglect and sexual harassment/abuse of minors.

The updates also include specific requirements for the transportation of minors, a code of conduct for authorized adults working with minors, and an increase in insurance policy requirements and background check requirements for external organizations using UNM facilities to host minors on campus.

Updates on the Minors on Campus will be provided to the Audit and Compliance Committee in August.

**Follow Up Report - Pending
May 2, 2024 Open Session**

No	Project Name	Report Approval Date, # of Recommendations, Risk (H/M/L)	Recommendation Title	Executive Recommendation	Management Response	Estimated Implementation Date	Last Status Update	Responsible Party
1	<u>Los Alamos Branch Campus</u>	5/7/2020, 6, M	<u>Recommendation 6 - General Information Technology Security</u>	NM-LA IT department should strengthen its IT security by executing the following: Developing a written information security program, communicating the program's policies and procedures with employees, and monitoring its implementation periodically.	We agree with the auditor's comments and recommendation. The following action will be taken to improve our processes with IT security. UNM-LA IT, with assistance from UNM IT, will review UNM policies with regard to: (1) computer accounts and user identification, (2) access control, (3) acceptable computer use, (4) computer security awareness, and (5) tracking software maintenance and licenses and other recommendations listed. A written program of these policies, and the procedures related to them, will be compiled and communicated to employees during new hire orientation, annually as part of our annual policy awareness process, and through the Operating Procedures manual.	8/31/2024	Partially completed – UNM IT is working on a large network project to assist Los Alamos IT in implementing its remaining audit recommendation components. An extension of the targeted implementation date to the end of August 2024 was requested and approved.	Mike Holtzclaw, Chancellor/Branch; Bob Harmon, Dir, Business Opns/Sm Branch: Los Alamos Branch
2	<u>Project ECHO</u>	8/3/2023, 8, M	<u>Recommendation 2 - Timely Perform Effort Certification</u>	Internal controls should be strengthened to ensure effort certification is completed by the due date. The Project ECHO Director should assign the pre-reviewer role to individuals more directly tied to the project, possibly the employee, and/or perform interim effort reviews, to allow for faster turnaround of the full six-month period effort certification.	Contracts and Grants are rolling out a new system and Project ECHO will be Beta Testing for them. The system will use the close of each fund to certify effort. The PI will have access to all employee efforts for the fund at the time of the closeout. The completion time for Effort Certification will be in compliance with the deadline set by HSC.	6/30/2025	Corrective action not yet due. Management indicated that HSC Contract & Grant Accounting has a new effort certification process.	Sanjeev Arora, Vice Chairman: Clinical Affrs, Internal Medicine; Lynn Waln, Chief Adm Ofcr/Project ECHO

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3	<u>Project ECHO</u>	8/3/2023, 8, M	<u>Recommendation 3 - Improve Time Recordkeeping</u>	Project ECHO should strengthen its time reporting processes. Timesheets should clearly reflect biweekly employees' time worked, by project, for budgeted allocation and reporting of grant expenditures.	Project ECHO has 87 current awards and different indices. Each of the awards have a similar scope to promote ECHO's mission. The funds are allocated to support ECHO's infrastructure according to funder approved budgets. The complexity of individuals working on the same scope makes breaking out by the hour challenging. An individual working at ECHO contributes to the mission. An example is an IT developer who is working on the iECHO platform will not have visibility into who is funding the work for the hour. We are committed to the spirit of the recommendation; we will do our due diligence in tracking timesheets with indices for restricted and federal awards. The indices will be sent to the employee to inform them of awards they are sourced on. The employees will add the indices to the timesheet for the federal and restricted awards. The employee and manager will sign the timesheet.	12/31/2023	IA is in the process of working with management to review the documentation provided and will determine if the recommendation is cleared.	Sanjeev Arora, Vice Chairman: Clinical Affrs, Internal Medicine
4	<u>Project ECHO</u>	8/3/2023, 8, M	<u>Recommendation 6 - Access control</u>	Project ECHO management should update its local user policies and procedures to ensure they will timely deactivate any users that are terminated or no longer need access to computing systems, and periodically monitor the task by reconciling active users to active employees, contractors, and partners.	Project ECHO concurs that there is a need for improvement in the offboarding process. They will implement a Smartsheet to track all staff, students, and contractors' employment statuses. This Smartsheet will notify all the appropriate parties when someone is offboarding from our department. This will be an automated system, so the only input that would need to be done will come from the HR and Finance teams when they find out that someone is leaving and when their last day would be. This system will track when their equipment, badges, and accounts have been returned/disabled. It will be tested and implemented by the end of the year on December 31, 2023.	12/31/2024	Project ECHO's management indicated that it has new policies in place and the offboarding project is moving; however, they need additional time. An extension of the targeted implementation date to Dec 31, 2024 was requested and approved.	Sanjeev Arora, Vice Chairman: Clinical Affrs, Internal Medicine

Meeting Adjournment