

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Virtual Meeting
February 11, 2021 – Meeting Minutes

Members Present: Douglas Brown, Chair, Marron Lee, Vice Chair (quorum).

Member Absent: Robert Doughty, Member

Other Attendees: Garnett Stokes, Liz Metzger, Terry Babbitt, Francie Cordova, Rob Burford, Teresa Costantinidis, Duane Arruti, Dean Bernardone, Jeff Gassaway, Ava Lovell, Loretta Martinez, Arthur Culpepper, Angela Vigil, Bonnie White, Sarah Ramer, James Holloway, Ari Vazquez, Scot Sauder, Heather Jaramillo, Kevin Stevenson, Colin Mitchell, James Wilterding, Lisa Todd (Moss Adams), Sujan Bhandari (Moss Adams), John Kennedy (KPMG), Jaime Cavin (KPMG), Ruth Senior (KPMG), Brian Colon (OSA), Natalie Cordova (OSA), Lynette Kennard (OSA), Liza Kerr (OSA), Mitzi Montoya, Bruce Cherrin, Mallory Reviere, Victor Griego, Chien-chih Yeh, Kevin Enright, Lisa Wauneka, Amy O'Donnell. (Note: other attendees, including members of the public, were able to view through a link; therefore, it is impossible to know who viewed, and those attendees are not included in this list.)

Chairman Brown called the meeting to order at 9:02 AM. He confirmed attendance of two of the three members of the committee; therefore, there is a quorum.

ACTION ITEMS:

- The Committee approved the meeting agenda.
- The Committee approved the minutes from October 16, 2020.
- The Committee approved the next meeting date of May 6, 2021.
- Liz Metzger, University Controller presented information regarding renewal of the FY21 external audit contract. After approval by the Regents, it still needs final approval by the State Auditor. For background purposes, in early FY20, the University submitted a Request for Proposal for a three-year audit contract. Each proposal was evaluated by a six-member committee of various individuals in the University's financial areas. Committee members made a recommendation to award the contract to Moss Adams with a subcontract to KPMG for clinical areas. This Committee approved that award and it was approved by the State Auditor. Although it is a three-year award, each year of the contract must be approved.

The estimated cost in the proposal was \$969,000 plus NM Gross Receipts Tax. When the cost was calculated, the audit requirement of CARES Act funds could not be anticipated. That will have to be included in the FY21 price. The CARES Act funding issue also delayed submittal of the FY20 external financial audit.

The Committee unanimously approved the FY21 external audit contract.

INFORMATION ITEMS:

- Advisors' comments: None.
- Victor Griego, Interim Internal Audit Director presented his Director's Report. The final proposed meeting date for the rest of the FY21 is May 6, 2021 at 9:00 AM. The FY21 external audit entrance conference will be presented at the May meeting.

All Internal Audit (IA) regular staff members are classified as Tier 2 staff, working remotely. The department had one student employee on call as a Tier 3 employee, providing support when needed,

but that student graduated in December. The department will hire another student after returning to in-person operations. Internal Audit will continue to work remotely until otherwise notified. Last year, the department submitted a proposal for funding for replacement of the building's roof. That work was recently completed.

Mr. Griego presented the status of the 2021 audit work plan. Three (3) audits carried forward from FY20, and three FY21 audits are completed. There are two (2) audits – UNM Bookstore and Facilities Management - that are close to wrapping up. Current audits in the planning stage are an IT information security audit and Capital Projects. One HSC audit will be presented in this meeting's closed session. Two are in process related to procurement activities in the Medical Group and UNMH.

For the complaint status, 18 are completed, and 12 are in planning or fieldwork. This makes a total of 30; last year at this same time, there were 34 complaints. It is pretty comparable despite the University operating primarily remotely.

For the FY21 adjusted budget, the Department has a budget of \$1,062,979, of which \$964,979 is from the general pooled account and primarily makes up IA's funding. An amount of \$4,000 comes from a reimbursement from UNMH for the audit software sharing agreement. IA budgeted \$94,000 from the department's reserves. Funding of \$964,979 from the general pooled account reflects an I&G budget reduction of \$105,622, due to the impact of Covid-19 and final funding received from the state. IA did take a hit with the budget reduction, but fortunately had some reserves to makeup that shortfall. As of January 31, 2021, the department's expenditures were \$557,741 and encumbrances are \$270,298. Almost 96% of the expenditures are labor costs. Non-labor-related expenses consist of IT services, professional dues and memberships, training and conferences, and software fees. The department expects some cost savings from converting to virtual professional training. Some of the big trainings have seen a reduction of 50% in costs. There is also the elimination of travel costs.

The Internal Audit Department had a quality assessment review. One of the things that internal auditing standards require in addition to an external review, is a periodic internal assessment to make sure the department is complying with standards. Our internal review was completed in January, 2021 by Bill Cottrell, Senior Auditor. He looked at selected projects, went through documentation and reporting, etc. Based on Mr. Cottrell's assessment and review, the department is complying with the standards. Another requirement is the department needs to report to the Board that all staff are independent and objective and complete internal audit standards' responsibility.

Mr. Griego provided status information regarding the external audits and reviews that are going on with UNM. As of December 31, 2020, UNM is under three reviews from federal agencies for contracts and grants. UNM has been under an audit with the National Science Foundation. They are reviewing if UNM has implemented temporary administrative flexibilities that were authorized by the Office of Management and Budget; and, if costs were allowable, eligible and reasonable. They were looking at 40 transactions for which UNM provided documentation. They are hoping the audit will be completed by March. UNM received an engagement letter in January from the Department of Education regarding reporting in accordance with Section 17 of the Higher Education Act of 1965. That audit is underway. UNMH and SRMC received 71 records requests for FY21. UNMH has had six reviews completed with no reports of findings or money taken back. SRMC has had 14 FY21 requests with 11 that are adjudicated with no findings and no money taken back. There are three FY21 claims representing \$29,000 that still remain open.

Chairman Brown asked if UNM has any foreign contracts or research contracts with foreign entities. Regent Lee asked if gifts and donations from foreign sources is only on the Hospital side or the institution as a whole. Mr. Griego responded that it is the institution as a whole. Regent Lee stated something popped into her head about an endowment for sustainable water with possibly questionable foreign sources. Loretta Martinez, General Counsel, stated that she has been working with the

Department of Education on this audit. What they said triggered the review was that we had not filed the reports. They were concerned, given how large of a research enterprise UNM is, that UNM has not filed. UNM has amassed a pretty large team on both sides of campus, including the Foundation, Admissions and the Bursar's Office because the law covers foreign gifts, as well as contracts and agreements. Ms. Martinez stated she received an extension for UNM to reply to the end of March. She is hoping that data may show the reason UNM did not report is that it did not meet the threshold of \$250,000 from the same source. She feels it will be appropriate that the team provide the Committee with a report, regardless if the threshold is met or not. Chairman Brown stated Ms. Martinez might want to take a look at what is going on at ECHO because he is under the impression that they may have received significant money from the government of India. He doesn't know if it qualifies or not, but we should touch that base. Ms. Martinez agreed they will do that. They do not have anyone specifically from ECHO on that team, but it makes sense to put them on.

- Francie Cordova, Chief Compliance Officer, and Rob Burford, retired Director of University Compliance addressed the Committee to provide the Main Campus Compliance Office's status report. First, there has been a merger between Compliance and the Office of Equal Opportunity. They are now the Office of Compliance, Ethics, and Equal Opportunity. The merger was modeled after others done at universities such as UT. Ms. Cordova has been working on this for a while, consulting with her predecessor Libby Washburn. The goal is to provide holistic, seamless compliance support to the University. There will be some cost savings and shared service. In this transition, Ms. Cordova is no longer Interim Chief Compliance Officer. Her deputy is Heather Jaramillo as Interim Equal Opportunity Office Director. They are in the process of some strategic planning.

Ms. Cordova also announced the retirement of Rob Burford. It is clear how much he impacted this campus - from creating the safety walk, to his tenure as Staff Council President, and his work with Clery. The most important thing was his work with and impact on students. It is a big loss for UNM, especially with regards to his institutional knowledge. Ms. Cordova stated he will be continuing on quarter-time until a successor can be selected and trained. The Committee thanked Rob for his service and commitment to UNM.

Ms. Cordova stated they have started a great deal of educating regarding Title IX. Angela Catena, Title IX Coordinator is doing several town halls including one sponsored with ASM. They are also doing one-on-one trainings. New regulations require live hearings in Title IX cases. After much contemplation and working with campus partners, they decided on a hearing office for UNM. It is an independent office, it is now staffed, and they are in their first hearing right now. There are also two University Advisors at .5 FTE each. Ms. Cordova described shared photos of the team members and described their backgrounds to the Committee.

As a university, it is a struggle to provide the level of training that is required federally for the investigators, hearing officer, and appellate body. There is a lot of training required and it is very costly. So, the State University of New York (SUNY), UNM's partner in the national conference, has created an on-line platform that is very reasonable for universities to use. They also maintain the transcripts for auditing purposes, if necessary.

There is slow but steady progress in the area of accessibility and ADA. UNM is an old campus and is resource stricken. Last year they brought in a vendor to look at the most important areas on campus that impact our students, visitors, staff and faculty. Then UNM can focus on those first, and catalog what has been done. Two things are web accessibility, and path of travel and buildings. The University completed a Request for Proposal and chose a vendor for web accessibility. The vendor is Paciello Group. They have a lot of experience and have worked with several universities. They will be reviewing UNM websites, including jobs and admissions - all out-facing sites. They will determine if they are accessible and what can be done to make them more accessible. More importantly, they will develop a template the University can use going forward. They are working with IT, UCAM, and HSC.

Regarding path of travel, they also completed an RFP process and selected a vendor named Architectural Research Consultants (ARC). Path of travel includes everything that might impede accessibility, all the way to door openers and restrooms. It is a super expensive project and there are limited funds. They are identifying the priority buildings now where people gather most. They are also removing buildings, that due to age or other factors, do not meet the ADA requirement and may be exempt. Buildings will be assigned priority. Those that are found to be in a red category need to be fixed immediately.

UNM is going to have to look at sustainable ways to fund accessibility. COVID has identified gaps, particularly with things such as closed captioning and sign interpreters. There has been a huge increase in accommodation requests because of COVID. Ms. Cordova noted they are adding a lot of FAQs regarding accommodation to their website. There has been an increase in trolling, doxing, and Zoom bombing in this climate we are in. They have been working with DEI and IT to determine best practices. They have also created a video for Compliance Week and it is posted on the website, as well as a reporting mechanism for those who may experience these issues. Chairman Brown asked if there is a pattern of who targets are. Ms. Cordova responded there are racial and gender patterns. Ms. Cordova reported they are also currently working on the Conflict of Interest policy.

Rob Burford updated the Committee regarding enterprise risk management. UNM embarked on a risk assessment survey in the spring of 2020. After reviewing responses, they felt that there was not enough information provided, especially on the main campus side. So, they went back and reviewed Ethics Point data over the past three years. Mr. Burford also informed the Committee they just received their 5,000 Ethics Point concern. Discrimination, IT privacy, sexual harassment, and safety issues continued to come up. People are requesting more training, so hopefully they can intervene before more situations occur.

Mr. Burford reviewed the Clery Annual Security report that went out late last year. The deadline is usually October 1st, but was extended to the end of the year due to COVID. There are some trends identified. Motor vehicle thefts have trended downward 65% over the last two years. That is because of the great work by President Stokes and Campus Police. Drug arrests are down 87% and weapons law referrals are down 75% over the last two years. However, it is important to note there are not many of those; therefore, these percentages are easily manipulated up or down. Any differentiation in numbers will greatly affect the percentage. Negatively, burglaries have increased by 28% in the last two years and there were increases in dating violence and stalking. Regent Lee stated some numbers seem odd when we have been mostly sheltering in place. Mr. Burford clarified that there is a lag; the statistics are from 2019. 2020 data will be very interesting to look at. There will probably be an asterisk like they do in sports when years do not represent typical data.

Mr. Burford told the Committee he doesn't want to stop working entirely. He would like to eventually go back to work directly with students in some capacity.

- Arthur Culpepper, HSC Chief Compliance Officer, addressed the Committee with an update on HSC compliance. They are going to be hosting a spring internship for the first time, specifically reaching out to undergraduate students. It is a single position, was posted on January 21st, and budget was approved for an eight-week paid internship.

Dr. Culpepper stated it is UNM's responsibility as an institution to make sure it aligns with exclusion requirements for individuals who have been excluded from participation with federal entities. As a result, they set up a relationship with an external vendor to collect names of employees and run them through the vendor's system. All names are run once a month on the 25th of the month. All HR units have user access to screen applicants.

Summary of the Regents' Audit and Compliance Committee Virtual Meeting
February 11, 2021

Dr. Culpepper updated the Committee regarding the relationship UNM has with Medicaid and Medicare. They have agreements with sponsors to provide healthcare. UNM must attest on an annual basis that it has a compliance infrastructure in place that works against fraud, waste and abuse. UNM must also provide training and set the tone for professionalism and conduct. Relationships include Aetna, Blue Cross/Blue Shield, Cigna-Health Spring, Humana, Molina and Presbyterian Health Plan, Inc. They recently learned that there is one downstream contract with First Choice. Attestations are shared with Compliance Officer Angela Vigil.

Regarding prior conversation in this meeting about gifts, and relationships with research activities for foreign institutions and funding agencies, the issue has been in the news nationally. There have been some project terminations at some institutions. That can have branding and reputation implications. UNMHSC has beefed up infrastructure work. They work with PIs, faculty and staff so when disclosure is necessary, all those components are taken care of. They are creating the threshold for best practices with regard to disclosure. The Chinese have a program called the Ten Thousand Talents Program, an evolution of the Thousand Talents Program. It can be used to debrief after foreign travel. Non-compliance threatens the opportunity to go out and get new funding. HSC will work closely with Internal Audit and other groups to make sure there is consistent disclosure.

- Chien-Chih Yeh, Internal Audit Manager presented the audit recommendation follow-up report for this reporting cycle. This report includes four implemented recommendations in the areas of Alumni Association (1), Lobo Club (2), and President's Travel (1). There are currently a total of seven pending recommendations. The number of pending recommendations continues to be reduced. The pandemic has caused some recommendations to be delayed, so these must stay on the pending report until completed. The final page of recommendations are those that are implemented but are still being monitored for various reasons. One is a Chrome River recommendation, and two are for Athletics. One of those Athletics recommendations is related to their deficit reduction plan.

Chairman Brown stated the Athletics deficit reduction plan is going to be a moving target given the COVID impact. Also, sometimes deficits are in relation to budget issues rather than operating results. Chairman Brown also noted the upcoming President's Travel audit should be a pretty quick one due to lack of travel during COVID. Regent Lee commented there will be an upcoming giving day to help Lobo Athletics.

Mr. Griego added that the Alumni Association just recently provided him with documentation to close out their pending recommendation. That has been documented internally, and will be recorded on the next follow up report. Athletics is continuing with the current deficit reduction plan and this Committee will be notified if that plan changes or is updated.

By unanimous consent, the meeting went into Executive Session at 10:03 AM per the agenda.

- a. Presentation of FY20 External Financial Audit pursuant to exceptions at Section 10-15-1H NMSA (1978) and Section 12-6-5 NMSA (1978) (*Moss Adams, KPMG and Liz Metzger, University Controller*)
- b. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant RPM 1.2
- c. Discussion of limited personnel matters (Interim Director of Internal Audit Department) pursuant to exception at Section 10-15-1.H(2) NMSA (1978);
- d. Vote to re-open the meeting.

The meeting returned to open session with certification that only those matters described above were discussed in Executive Session.

Summary of the Regents' Audit and Compliance Committee Virtual Meeting
February 11, 2021

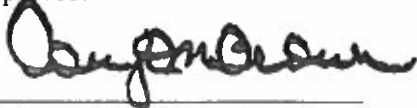
The Committee unanimously approved the following Health System Internal Audit report:

- 2020-03 Huron Consulting Services

The Committee also approved submission of the draft FY20 External Financial Audit to the New Mexico State Auditor for review and approval.

The meeting adjourned at 11:40 AM.

Approved:



Audit and Compliance Committee Chairman