

# AUDIT OF PROJECT ECHO

## THE UNIVERSITY OF NEW MEXICO

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THE UNIVERSITY OF  
NEW MEXICO.

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## ABBREVIATIONS

AHRQ.....	Agency for Healthcare Research and Quality
C&GA.....	HSC Contract & Grant Accounting Office
CFR.....	Code of Federal Regulations
ECHO.....	Extension for Community Healthcare Outcomes
FY20.....	Fiscal Year 2020 (July 1, 2019 – June 30, 2020)
FY21.....	Fiscal Year 2021 (July 1, 2020 – June 30, 2021)
FY22.....	Fiscal Year 2022 (July 1, 2021 – June 30, 2022)
HSC.....	Health Sciences Center
IA.....	Internal Audit Department
IDC.....	Indirect Cost Rate
MCO.....	Managed Care Organization
PI.....	Principal Investigator
RPSP.....	Research and Public Service Project
UAP.....	University Administrative Policies
University / UNM.....	University of New Mexico
UNMF.....	University of New Mexico Foundation

## **EXECUTIVE SUMMARY**

Project ECHO was founded in 2003 by Dr. Sanjeev Arora to disseminate Hepatitis C treatment knowledge to general medical practitioners in New Mexico. Over the last 20 years, it has grown into a global organization working to scale its “ECHO” model of knowledge dissemination to meet the needs of the most underserved healthcare systems.

The extraordinary growth of Project ECHO since its inception has been accomplished through a fundraising effort that is likely the most successful at the University of New Mexico (“UNM”), raising \$25M from one donor to support Project ECHO; \$15M for scaling Project ECHO; and another \$15M from a consortium of funders to respond to COVID-19. Project ECHO has similarly seen extraordinary success in contracts and grants, including a federal cooperative agreement funding of up to \$237M to create a COVID-19 Nursing Home Action Network.

This rapid growth has required Project ECHO to scale its staffing at similar speed, in an effort to grow apace with the funding and grant opportunities, which has created some challenges managing personnel expenses.

Additionally, recent interest by the federal government to enforce reporting requirements of foreign-sourced gifts and contracts to institutions of higher education has required UNM to implement a data-gathering process that, as observed solely through the assessment of Project ECHO’s contracts/grants sourcing, could be improved upon.

Despite these challenges, Project ECHO continues to provide vital support for growing its ECHO model globally while enhancing the reputation of the University worldwide.

### **Key Recommendations**

1. Project ECHO should improve its process around effort certification to allow it to meet the University’s timeline for performing certification.
2. Project ECHO should improve its recordkeeping around wage expenses to ensure adequate support for allocating wages to contracts and grants.
3. HSC Finance & Administration should work to improve processes over creation of Program Income indices and identifying foreign-sourced contracts and grants.

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## INTRODUCTION

### BACKGROUND

Created in 2003 to empower rural health care providers with expert knowledge and best practices, Project ECHO uses videoconferencing to build virtual communities of practice. In addition to running ECHO programs, Project ECHO at the University of New Mexico Health Sciences Center trains and supports ECHO partners around the world as they work together to improve lives, providing their global network of partners with free training, technical support, and a suite of technology tools to help enable their success. By helping professionals learn and share best practices, from experts and each other—in health care, education and other fields across disciplines and geographies—ECHO reduces disparities and drives collaborative solutions for local priorities.

In 2022, ECHO collectively reached a significant milestone: an estimated 1.5 million people from 193 countries have logged an estimated 4 million attendances in ECHO sessions. This immense human network has impacted many hundreds of millions of people. The passion and expertise of partners addressing their communities' most critical needs have made a positive impact on the healthcare provide to those communities (*Project ECHO 2022 Annual Report*).

### PURPOSE, SCOPE AND OBJECTIVES

An audit of Project ECHO was included in Internal Audit's FY22 Audit Plan. The purpose of the audit was to assess Project ECHO's operations for compliance with applicable laws, regulations, and policies to which it is subject. The audit scope covered selected Project ECHO activities in FY22, which necessarily scopes in activities in peripheral offices and affiliates, including: UNM Foundation, HSC Contract and Grant Accounting, and HSC Sponsored Projects Office.

This audit sought to achieve the following objectives:

- Complete a financial trend analysis.
- Evaluate processes in place for monitoring contract and grant activity, including:
  - Contract/Grant set-up
  - Contract/Grant expenditures, including cost transfers
  - Contact/Grant closeout, including submission of deliverables
- Evaluate salary and wage expense processes, including:
  - Effort Certification process
  - Timesheets
- Evaluate whether all foreign-sourced gifts received and contracts and grants received entered into during the audit period were captured in the University's Section 117 reporting process.
- Evaluate the various controls and safeguards associated with revenue and expenditure transactions that occur at Project ECHO; and

- Evaluate select IT systems Project ECHO uses to determine if they comply with IT best practices including data security and access.

## **PROCEDURES**

Internal Audit (“IA”) performed the following procedures:

- Inquiries with management and relevant staff;
- Reviewed Project ECHO’s procedures, processes, internal controls, and guidelines;
- Reviewed University Administrative Policies (UAPs) relevant to Project ECHO’s activities;
- Performed risk assessment over Project ECHO’s activities to tailor audit procedures;
- Obtained population files for Project ECHO from UNM accounting systems for sampling of transactions for testing;
- Obtained copies of contract and grant agreements for contracts and grants selected for specific testing;
- Assessed whether selected contracts and grants had been set-up consistent with their underlying terms;
- Obtained employee timesheets to assess accuracy of wage expenses;
- Obtained copies of required reports submitted to sponsoring agencies/organizations to assess whether deliverables were delivered;
- Gained an understanding of the IT systems in use at Project ECHO, including relevant aspects of systems controlled by Project ECHO;
- Assessed UNM’s Section 117 process to determine whether foreign-sourced gifts and foreign-sourced contracts entered into were included during the audit period;
- Assessed Project ECHO’s effort certification process, including both accuracy and timeliness of reporting; and
- Performed detailed testing of expenditure transactions for both restricted indices and unrestricted indices.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## FINANCIAL PERFORMANCE

Project ECHO operates as a standalone organization within the Health Sciences Center (“HSC”), reporting directly to HSC Administration. Its core ECHO activities within New Mexico are funded in part by the State RPSP, which addresses a variety of healthcare needs across the State, as well as from use of other State funding sourcing and clinical residuals. In addition, Project ECHO’s efforts to scale ECHO and apply its pedagogy on specific healthcare challenges (COVID-19 response, cancer care, HIV, etc.) is funded through a combination of private gifts and private foundation and government agency funding.

### Project ECHO Financial Performance – Contracts & Grants

The following table summarizes Project ECHO’s contracts and grants (“Restricted”) revenues, expenses, and net position for the past three (3) fiscal years.

**Table 1. Restricted Net Position for Project ECHO by Fiscal Year**

	FY20	FY21	FY22
Restricted Revenue	11,520,104	93,939,476	71,155,367
Restricted Salary Expense	7,251,073	12,696,603	13,829,681
Restricted Other Expense	4,253,715	81,267,450	57,377,816
<b>Restricted Net Position</b>	<b>15,317</b>	<b>(24,577)</b>	<b>(52,130)</b>

SOURCE: UNM Banner Accounting System

During FY22, Project ECHO had a total of active 93 contracts and grants. The following table shows Project ECHO’s FY22 contracts and grants, by restricted revenue:

**Table 2. FY22 Project ECHO Projects by Revenue Range**

Grant	Grant Title	Funder	Purpose	FY22 Revenue
3RJK7	COVID-19 Nursing Home Action Network	AHRQ	COVID-19 Response	49,027,211
3RJB4	Scaling Global Pandemic Response	AUDACIOUS	COVID-19 Response	4,477,297
3RGL7	South Central AIDS Education and Training Ctr.	HRSA	HIV Education / Prevention	4,289,014
3RFM6	Global Replication Support	HELMSLEY	ECHO Scaling / Expansion	1,716,449
3RY00	Leveraging the ECHO Model et. al	GE FOUNDATION	ECHO Scaling / Expansion	1,070,382
Multi	Contracts / Grants Revenue between \$500k - \$1M (5)			3,443,518
Multi	Contracts / Grants Revenue between \$250k - \$500k (12)			4,225,128
Multi	Contracts / Grants Revenue between \$100k - \$250k (11)			1,683,844
Multi	Contracts / Grants Revenue under \$100k (60)			1,222,527
<b>TOTAL PROJECT ECHO RESTRICTED REVENUE:</b>				<b>71,155,370</b>

SOURCE: UNM Banner Accounting System

As noted in Table 2, approximately \$49 million of Project ECHO's \$71 million FY22 restricted revenue was related to work on COVID-19 programs. These funds are not expected to be recurring at similar funding levels in future fiscal years.

Based on Project ECHO's expansion over the past three fiscal years the program has experienced growth in employee headcount, which is demonstrated in the following table:

**Table 3. Project ECHO Employee Headcount (Three-year Trend)**

	FY20	FY21	FY22
Project ECHO Active Employee Headcount	121	200	204

SOURCE: UNM HR Reports System

Finally, the following table illustrates the Other Expense distribution to Project ECHO's restricted projects for its employees in FY22:

**Table 4. FY22 Project ECHO Projects by Other Expense Range**

Grant	Grant Title	Funder	Purpose	FY22 Oth. Exp.
3RJK7	COVID-19 Nursing Home Action Network	AHRQ	COVID-19 Response	48,009,716
3RGL7	South Central AIDS Education and Training Ctr.	HRSA	HIV Education / Prevention	3,119,964
3RJB4	Scaling Global Pandemic Response	AUDACIOUS	COVID-19 Response	2,639,149
Multi	Contracts / Grants Other Expense between \$500k - \$1M (1)			835,609
Multi	Contracts / Grants Other Expense between \$250k - \$500k (1)			281,503
Multi	Contracts / Grants Other Expense between \$100k - \$250k (4)			766,007
Multi	Contracts / Grants Other Expense under \$100k (84)			1,725,868
<b>TOTAL PROJECT ECHO RESTRICTED OTHER EXPENSE:</b>				<b>57,377,816</b>

SOURCE: UNM Banner Accounting System

The AHRQ cooperative agreement had written into its terms an infrastructure of training centers located throughout the U.S. who could provide the ECHO-based trainings to participating nursing homes. Additionally, the terms of the cooperative agreement called for direct payments of \$6,000 to up to 15,000 participating nursing homes across the life of the project.

In FY22, sub awardee payments (\$34.2M) and nursing home payments (\$9.5M), combined, accounted for ~91% of total other expenses on the AHRQ project, and ~76% of all restricted other expenses at Project ECHO.

Project ECHO's net position of (\$52,130) in FY22 demonstrates the cost reimbursable nature of most of Project ECHO's projects, along with their ability to repurpose unexpended funds for fixed price contracts should they complete the project underbudget. Therefore, the negative net position should not be interpreted as Project ECHO losing money on its restricted projects.



**Project ECHO Financial Performance – Unrestricted Activities**

Project ECHO’s unrestricted activities for the past three (3) fiscal years is reflected in the following table:

**Table 5. Unrestricted Net Position for Project ECHO by Fiscal Year**

	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
Unrestricted / Endowed Revenue	13,025,294	18,098,286	60,775,798
Unrestricted / Endowed Salary Expense	2,540,047	2,100,037	3,798,078
Unrestricted / Endowed Other Expense	1,009,340	989,431	1,388,109
<b>Unrestricted / Endow. Net Position</b>	<b>9,475,907</b>	<b>15,008,818</b>	<b>55,589,611</b>

SOURCE: UNM Banner Accounting System

Unrestricted revenue increased by approximately \$42M in FY22. The increase in unrestricted revenue is primarily due to a one-time \$25M gift received to support Project ECHO initiatives, and a \$13.9M increase in unrestricted clinical service revenues. These monies support Project ECHO’s core mission to expand the ECHO model, including covering staffing costs and continuing Project ECHO programs.

Unrestricted funds also include \$2.5M for Project ECHO’s Research and Public Service Project (“RPSP”), a State appropriation to provide teleECHO consultation to New Mexico’s healthcare workforce to address a multitude of healthcare needs including hepatitis C, opioid/substance use treatment and prevention, COVID-19 response, cancer treatment, and more. They also include approximately \$7.7M of targeted gift funds to support the AUDACIOUS project, “Scaling Global Pandemic Response through Project ECHO.”

## **CONTRACTS & GRANTS ADMINISTRATION**

Considering a significant portion of Project ECHO’s work is funded through contracts and grants provided by various sponsors, IA assessed contracts and grant administration.

### **Contract and Grant Set-up**

As funding opportunities are identified, Project ECHO documents relevant requirements for submitting for funding (e.g. funding available, submission deadlines, submission requirements, etc.) within a vendor’s database. These opportunities entered into Salesforce are reviewed by Project ECHO leadership to identify those opportunities that best fit Project ECHO’s strategic goals. Successful submissions are coordinated through the HSC Sponsored Projects Office, which helps facilitate final submission of packages.

Submissions that are selected for award are then processed through the HSC Contract and Grant Accounting office (“C&GA”). C&GA staff will create a grant record in Banner, and populate the grant record with attributes based on their review of the contract/grant terms. This information is used by C&GA to administer the grant in partnership with Project ECHO.

To assess the set-up of contracts and grants (henceforth “grants”) within Project ECHO, IA identified a population of 93 grants that had transaction activity during the audit period. IA judgmentally selected 12 grants for testing.

IA reviewed whether the 12 selected grant records’ attributes in Banner were consistent with the original grant terms (e.g. indirect cost rate (“IDC”), start/end date, etc.) Some grant terms stipulate that prepaid funding amounts require that interest earnings on the lump sum prepayment be dedicated to the grant purpose as well. In such cases, C&GA will create a program income index associated with the grant to track that such monies are spent for the grant purpose.

Internal Audit identified two (2) of the twelve grants reviewed whose terms require that interest earned on advanced funding be used for the grant purpose. IA noted a Banner index for these three grants had not been established to track program income. The result was that an aggregate total of \$384,261 of interest income had not been allocated for use by the three grants.

**Recommendation 1:** HSC C&G Accounting should:

- Create program income indices for the two (2) grants and allocate the calculated missed interest earnings to those program income indices.
- Complete a review of advanced funded grants to determine whether similar program income requirements exist.

**Response from the HSC Senior Executive Officer for Finance and Administration:**

<b>Action Items</b>
<b><i>Targeted Completion Date: August 31, 2023</i></b>
<b><i>Assigned to: Contract and Grant Accounting – Health Sciences</i></b>
<b><i>Corrective Action Planned: The Contract and Grant Accounting - Health Sciences Office has reviewed existing written grant set up procedures with current fiscal monitor accountants. The fiscal monitor accountants are tasked with grant set ups, including program income funds and the related interest requirements. The training focused on identifying interest requirements in the executed agreements, set up of program income funds to track and calculate the interest, and to require a budget from the related department. The Contract and Grant Accounting – Health Sciences Office has also implemented a quarterly review process for all prepaid sponsored projects. This process is a secondary review of prepaid sponsored projects to ensure all advanced funding interest requirements have been established in a program income fund.</i></b>
<b><i>Program income funds were created for the three interest earning requirements in March of 2023. Historical interest rates were obtained from the Unrestricted Accounting - Main Campus Office and used to recalculate the interest earnings for each of the requirements. Unrestricted Accounting - Main Campus Office is tasked with overseeing the interest calculation and allocations. The amounts have been provided to the UNM Treasury Department and will be transferred into program income funds by the targeted completion date.</i></b>

## **Contract and Grant Activities**

Project ECHO has a robust infrastructure for supporting its grants activities. Under the leadership of the Project ECHO principal investigator (“PI”), program managers monitor activities at the grant-level to ensure grants are executed consistent with their underlying terms. Program managers work with an assigned member of the finance team to provide monthly reconciliations of grant expenses to help ensure grant costs are on track with budget. The finance team submits their financial reports up to the Finance Manager, who reviews them for compliance with grant terms of University Administrative Policies (“UAP”). The financial reports are then forwarded to the Chief Administrative Officer who provides high-level oversight and monitoring of Project ECHO.

## **Effort Certification (Restricted and Unrestricted)**

Internal Audit assessed Project ECHO’s processes for effort certification. Program managers use their knowledge of exempt (i.e. salaried) staff and faculty activity on the project to review salary allocations to ensure they are reflective of project effort. Finance staff review their areas’ allocations to ensure that all costs are accounted for. Once comfortable, the Chief Administrative Officer pre-reviews the effort certification prior to the PI performing certification within the system.

During the period under audit, there were two effort certification periods in the audit scope – the second half of 2021 and the first half of 2022. IA reviewed the effort certification memos jointly issued by the budget offices for main and HSC campuses, which set the timeline for effort certification to occur. The respective timelines for notice, pre-review, and certification for each of the two certification periods are summarized in the following table:

**Table 6. Effort Certification Parameters**

<b>Effort Certification Period</b>	<b>Memo Date</b>	<b>Effort Cert. Open Date</b>	<b>Pre-Review Due</b>	<b>Certification Due</b>
July - December 2021	03/17/22	03/21/22	04/20/22	05/20/22
January - June 2022	10/21/22	10/24/22	11/23/22	12/03/22

SOURCE: Financial Services Support Center’s Effort Reporting Listserv Distributions

IA reviewed the pre-review and certification sign-offs by Project ECHO for each of the respective certification periods for all Project ECHO exempt employees.

Internal Audit determined that effort certifications are not performed in a timely manner. For both effort certification periods in FY22, Project ECHO failed to pre-review the effort of any of its employees by the deadlines established by the budget offices. IA notes that since pre-review was not done, certification by the PI could not be performed.

**Recommendation 2:** 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.

**Response from the Project ECHO Director:**

<b>Action Items</b>
<i><b>Targeted Completion Date:</b> June 30, 2025</i>
<i><b>Assigned to:</b> Chief Administrative Officer</i>
<i><b>Corrective Action Planned:</b> 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.</i>

**Wage Expense Allocations (Restricted and Unrestricted)**

IA notes that the large number of contracts and grants in FY22 required Project ECHO to allocate over 200 employees' efforts among several dozen projects. This is further complicated by employees whose efforts are split between multiple projects within the same pay period, due to the need to adhere to the Code of Federal Regulations' ("CFR") Standards on recordkeeping for salary and wage expenses.

During the audit period, Project ECHO had 91 non-exempt ("hourly") employees who worked on a variety of restricted and unrestricted projects. Every two weeks, employees are required to complete manual timesheets, which they and their supervisor sign, attesting to the hours worked each day of the two-week pay period, with hours totaled at the bottom. These hours are entered into Banner and approved by a Project ECHO staff member, which allows for the employee to be paid according to their standard pay schedule.

As part of the administration of multiple projects and grants, Project ECHO will pre-allocate employees' anticipated effort for upcoming pay periods, such that the wage expense corresponding to their hours worked may be allocated among several grants at a predefined allocation. Each month, Project ECHO finance staff work with the program managers to review the past month's expenses in an attempt to ensure all expenses incurred, including wage costs, are accurate.

IA performed audit procedures to assess this process to determine compliance with relevant federal regulations and UAP. IA created a population of unique time records for the 91 non-exempt employees during the audit period, which totaled 1,357 pay period transactions. IA randomly selected 23 pay period transactions of employees who worked on the selected grants, and an additional 15 pay period transactions of employees who worked on unrestricted indices for testing.

Nonexempt (hourly) employees whose wages are allocated either among multiple indices or whose wages are transferred from one index to another are not adequately supported by timekeeping records.

Per the Code of Federal Regulations governing federal grants, 2 CFR 200.430 (i), "Standards for Documentation of Personnel Expenses," states:

*(1) Charges to Federal awards for...wages must be based on records that accurately reflect the work performed. These records must:*

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
- ii. Be incorporated into the official records of the non-Federal entity...*
- vii. Support the distribution of the employee's...wages among specific cost activities or cost objectives if the employee works on more than one Federal award; a Federal award and a non-Federal award...*
- viii. Budget estimates (i.e. estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:*
  - a. The system for establishing the estimates produces reasonable approximations of the activity actually performed;*
  - b. Significant changes in the corresponding work activity are identified and entered into the records in a timely manner; and*
  - c. The system of internal controls includes processes to review after-the-fact interim charges.*

IA notes that because Project ECHO does not differentiate between its federal and nonfederal projects, the CFR standard must be applied to all wage records. Although Project ECHO employs a monitoring process on a monthly basis to ensure all grant costs, including wage costs, are accurate, IA determined this monitoring process does not itself constitute a "record" meeting the standard. Accordingly, there does not appear to be a record supporting the identified employees' work performed on specific grants as tested during the audit.

**Recommendation 3:** 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.

**Response from the Project ECHO Director:**

<b>Action Items</b>
<i><b>Targeted Completion Date:</b> 12/31/2023</i>
<i><b>Assigned to:</b> Chief Administrative Officer, Accounting Manager, HR Administrator 3</i>
<i><b>Corrective Action Planned:</b> 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.</i>

**Other Expenses (Restricted)**

During FY22, Project ECHO expended over \$57M on restricted grants' non-personnel expenses ("other expenses"). Over 75% of these other expenses were associated with the AHRQ grant, which provided for payments to sub-awardees (\$34.2M) to perform a 16-week curriculum of ECHO trainings on the prevention and control of COVID-19 in nursing homes, as well as direct payments to 1,587 participating Nursing Homes (\$9.5M).

Internal Audit performed audit procedures over these expenses to determine whether the nursing homes had met the terms of the grant for received such payments. IA also reviewed the payment population to determine whether any nursing homes had received multiple payments in error. No exceptions were noted.

Internal Audit tested 23 transactions charged to the AHRQ grant to determine whether the payments made were: paid consistent to the payment structure provided by the grant terms; supported by invoices evidencing that the work had been performed; and, approved by Project ECHO staff prior to payment. No exceptions were noted.

IA tested 200 transactions from "other" expenses across 11 other selected grants to determine if expenses aligned with the grant purpose, were supported by a receipt or invoice, and that all appropriate approvals had been obtained. Of the 200 transactions tested, the following three (3) travel transactions lacked sufficient supporting documentation for the full travel reimbursement.

- Taxi, visa application, medical evacuation insurance, and FedEx shipping expenses were reimbursed without adequate receipt support; alternate review and approval processes were not followed for reimbursement without receipts.
- Hotel lodging was reimbursed despite a business purpose not being supported by the travel itinerary.
- Reimbursement was processed for in-flight internet expenses without explanation of the business necessity and approval.

**Recommendation 4A:** Project ECHO should ensure receipts and other supporting documentation is always submitted for travel costs and reimbursements charged to Project ECHO funding sources.

**Response from the Project ECHO Director:**

<b>Action Items</b>
<i><b>Targeted Completion Date:</b> 12/31/23</i>
<i><b>Assigned to:</b> Chief Administrative Officer, Accounting Manager</i>
<i><b>Corrective Action Planned:</b> All accountants and Chrome River preparers will attend a refresher training on travel given by Contract and Grants Accounting.</i>

**Recommendation 4B:** HSC Contract and Grant Accounting should provide a refresher training to Chrome River preparers focusing on UAP 4030, Travel.

**Response from the HSC Senior Executive Officer for Finance and Administration:**

<b>Action Items</b>
<i><b>Targeted Completion Date:</b> Completed</i>
<i><b>Assigned to:</b> Contract and Grant Accounting – Health Sciences</i>
<i><b>Corrective Action Planned:</b> Contract &amp; Grant Accounting – Health Sciences Office has existing monthly meetings with all travel expense approvers. Travel Policy was reviewed in the April 2023 meeting. We reviewed the travel expense reports noted in this recommendation.</i>
<i>The Contract &amp; Grant Accounting – Health Sciences Office created a new training specific to common travel policy non-compliance. The training was covered at the April 2023 Research Administration Forum and Training (RAFT). A longer and more detailed training was held on May 26, 2023 to Contract &amp; Grant Accounting – Health Sciences Employees, as well as, Health Sciences Departmental Employees (Preparers). Training slides are posted on the Contract &amp; Grant Accounting – Health Sciences Office webpage.</i>

### **Cost-Share Expenses**

Some grant terms are negotiated such that the institution will provide funding to contribute towards the execution of the grant purpose. These institutional contributions are termed ‘cost-share’ arrangements, and are associated with the grant for which they are committed. To assess cost-share commitments, IA identified all cost-share share indices (4) within Project ECHO, and judgmentally selected two indices for testing. IA reviewed the transaction detail of the two indices, selecting seven (7) transactions totaling approximately \$41k and 37% of the total cost-share transaction population. IA tested these transactions to determine whether the cost-shares were: required per the terms of the grant agreement; expended consistent with the grant purpose; supported by invoices/receipts; consistent with applicable UAP; and, properly approved. No exceptions were noted.

### **Contract and Grant Closeout**

Each grant has specific conditions and requirements for closing out the project, which may have included a narrative report, financial report, return of unspent funds to the sponsoring agency, or other deliverables. Completion of these deliverables by Project ECHO is essential to enable the sponsoring agency to acknowledge Project ECHO’s completion of the project.

Internal Audit assessed contract and grant closeout by identifying the population of grants whose end date was during the FY22 audit period and randomly selected 7 grants to test. IA reviewed the deliverables in the contract terms of each of the selected grants, and then sought to identify whether the deliverables had been completed within the timelines established by the sponsoring organization/agency. IA determined that for all grants tested, Project ECHO furnished the deliverable(s) to the sponsoring organization/agency within the allotted timeline.

### **Foreign-Sourced Gifts and Contracts**

In January 2021, the University was made aware that it may have missed its reporting obligations pursuant to Section 117 of the Higher Education Act of 1965, which requires institutions of Higher Education to report *“all gifts from or enters into a contract with a foreign entity, the value of which is \$250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.”*

UNM has worked diligently to implement processes to ensure compliance with reporting obligations under this section. Although a formal UAP has not been implemented at the time of the audit, UNM Health Sciences Center and Controller’s office have developed internal processes to comply with reporting requirements of foreign sourced gifts and contracts.

The current process involves a semi-annual collection of data by the Controller’s Office from various campus constituencies, including the UNM Foundation, Sponsored Projects Offices (Main and HSC), and Financial Aid Offices. The Controller’s Office compiles the various funding source information and into a single report, aggregates their gifts or contract values, and



identifies any foreign donors or entities meeting the reporting threshold. The reporting is then made pursuant to the requirements of Section 117 of the Higher Education Act.

Internal Audit assessed foreign gifts by obtaining a list of all gifts made to Project ECHO in FY22, including the donor source. IA then compared the list of gifts against the report of foreign gifts provided by UNM Foundation to the Controller's Office. IA determined that all foreign-sourced gifts made in FY22 to Project ECHO were correctly captured as part of the UNM Foundation's reporting process.

IA also assessed foreign-sourced contracts by reviewing the list of sponsoring organizations/agencies for all restricted indices at Project ECHO. IA identified 15 contracts whose sponsoring organizations/agencies were foreign-sourced. IA then compared the contract values from those entities against the lists HSC Sponsored Projects Office provided to the Controller's Office during the audit period and determined only five (5) of those contracts were included.

Ten (10) of the 15 foreign-sourced contracts or grants totaling \$474,764 entered into by Project ECHO in FY22 were not identified by HSC Sponsored Projects Office. Although the individual values of the contracts were well under \$250,000, the fact that they were excluded means that their aggregate value across the institution was not assessed to determine whether they surpassed the \$250,000 reporting threshold.

The University has not yet formalized its Section 117 reporting requirements in University policy and department/program internal processes have not been formally documented.

**Recommendation 5A:** The HSC Sponsored Projects Office should strengthen internal controls to ensure accurate reporting of foreign sourced contracts. Contracts should be carefully reviewed to determine if they are from a foreign source and appropriately reported in accordance with Section 117 of the Higher Education Act of 1965.

In addition, the HSC Sponsored Projects Office should report the foreign-sourced contracts/gifts missed in the FY22 reporting cycle to the Controller's Office. If the addition of those contract values requires supplemental reporting to the US Department of Education, such supplemental reporting should be made.

**Response from the HSC Senior Executive Officer for Finance and Administration:**

<b>Action Items</b>
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Sponsored Projects Office – Health Sciences</i>
<p><b>Corrective Action Planned:</b> <i>The Sponsored Projects Office – Health Sciences has updated the Huron Click ERA system to indicate foreign sourced contracts and grants with a “foreign” flag, as well as, capture possible Export Control. The Sponsored Projects Office – Health Sciences Staff do update the flag if they see it is marked inappropriately and it is verified a second time at the Award Quality Control process point.</i></p> <p><i>The Sponsored Projects Office – Health Sciences also compares the report to an active foreign awards listing provided by Contract and Grant Accounting – Health Sciences Office to ensure their listing is complete prior to submission to Contract &amp; Grant Accounting – Main Campus.</i></p> <p><i>The missed foreign sourced awards were provided to Contract &amp; Grant Accounting – Main Campus on March 13, 2023 for reporting.</i></p>

**Recommendation 5B:** The Controller’s Office should formalize written guidelines to ensure units responsible for identifying and reporting foreign-sourced gifts, payments, or contracts/grants are consistently and correctly reporting and documenting said items.

**Response from the Controller’s Office:**

<b>Action Items</b>
<i>Targeted Completion Date: Completed</i>
<i>Assigned to: Office of University Counsel and Contract &amp; Grant Accounting-Main</i>
<p><b>Corrective Action Planned:</b> <i>Office of the University Counsel; UNM Industrial Security/Provost Office; Office of Compliance, Ethics and Equal Opportunity; and the Contract &amp; Grant Accounting – Main Campus departments have been collaborating on formalizing written guidelines regarding the Section 117 reporting which includes identifying and reporting if necessary foreign-sourced gifts, payments, and contracts/grants.</i></p> <p><i>Written procedures were completed and sent on 07/10/2023 to the Department of Education who is responsible for Section 117. Contract &amp; Grant Accounting – Main Campus has these procedures on file as this department is currently the department who compiles all information</i></p>

*from other departments responsible for gathering the material as well as does the actual reporting through the Department of Education portal for all items that meet the requirement for Section 117 reporting.*

*Once information has been compiled and prior to the submission date of the semi-annual reporting, UNM's Compliance Office, the Industrial Security Office, and Contract & Grant Accounting – Main will meet to review the documentation for accuracy and to confirm if follow-up is required to be in compliance with the reporting requirements of Section 117.*

*As part of the new formalized process, UNM Industrial Security will hold required trainings semi-annually for all departments involved with gathering the information including the reporting standards and requirements. The first training session is scheduled for 07/20/2023.*

*The Compliance Office has also submitted to the Policy Office a draft policy "Reporting Foreign Gifts and Contracts at University of New Mexico." The draft policy was the result of a campus wide compliance taskforce created by President Garnett S. Stokes and is based on an assessment of best practices for institutions of higher education similar to UNM.*

*With the exception of the draft policy, which is dependent on the policy process for approval, all other items have been completed.*

## UNRESTRICTED ACTIVITIES

Project ECHO works extensively on activities funded from the State RPSP to address a variety of healthcare needs across New Mexico, from gifts received through the University of New Mexico Foundation ("UNMF"), and from excess funds earned from completing work under budget.

The following table show how Project ECHO employees' efforts and other expenses were expended on unrestricted activities in FY22.

**Table 8. Unrestricted Other Expense by Index**

Index	Index Title	Funding Source	FY22 Other Exp.
259000	Project ECHO RPSP	State Appopriation	566,128
259271	Scaling Global Pandemic Response	Gifts (AUDACIOUS)	505,000
259003	Project ECHO Residuals	Reserve Funds	144,712
Multi	Indices with Other Expenses Under \$100k (8)		172,268
<b>TOTAL UNRESTRICTED OTHER EXPENSE:</b>			<b>1,388,108</b>

SOURCE: UNM Banner Accounting System

### Unrestricted Other Expenses

In assessing other expenses for unrestricted indices, IA obtained the other expense transaction population totaling approximately \$1.39M and selected 22 transactions for testing.

IA tested the selected transactions against applicable UAP, whether they followed appropriate procurement rules, whether receipts/invoices supported the transaction, and whether it was appropriately approved. No exceptions were noted.

## LEARNING CENTRAL TRAININGS

All employees are required to complete annual trainings prescribed by the organization based on their location within the institution. Project ECHO employees are required to complete the following seven (7) Learning Central trainings each calendar year:

- Active Shooter on Campus: Run, Hide, Fight
- Basic Annual Safety Training
- HIPAA and HITECH Training
- HIPAA Security Training
- Prevention of Harassment and Discrimination
- UNM / HSC Compliance Training
- HSC Codes of Professionalism and Conduct

IA randomly sampled 17 employees for testing to determine if required trainings were completed during calendar year 2022. All employees selected for testing completed their trainings for the year.

## INFORMATION TECHNOLOGIES (IT)

### Access Control

Project ECHO uses a variety of applications provided by different vendors to facilitate its operations in project management, software building, development, communication, and knowledge sharing in collaboration with ECHO employees, stakeholders, and partners.

User access to the applications is based on need and processed through a request along with certain signed forms submitted by the end user. The request is processed by Project ECHO's own IT user support staff in applicable IT teams who manage the user access as designated application administrators.

Internal Audit conducted procedures to determine if Project ECHO has proper controls in place over user access to certain key applications. IA noted no reportable conditions about user provisioning for two applications tested; however, IA noted several instances of exceptions where separated users were not being deactivated. A user account that is not being used or no longer has any business need should not be listed as an active user. Those exceptions are detailed by application as follows:

1. [REDACTED]

2. 
3. 
4. 

UAP 2520: Computer Security Controls and Access to Sensitive and Protected Information, Section 1 General states, "All departments operating University owned computers, including those operated by faculty, staff, and students, must develop departmental security practices which comply with the security practices listed herein. In addition, departments must have environment-specific management practices for business functions such as maintenance, change control procedures capacity planning, software licensing and copyright protection, training, documentation, power, and records management for computing systems under their control."

UAP 2520: Computer Security Controls and Access to Sensitive and Protected Information, Section 2 Access to Departmental Systems also states, "Access to departmental computing systems must be authorized by the department head or designee...The department head or designee ensures proper management of computer accounts and user identification by: handling system user authentication securely (e.g. passwords, PIN numbers, access codes); terminating an account in a timely manner when an individual's affiliation with the University is terminated or completed."

Project ECHO has developed departmental local user policies covering user access request processes but may need to update those policies to cover more about user deprovisioning. Without adequate controls to authenticate the users for accessing computers and systems, Project ECHO may grant excess privileges to individuals. This may result in unauthorized use of, disclosure or modification to, and damage or loss to systems or personal data. Project ECHO may not be able to safeguard the sensitive and protected information within the systems.

**Recommendation 6:**

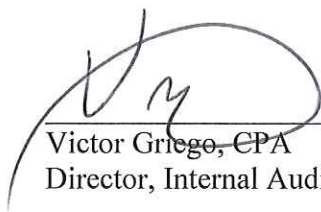
Project ECHO management should update its local user policies and procedures to ensure they will timely deactivate any users that are terminated or no longer need access to computing systems, and periodically monitor the task by reconciling active users to active employees, contractors, and partners.

**Response from the Project ECHO Director:**

<b>Action Items</b>
<b><i>Targeted Completion Date: 12/31/2023</i></b>
<b><i>Assigned to: Core IT Svcs Manager, HR Administrator 3, Sr Fiscal Services Tech, and Technical Analyst 3</i></b>
<b><i>Corrective Action Planned: Project ECHO concurs that there is a need for improvement in our offboarding process. We plan to 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. We will have this tested and implemented by the end of the year on December 31<sup>st</sup>, 2023.</i></b>

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## APPROVALS



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Victor Griego, CPA  
Director, Internal Audit Department

Approved for Publication:



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Chair, Audit and Compliance Committee

## Exhibit 1 – Restricted Revenue by Grant Purpose / Source Type

Grant Purpose	Federal	Private Foundation	State	Cost-Share	TOTAL
COVID-19	50,059,027	5,428,778			55,487,806
ECHO Expansion / Scaling		5,454,077			5,454,077
HIV	4,375,981	18,891			4,394,873
Healthcare Workforce	990,357			(14)	990,343
Hepatitis C		146,667	775,699		922,366
Cancer		658,103			658,103
Opioids / Addiction Medicine	442,952	52,579		41,667	537,198
Child Care and Development	468,792				468,792
Healthcare Disparities / Health Equity		418,916			418,916
Inmate Re-entry			361,260		361,260
Education	41,579	148,064	121,205		310,849
Health Education	178,378			16,668	195,046
IHS Clinic Support	176,900				176,900
Interstitial Lung Disease	172,026				172,026
Perinatal Health		158,837			158,837
Infection Prevention	100,459	35,332			135,791
College and Career Counseling		73,510			73,510
Patient Safety		43,666			43,666
Type 1 Diabetes		42,469			42,469
Chronic Liver Disease		37,945			37,945
Vaccines		30,451			30,451
Cholera Surveillance	29,534				29,534
Malaria	26,977				26,977
Antimicrobial Awareness		14,336			14,336
Nursing & Midwifery		7,837			7,837
Cryptococcal Meningitis	4,488				4,488
HIV / COVID-19 Support	583				583
Climate Education	394				394
<b>TOTALS:</b>	<b>57,068,428</b>	<b>12,770,458</b>	<b>1,258,150</b>	<b>58,335</b>	<b>71,155,370</b>

SOURCE: Revenue & Source Type from UNM Banner Accounting System; Grant Purpose Inferred from Grant Title