

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 — *A. E. 2020*