

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Virtual Meeting
May 6, 2021 – Meeting Minutes

Members Present: Douglas Brown, Chair, Bill Payne, Vice Chair, Randy Ko (quorum).

Other Attendees: Garnett Stokes, Liz Metzger, Terry Babbitt, Francie Cordova, Teresa Costantinidis, Duane Arruti, Dean Bernardone, Jeff Gassaway, Ava Lovell, Loretta Martinez, Arthur Culpepper, Angela Vigil, Bonnie White, Kate Becker, Sarah Ramer, James Holloway, Ari Vazquez, Lisa Todd (Moss Adams), Sujan Bhandari (Moss Adams), John Kennedy (KPMG), Ruth Senior (KPMG), Brian Colon (OSA), Natalie Cordova (OSA), Lynette Kennard (OSA), Elena Tercero (OSA), Marjorie Goldstein, Loretta Doyle, Brian Pietrewicz, Lawrence Alderete, Ajay Gupta (CLA), Dave Strzyzewski (CLA), Randy Romes (CLA), Mallory Reviere, Victor Griego, Chien-chih Yeh, Kevin Enright, Lisa Wauneka, Avedona Lucero, Amy O'Donnell. (Note: other attendees, including members of the public, were able to view though 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 9:01 AM. He confirmed attendance of all three members of the committee; therefore, there is a quorum.

ACTION ITEMS:

- The Committee approved the meeting agenda.
- The Committee approved the minutes from February 11, 2021.
- The Committee approved the next meeting dates of August 5, 2021 and October 14, 2021.

INFORMATION ITEMS:

- Advisors' comments: None.
- Brian Colón, State Auditor, Lisa Todd, Partner, Moss Adams, John Kennedy, Partner, KPMG, and their teams all joined together to present the Committee with the entrance conference information for the FY21 external financial statements audit.

Mr. Colón briefly addressed the Committee. He thanked KPMG and Moss Adams for their partnership in the engagement, and turned the meeting over to Lisa Todd. Ms. Todd provided details regarding, scope of the audit, summary of audits to be performed, and discussion of materiality. Moss Adams is responsible for the Main Campus audit, all the branches, and the single audit. They audit all the non-clinical component units and departments. They bring all of the information together and report on the consolidated financial statements. They refer to additional clinical operations that are audited by KPMG. Clinical operations include: UNM Hospital, Behavioral Health operations, the Medical Group, and Sandoval Regional Medical Center.

Mr. Colón introduced Natalie Cordova, Deputy State Auditor, Lynette Kennard, Director of the Financial Division, and new staff member, Elena Tercero. Ms. Tercero will be managing and supervising this engagement, and specifically assisting with the State Audit Rule, the single audit and other substantive audit procedures. She will meet weekly with KPMG and Moss Adams.

Ms. Todd and Mr. Kennedy supplied information regarding their service teams. Both external audit teams have many years of experience regarding this audit process with UNM. Ms. Todd explained they perform the audit in accordance with generally accepted auditing standards, governmental auditing standards, and the New Mexico State Audit Rule. They will also be performing the federal grant compliance audit. Ms. Todd stated they will have provider relief funding to test this year. They got a

pass last year on the Cares Act funding. Higher Education Emergency Relief Funding (HEERF) continues to be material and a large number for FY21 at the University.

They use a risk-based audit approach; they focus on areas of significant risk, based on risk of material misstatements in specific areas of the financial statements where there might be potential for error or fraud. They look at material account balances throughout the University. They consider internal controls as part of the audit. They focus on IT controls as well, using a specific team of IT professionals.

They are required to also look at compliance with federal grants. The teams then come in for final, substantive testing, which is all of the final testing and reporting over those financial statement balances as of June 30th. They go through and look at all of the financial statements and disclosures related to each entity that they report on. Mr. Kennedy stated his team follows the same approach. Unique this year will be the Cares Act funding. There is also quite a bit of construction going on at UNM Hospitals. KPMG also brings in IT specialists. Last year there was a finding related to access controls. Teams will continue to work remotely, at least until fall, and there should not be any significant impact to completion of the audit.

Chair Brown stated it is a great comfort to the Regents to have these teams looking into these vital items. Not just because of being a governmental entity with federal grants and hospital regulations, but especially this year with all the Cares Act complications and the construction of the hospital tower.

- Victor Griego, Interim Internal Audit Director presented his Director's Report. He welcomed the new Committee members and reiterated the Committee approved the next meeting dates of August 5th and October 14th. All Internal Audit (IA) regular staff members are classified as Tier 2 staff, working remotely. Currently, the plan is to begin transitioning to in-office operations sometime in the summer in a limited capacity.

Mr. Griego presented the status of the 2021 audit work plan. As of March 31st, IA has completed three (3) audits, which are posted on the IA website. The department will be presenting one audit in closed session in this meeting (UNM Bookstore Operations). There is one more report in the report writing stage. Of the ten (10) audits that are on the schedule in the planning stage, one was carried forward from the FY20 audit plan, and nine (9) are included on the FY21 audit plan. Audits in planning include an IT audit of Information Security, and Children's Campus. Audits in the fieldwork and report writing stage include Facilities Management Facilities Maintenance Division, and Capital Projects.

For the complaint status through March 31, 2021, IA has received 34 complaints. Of those, 24 are completed and closed, and seven (7) are in planning or fieldwork. Only three (3) are currently unassigned. Complaints assigned to the Internal Audit Department are those that are financial-related. They can include fraud, theft, misuse of funds, time abuse and time reporting issues.

Regent Payne asked Mr. Griego about all of the outside money coming in to the University. Are federal auditors involved in tracking how these funds are spent? Mr. Griego responded that as well as the external financial audit, third-party agencies and funding agencies can conduct their own reviews. Mr. Griego will address a spreadsheet of data related to current external audits included in this meeting's materials. Ava Lovell, Senior Executive Officer for Finance & Administration, UNM HSC addressed Regent Payne's question. She stated that there is a single audit as part of the audit with KPMG, Moss Adams, and the State Auditor's Office. The single audit is what the federal government has tasked these auditors to do - audit all of UNM's federal funds. They call it a single audit because then every federal agency does not have to have their own auditors come in. They can, but they really try to rely on that single audit. Every year the federal government comes out with new guidelines for auditors regarding that single audit. Regent Payne asked if they will get a copy of those reports. Mr. Griego responded yes.

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. This will probably go away in FY22. 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. It was a pretty significant cut to the IA budget. There should be some cost savings due to a vacant position and cost cuts in conference fees and travel due to virtual conference attendance.

The Internal Audit Department implemented its final quality assessment review recommendation from an October 2019 peer review. The recommendation was for the Department to complete in-house refresher training regarding the department's expectations for audit documentation and the properties of TeamMate audit software. In March, Audit Manager Chien-chieh Yeh and Mr. Griego provided a virtual in-house training for all Internal Audit staff. The idea was to further strengthen audit documentation and standardize procedures during the audit planning process, fieldwork, and report writing. This will increase efficiencies and effectiveness.

The UNM Health System selected CliftonLarsonAllen (CLA) to be its contracted external vendor for internal audit services for the Health System. They entered a three-year contract. Representatives from CLA will be providing an update on risk assessment procedures and other items in this meeting's closed session. Four in-process audits have been completed. The Medical Group Procurement audit will be presented today in closed session. There is only one remaining audit in process before the Health System transitions over to CLA.

Mr. Griego provided status information regarding the external audits and reviews that are going on with UNM. As of March 31, 2021, UNM is under seven (7) reviews from federal agencies for contracts and grants. Three (3) were carried over from the prior period, and four (4) are new for the Health Sciences Center. One of those is from the Patient-Centered Outcomes Research Institute. It was initiated in March, and they are looking at all awards within HSC, covering a period from March 10, 2020 through January 31, 2021. UNM has provided all requested ledgers for sample selection, and they are getting ready to go through fieldwork for that audit.

The Health Resources and Services Administration (HRSA) has also initiated an audit to review various awards within Internal Medicine. The audit covers the period from April 1, 2015 through March 31, 2021. They are preparing for a virtual onsite visit on May 11th and May 12th. Los Alamos National Laboratories initiated an audit in February of 2021 to review contracts with Internal Medicine, covering a period of March 20th, 2014 to September 30th, 2017. That one is in planning procedures as well, and UNM is waiting on information to complete that review. And, last but not least, Leidos philanthropy organization initiated an audit on January 21st, to review awards within the Cancer Center to cover the period of April 15th, 2016 through August 31st, 2021. UNM has provided all the documentation they requested for that audit as well.

Chair Brown asked about how some of these governmental audits go back six years. Mr. Griego stated the reviewers do a risk assessment and identify the time period or where the risk might be. Ms. Lovell stated those awards are that long. So, if it's a six-year award, they're going to go back and look at all six years. It has more to do with the length of the award given; that is why it'll go back that far.

- Francie Cordova, Chief Compliance Officer, addressed the Committee to provide the Main Campus Compliance Office's status report. Ms. Cordova stated they selected Matt Suazo as the new compliance and Clery coordinator for the University. He has been a manager in their office for the last five years and has a lot of background in compliance. He also has decades of experience in law enforcement as a

captain with the Albuquerque Police Department, so he is well-versed in crime statistics and also knows Clery from working in their office. He will be at the next meeting.

Ms. Cordova provided an update on accessibility issues on campus. This is going to be the year of accessibility, and is actually going to fit in nicely with what they learned during COVID. UNM hired two vendors to review and audit accessibility. The first is web accessibility. UNM selected a vendor and it is going really nicely. They are a great vendor. They started by reviewing all out facing websites, including UNM Jobs, and then any websites that will be admissions-based for students to look for accessibility barriers - are they able to do closed captioning, and use screen readers for people with disabilities? Do they meet the standards for accessibility? They have a draft report that's circulating, and the final report will be presented to this Committee at the August meeting. Not only will they be making recommendations, but they're going to be developing a template. University Communications and IT on both sides of campus are involved, so that we can make sure our websites are accessible.

The next subject is building and path of travel accessibility. UNM has architectural research consultants, working in phases, because there are a lot of buildings. Many are aging buildings, and have a lot of paths of travel that they have to look at square footage wise as well as type of use. Paths of travel include parking lots, sidewalks, and everything in the building - access to the restroom, the water fountains, the door openers, how furniture is placed, all of that. They completed Phase 1. They looked at where the most touch points are for students, faculty, staff, and visitors; i.e. they looked at the Sub, Mesa Vista, Popejoy, all the areas around that center corridor. They are preparing a report that says what UNM can do to make accessibility better.

They are going to be starting Phase 2 in the next few weeks. It is another piece of campus sort of in the North West corner. And then phase 3 will be starting after that, including HSC. At HSC there is a lot of construction going on, so they are not going to touch that area. Phase 3 is going to add additional buildings such as Zimmerman and the Kiva buildings.

Regent Payne stated he was at a facilities meeting the other day and one of the upgrades UNM is doing at one of the branch campuses is sprinkler systems in an old building that didn't have them. He asked how many buildings we have like that. Also, is it budgeted by UNM when there is a renovation? How does this plan tie in with the facilities upgrade – where does it link up? Ms. Cordova replied that the committee for buildings includes Lisa Marbury and Al Sena, and many of the people who are responsible for maintenance of buildings and assessment of buildings. And it meshes up in that way. They are reviewing both at the same time, where it used to be very siloed. That is going to be a new thing, working very closely together. A review of buildings for safety purposes also includes ADA review. There is a federal law that requires that when renovations exceed a certain amount, 20 percent of that renovation money needs to go to accessibility. It's a good partnership.

Regent Ko and Regent Payne specifically asked for an update on safety and our annual security report. For the next meeting, Ms. Cordova is going to have the new Clery coordinator and the prior Clery coordinator talk about campus safety initiatives and also crime statistics. The Regents also asked for an update on data privacy and security, a big issue no matter what, for compliance. UNM has learned a lot during COVID in terms privacy and security. Jeff Gassaway will be speaking today from IT. One thing UNM learned in COVID was just how lax we were in terms of opening up our meetings to anyone from the public. They did a lot of work around how to make virtual meetings and classrooms more secure - by doing double certification, for example, to get into a meeting. Early on in COVID there was a lot of Zoom bombing. Same thing in the classroom. They have done a lot of training on campus to let people know how to make meetings more secure. There was also a panel discussion that is now posted on the website about what happens after you do get trolled or Zoom bombed. How do you report it? How do you address it? How do you reduce the trauma? With a lot of work together as partners, it's not happening in the way it was when UNM first started working remotely and meeting remotely.

Jeff Gassaway from IT Information Security addressed the Committee regarding initiatives in the privacy and security area. They are in the process of working on a very high-level privacy policy for the University that ties together the various privacy obligations. In addition to that policy, they have a program that identifies privacy objectives and how to get there. There is a comprehensive document they are working on with data from roughly 25 other higher ed institutions. Both those that are like our institution in size and complexity, and also those that have best practices; leaders in the privacy space. Their privacy policy statements and other artifacts are highly consistent. So, there's not a lot of variation, and it's pretty good start. They worked with a lot of University stakeholders on this as well as the Faculty Senate Policy Committee. It fundamentally will be a way to meet some regulatory or contract requirements. There are requirements from all different angles. Many outside contracts are asking if the University has a privacy policy. The goal is for the University to be successful in all of the areas where we deliver services to the community or are part of our core missions. Once they receive all the feedback, then this will go through the normal policy office processes.

Chair Brown stated the Clery statistics nationwide seem very dated. They are from a year and a half or two years ago. Does UNM keep its own data to report on and discuss in this committee on a current basis so we're not always looking at something a couple of years old? Ms. Cordova responded yes, absolutely. The report is done a year after the data. So, when they do the annual security report, it's a year prior. But they can certainly bring the last 30, the last 60, the last 90 days. Whatever timeframe the Committee would like to see. Chair Brown said that would be so helpful because crime is such a concern in this community and on our campus.

- Arthur Culpepper, HSC Chief Compliance Officer, addressed the Committee with an update on HSC compliance. He provided some general administrative updates specific to what's happening at the HSC compliance program. They launched an internship, despite the fact that the pandemic was going on. They were able to introduce that individual to the entirety of the health system. They have been funded so are going to be able to do this again next year, reviewing lessons learned and talking to the various departments to see how to improve the process. It's a good opportunity to educate future folks who may be interested in compliance.

They have a robust Conflict of Interest Program to make sure that there's no financial incongruences with faculty, staff and others regarding the operations. They also are providing more guidance to leadership regarding conflict of commitment for external activities. Dr. Culpepper updated the Committee regarding foreign monies. Universities around the country are looking at best-practice on best how to secure their research - their intellectual property, and really make sure that any foreign monies and things that are received are properly documented and vetted. Similar to what's happened on Main Campus, they bolstered the website and inform individuals that they can go on and review a lot of documents to give them even better guidance. They make sure to assist them to determine disclosure types align with University policy and federal policy. Dr. Culpepper invited the Regents to go to HSC Institutional Compliance and take a look at the website; it matches a lot of the stuff that's already on the UNM Main Campus website.

Lastly, because of Dr. Ziedonis' arrival, there are some changes internally specific to the Executive Compliance Committee, mainly the charter and some of the other operational pieces. Dr. Richard Larson has been the chair for the Executive Compliance Committee for many, many years. They are looking at electing a new chairman moving into the new fiscal year, and also assigning a vice chair in the event that the chair might have to be away.

Chair Brown asked Dr. Culpepper about foreign influence. Did they look into the ECHO monies that they have coming in on various kinds of grants and things? Dr. Culpepper responded that there was a concerted effort aligned with Main Campus, as well as the Office of General Counsel, because of a

request from the Department of Education. They looked at all of those, and the infrastructure in place. Based upon the ceiling level that the federal government provides as guidance for notification to be given, extensive checking was done by the Office of General Counsel. They are looking at better ways to make sure that that disclosure takes place, because as you well know, there's been lots of news lately, of various Universities unwittingly being placed in the news for small oversights. Good guidance and good things came out of this endeavor. They are going to continue to work with Main Campus and General Counsel to make sure these things are properly monitored.

Regent Ko asked if there is something in place that says, if you seek outside employment, whether paid or unpaid, that you don't utilize University resources, et cetera, for personal benefit? Dr. Culpepper responded this guidance is to make sure that the detail which you've alluded to, is really exhaustive. Supervisors and others have a direct responsibility to ensure that, because that's our first level of checking. Compliance also is there to support that supervisory level.

They received documentation from the Department of Justice to look at the integrity of our compliance programs. As a result, they worked to identify any deficits that were in place. Three things they look at are: the design of the program, effectiveness in function, and if it works. It is a robust program with appropriate policies and procedures. They embarked on a risk assessment that was combined with Internal Audit and Main Campus. They also monitor the hotline. There's been approximately 394 cases that they have evaluated this year. About 63 percent of those have been anonymous, and 37 percent were identified. About 52 percent are human resources based.

Training and education are things in their wheelhouse as a compliance program. A new system will be launched and it will be an opportunity to go back and re-evaluate the content and education that we have electronically. As you know, exclusion screening is the responsibility of health care programs to identify those individuals that are excluded from participating in health care programs. This information comes from the Office of Inspector General. Each month on the 25th, they submit each and everybody's information, including the Regents' information, to an off-site vendor that scrubs this information and identifies whether or not there's somebody who doesn't meet the criteria. And if there are any detected, they put in place the proper corrective action plans. They have relationships with the FBI and also the National Institutes of Health, the OIG, and the Department of Health. Exclusion screening is executed both on the onset of new employees and also on existing employees.

Regent Ko asked if there is a point of contact for individuals who have an outside commitment to create a clear mitigation plan. Dr. Culpepper responded that before an individual even brings that forward, it has to be very well vetted. There's been a tendency in other Universities that once these have been established they are not monitored. But because things change, we're reinforcing to the supervisors that there'll be consistency.

Regent Payne asked about exclusion screening when we go to recreational marijuana in New Mexico, and medicinal marijuana. What are the criteria for employees going to be when you have state law conflicting with federal law - do you have any program or requirements right now? Dr. Culpepper responded there are some things underway to evaluate that. When you look at the exclusions, it can range from individuals who might not have paid off their school loans that come from a federal source, to an individual who submitted fraudulent claims, or a vendor who submitted fraudulent claims. And so today, in regard to the recreational marijuana question, those things haven't come up and been vetted completely. They have been brought up from an idea of a criminal standpoint, because there are individuals debarred due of criminal activity. They are watching that closely to see how that's going to play out and also looking at how our state provides additional guidance. And as this moves forward, Dr. Culpepper can come back and provide an update.

- Chien-Chih Yeh, Internal Audit Manager presented the audit recommendation follow-up report for this reporting cycle. Each quarter, when Internal Audit completes a report containing recommendations, the Department will present the status of those recommendations back to the community. The report contains recommendations that are completed (implemented), pending, and completed but being monitored. Generally, an audit containing one or more recommendations is not complete until Internal Audit presents a status of implemented into the committee. The Alumni Association operation's last recommendation is verified and be able to closed. The Lobo Club was able to implement policies and procedures to strengthen their IT process. There are a total of five pending recommendations. Due to COVID, some recommendations are taking longer than originally planned. One of those is the Athletics' deficit reduction plan. Chair Brown noted that the deficit reduction plan for Athletics will have to be deferred for some time until the University can recover from COVID impacts.
- By unanimous consent, the meeting went into Executive Session at 11:18 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) 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.

The Committee approved the following UNM Internal Audit report:

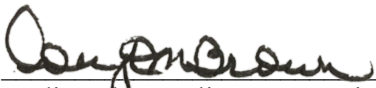
- 2020-05 Audit of UNM Bookstore Operations

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

- 2020-04 UNM Medical Group Procurement

The meeting adjourned at 11:21 AM.

Approved:



Audit and Compliance Committee Chairman