

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Meeting
May 23, 2019 – Meeting Minutes

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

Other Attendees: Garnett Stokes, Liz Metzger, Ava Lovell, Terry Babbitt, Francie Cordova, Dorothy Anderson, Duane Arruti, Jeff Gassaway, Loretta Martinez, Craig White, Purvi Mody, Arthur Culpepper, Marjorie Goldstein, Eddie Nunez, Nicole Dopson, Ari Vazquez, Peggy Davis, Rob Burford, Brian Colón (State Auditor), Natalie Cordova (Deputy State Auditor), Lisa Todd (Moss Adams), Sujan Bhandari (Moss Adams), Mark McComb (KPMG), Jaime Cavin (KPMG), Ruth Senior (KPMG), Victor Griego, Manu Patel, Lisa Wauneka, William Cottrell, Gonzalo Olivas, Mallory Reviere, Amy O'Donnell.

Chairman Brown called the meeting to order at 9:06 AM in the Roberts Room, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the meeting agenda, with a note that the Committee would like to see follow up items listed in the future.
- The Committee approved the prior meeting minutes from April 11, 2019. The Chairman asked Liz Metzger, University Controller if the fees had been entered and the contract executed for the external audit. Ms. Metzger replied yes. The chair also asked Ms. Metzger about having a local partner involved. Ms. Metzger stated that will be covered in the entrance conference presentation at this meeting.
- The Committee approved the next meeting dates of August 15, 2019 and October 17, 2019 (Exit Conference for FY19 Financial Statements Audit).

INFORMATION ITEMS:

- Advisors' Comments: Staff Council President Ryan Gregg attended the meeting and introduced himself as the new Staff Council President. He thanked Rob Burford for his time in office.
- The external audit firms of Moss Adams and KPMG presented the entrance conference information to the Committee. First, Chairman Brown introduced the State Auditor, Brian Colón, and his Deputy State Auditor, Natalie Cordova. Lisa Todd, Partner, Moss Adams began the presentation. The purpose of the entrance conference is to meet with this Committee to go over the audit plan. The Committee members received written information that lays out all the steps. Moss Adams and KPMG introduced their service teams. Moss Adams is responsible for the Main Campus and non-clinical operations including component units. KPMG is responsible for clinical operations. In reference to the Chairman's earlier question about a local partner, Suzette Longfellow, Managing Director will fulfill that role from KPMG. Moss Adams stated all of their team is local, with the exception of Scott Simpson, Concurring Review Partner - a higher education specialist serving in a quality control role. All team members from both firms are returning from last year's audit.

The audits are performed using a risk-based audit approach. They focus specifically on significant risk, which will vary by entity. The audit work is based on their experience, discussions with management, and meetings with this Committee. There are several phases to the audit. They look at design and operation of internal controls, including a significant amount of IT work. Chairman Brown asked if that includes looking at cyber security. Ms. Todd responded that they do look at vulnerability and how the University addresses that. They have IT specialists. There is also a compliance aspect, including compliance with the State Audit Rule. There is detailed testing of PCard usage, procurement, vendors, etc. The State Auditor puts out a very detailed program of steps

they are required to do. They are required to perform federal testing (single audit), as the University does receive a great deal of federal funds. They audit the financial statements' account balances, test, and review financial statement disclosures.

Moss Adams offers an opinion on what is called the government-wide financial statements of the University, including all campuses, HSC and all components except clinical operations. KPMG offers an opinion on the Hospitals, Behavioral Health, UNMMG, and SRMC. Separate reports are issued on each, so there is a lot of detail. Moss Adams is responsible for completing the single audit. KPMG may assist, if needed, in the single audit testing. They are governed and guided by governmental auditing standards issued by the Comptroller General of the United States, uniform guidance, and the New Mexico State Audit Rule. During the final audit fieldwork (approximately six weeks) they have weekly status meetings with all involved parties. At times, the State Auditor's Office may ask for them to look at more items. They are not aware of anything yet for this audit and will continue to work on follow up from the Athletics audit.

Moss Adams will look at investments, expenditures, grants and contracts, and payroll transaction cycles with significant testing of internal controls. Ms. Todd directed the Committee to Appendix A in the presentation materials. This is a timeline for all the entities of the audit. Preliminary audit work is already underway, with the bulk of the work happening in August and September. UNM management asks for a September 15 internal deadline for all of the components, so that they may deliver the consolidated government-wide financial statement to the Committee by mid-October. The State Auditor deadline is November 1st. They usually file a couple of weeks prior to that deadline.

Jaime Cavin, Senior Manager, KPMG directed the Committee to their audit approach information regarding the clinical operations. Overall in the healthcare world, there is going to be significant risk around patient revenues, receivables, and contractual discounts. They also have their own IT auditors. Two years ago, the State Auditor did add some additional compliance testing for them regarding indigent/charity care. KPMG is required to add three-year cost and revenue schedules in the report. This is unique to New Mexico; you would not see that in other academic medical centers in other states.

- Victor Griego, UNM Interim Internal Audit Director presented his Director's Report. As of April 30th, the Department has completed seven audits. Two will be presented here at this meeting. One report is in the report writing stage and seven are in fieldwork. For the year, there are approximately 3,200 hours spent on audits. There are 21 completed/closed complaint investigations. There are 12 in planning/fieldwork, and three that are unassigned. This makes up about 2,800 hours. This demonstrates hours are pretty even between audits and complaints. Chairman Brown asked about patterns in complaints that could guide the University to action in fixing some things. Mr. Griego stated it's a pretty broad range. It could be possible timesheet abuse, PCard issues, misuse of funds, etc. Some come through the hotline, others via email or walk-ins. Chairman Brown asked Mr. Griego to bring items of frequency or severity to the Committee's attention. Lisa Wauneka, IT Auditor stated the system can generate reports. Chairman Brown replied a one page report would be good if that could be provided.

The Department's financial report through April 30, 2019 shows a reserve balance, due to salary savings on vacant positions, some of which is budgeted for use of reserves for FY2020. The Department has filled a vacant Auditor 3 position, and the employee will start next month. Interviews are taking place for two vacant student intern positions.

Internal auditing standards require an external, independent assessment every five years to see if the Department is following the standards. The last one was in 2013, so the Department is a bit behind. A reviewer has been tentatively chosen and a timeline provided where the reviewer would be on site in mid-October. If the reviewer completes the review and report by the end of the year, results can be provided at the February meeting of this Committee.

Every three years, Internal Audit completes a University-wide risk assessment, last completed in FY2017. The plan in FY2020 is to work with the HSC Internal Audit and Compliance Offices and the Main Campus Compliance Office to collaborate for the most effective and efficient risk assessment process while avoiding duplication of effort. Historically, IT has been one of the highest risks. They are looking at the option of external assistance on assessing the IT risk.

This is the last year of a three-year contract for the external audit. The Controller's office will initiate an RFP this fall for the next contract. There are currently nine external reviews taking place by external funding agencies to review contracts, grants, and programs. Reports are provided to UNM after completion of the review. Internal Audit is in the process of performing a Form 990 review to be presented at the next meeting of this Committee.

- The Main Campus Compliance Office provided several reports to the Committee. Francie Cordova, Interim Chief Compliance Officer (CCO) explained she usually presents to this Committee in two different roles – as Director of the Office of Equal Opportunity (OEO) (which she is not going to do at this meeting), and as the CCO. She introduced two new staff members at OEO. Angela Catena is the new Title IX Coordinator, and Heather Jaramillo, is now Associate Director for OEO. Ms. Cordova provided the Committee members with a brief history of the Main Campus Compliance Office. Guidance from the Department of Justice states a compliance office is key and provides hallmarks of how it should look. Ms. Cordova reports administratively to the President and functionally to the Regents. Rob Burford directs the office and Peggy Davis provides administrative support. There is also an Institutional Compliance Committee that is University-wide and includes approximately 20 high level individuals across campus with specialty sub committees.

There is the UNM Compliance Hotline for reporting issues. The hotline went live in April of 2015 and is campus-wide and also available to the public. It covers UNM Main Campus, Branch Campuses, HSC, Hospitals, and the Medical Group. OEO cases are reported separately. Peggy Davis provided the Committee with a report regarding the hotline. The Compliance Office triages cases, looks at trends, and provides benchmarking.

Peggy Davis provided the Committee with current hotline/complaint information. Since the hotline's inception, there have been 800 cases (at the end of 2018). Ms. Davis stated this report will for the most part cover the 263 cases from 2018. The location with the most cases is UNM Main Campus. In 2018, they closely monitored an influx of cases in the medical areas that when they are all added together total 151. Regent Lee asked about repeat reporting about the same thing and anonymous reporters. Ms. Davis replied there are often indications of multiple reports but they cannot for sure separate that out. They do note when they appear to be the same. There are not a lot of them; right now they know of two. When it does happen it also warrants a close look at that area. Chairman Brown asked how people know about the hotline. Ms. Davis and Ms. Cordova replied there is marketing in a number of ways and they are about to do a new marketing push. It is advertised in the President's Message and at trainings. The hotline, whether via web entry or phone, is the way the majority of complaints are received.

Ms. Davis stated most cases are HR issues, which is pretty standard. She was surprised by the number of cases reported as bullying. However, in June of 2018, there was a robust revision of the

Respectful Campus policy released, and this statistic seems to correlate with that release. To date in 2019, there have only been 8 cases, so it seems to be moderating. There is an "other" category because it is difficult to capture all issues, but they are constantly refining. The majority seem to relate in some way to recruitment and hiring. They have since added that option as a choice for complaint issue. There are cycles, for instance performance review complaints.

There is a fairly high anonymous and a fairly high unsubstantiated rate. Looking at the statistics, a case can be made that there is a correlation between anonymous and unsubstantiated. A vast majority of complaints are received from staff administrative reporters. The Compliance Office is working on SOP documentation for the investigators. In most substantiated cases, only training is needed to address the concern. The past couple of years, an area they have really focused on is claims of retaliation. Ms. Davis can only remember one case she is aware of where the reporter claimed they were afraid of retaliation and then went back and filed a claim of retaliation. Also, there can be primary areas and secondary areas of concern. There are 78 total cases that have reported with retaliation in the claim; 30 of those were reported with retaliation as the primary concern (four were substantiated and three were partially substantiated). There were eight with retaliation listed as the secondary concern, and the other 40 mentioned they were afraid of retaliation but did not choose retaliation as a primary or secondary concern. Case closure rates still need improvement; however, some incredibly complicated/multi-area cases increase that statistical rate.

Ms. Cordova provided a Department of Justice (DOJ) update. The Compliance Office provides oversight and coordination for responses to the DOJ's findings. During the past three years of this review, the DOJ has provided really great comments about UNM's progress and even used the word "model" at one point. Communications between the areas involved has really made a difference. Rob Burford detailed the remaining steps in addressing the findings. Mr. Burford stated there will be two more information pushes; one in June, and one in August, with a final report in October. Chairman Brown asked if they anticipate they will get acknowledgement from the DOJ that it is over. Ms. Cordova replied they anticipate UNM will receive a final review, and they have asked for a release. Regent Lee added there will probably be some suggestions for going forward. Ms. Cordova stated it is a struggle because it is resource driven, so it is tough. The Committee was provided with a timeline/checklist for the DOJ tasks.

The Compliance Office is currently working on a project blueprint to cover the next two years (including how the branches are monitoring minors on campus) and a threat assessment. Regent Lee explained the history behind establishing the Minors on Campus policy. Mr. Burford noted a schedule of upcoming policy notifications. There is also a document detailing who investigates what. The Compliance Office wants to work on things beyond rules of compliance. Culture is contagious, whether positive or negative.

President Stokes informed Ms. Cordova that she is interested in creating an ethics task force. The Compliance Office proposed a group of employees, usually by titles, based on shared governance models, including students and compliance areas/compliance partners and some individuals that people told them about with legal and ethics backgrounds. They would appreciate guidance from this Committee, and if they would like to they could add a Regent or other people to the Ethics Committee. Regent Lee stated she thinks this is so needed because all the policies in these areas are very murky; and, as relates to the culture, "it's about time." She would also like to take a look at the conflict of interest policy. Chairman Brown noted it is important that this not be perceived as some sort of short term campaign, but as an attempt at a cultural shift. The public forward media aspect of this has to be kept fresh. Regent Lee stated it should be part of the core values.

As a side note, Regent Lee asked about having this Committee's materials presented on the screen. Internal Audit will look into it, but may have to ask for assistance from other personnel. Chairman Brown noted much of it is text so would not function well on screen.

- Dr. Culpepper, HSC Chief Compliance Officer provided a summary of his background for the Committee. His office is working on required exclusion and screening checks to monitor individuals to make sure they are not excluded from these federal programs: the Inspector General, HHS, SAM, and GSA. They are working with a vendor to get it unified. They had a meeting yesterday with the Executive Compliance Committee to discuss how it will be structured and to make sure reporting and the data feed helps them to properly assess status. So far there have been no matches for any individuals, demonstrating thorough checks of employees on the front end. There are continuous checks to make sure individuals remain in good standing. Dr. Culpepper's office is also working with Main Campus and the HSC on a records management, retention and disposal process. This includes electronic media as well as paper.

Dr. Culpepper informed the Committee his area has received notice from the National Institutes of Health regarding their new focus on sexual harassment and misconduct. He provided the Committee members with a copy of a letter detailing what the NIH expects. They are also working with OEO, Research, and the HSC Office of the Vice Chancellor to make sure these processes are aligned properly. There needs to be an integrated approach. Chairman Brown stated there have been some recent horrific cases involving athletic programs/doctors serving athletic programs – one that has brought down a president of a university. He asked if we have good monitoring in place to make sure that those serving the athletes are doing things appropriately. Ms. Cordova replied that her area works regularly and meets regularly with Eddie Nunez, Athletic Director and all the program areas. Mr. Nunez also replied that there are a lot of checks and balances in place. Dr. Culpepper stated he is the Title IX Coordinator for the HSC, he works very closely with OEO, and is getting out to the areas to educate everyone.

There is a new “42 Code of Federal Regulations” (CFR) regarding substance abuse and confidentiality. Years ago, behavioral health records were kept apart from everywhere else. Because of the advent of electronic health records and integrated health models, that information is now being brought in to the health record. They need to look at how to get consent, responsibility for treatment, and how to navigate the process.

Dr. Culpepper provided the Committee with a summary of his side of the hotline information. HR is also the highest number of reports. There are sometimes compliance-related or research-related issues in there. There was one case where Dr. Culpepper felt it necessary to confer with Internal Audit and transfer information over. They are also hiring an HSC Compliance Manager via a national search. Dr. Culpepper is part of the collaborative effort for the risk assessment and has consulted with peer institutions. Regent Lee stated this is good because sometimes outlying areas do not get all of the required training they should. Chairman Brown complimented Dr. Culpepper on “reaching across the Grand Canyon of Lomas.”

- Victor Griego updated the Committee with the status of audit recommendations. He asked these new Committee members to inform him regarding what type and level of detail they would like to see in these recommendations. The previous Committee would provide the Department with input. The Department provides what has been implemented since the last meeting, and what recommendations are pending. There are approximately 20 open recommendations from prior audits. The State Auditor's Office (SAO) and Athletics are present for discussion on the status of the Athletics findings on the SAO and Internal Audit reports.

Mr. Griego has been working closely with Athletics and the Shared Services center. Internal Audit had 22 audit recommendations. Currently, there are four that are not fully implemented. There are two from the SAO report, but Mr. Nunez just presented some information to him that one of these is implemented. The University is finalizing an MOU between UNM, the Foundation, and the Lobo Club outlining the rules and responsibilities of each of those areas.

Another important issue is the development of a fully comprehensive business operations manual for Athletics. Internal Audit had these same two recommendations. The other two are related to time reporting for part time and on call employees. They have put a deficit reduction plan in place. Internal Audit is keeping that open to monitor. Contract monitoring has been put in to place and will be considered implemented. Mr. Nunez added the process is going in the direction they all want it to go and they will continue to manage and monitor it every day.

There are two pending recommendations with the Alumni Association, eight related to HSC tuition, one with Arts and Sciences, one with Nursing, and one with Chrome River.

By unanimous consent, the meeting went into Executive Session at 10:40 AM per the agenda.

- a. Discussion of draft Internal Audit Reports, and discussions of information subject to attorney-client privilege pursuant RPM 1.2;
- b. Discussion of limited personnel matters pursuant to exception at Section 10-15-1.H(2) NMSA (1978);
- c. Schedule of Audits in Process and FY19 Audit Work plan, pursuant to RPM 1.2;
- d. Vote to re-open the meeting.

The meeting returned to open session at 11:43 AM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following UNM reports:

- Audit of UNM Medical Group and Health Sciences Center Hiring Practices, Report 2019-03
- University of New Mexico Audit of Reserves and Deficits, Report 2019-13

The meeting adjourned at 11:44 AM.

Approved:



Audit and Compliance Committee Chairman