

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Virtual Meeting
May 7, 2020 – Meeting Minutes

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

Other Attendees: Garnett Stokes, Liz Metzger, Terry Babbitt, Francie Cordova, Rob Burford, Teresa Costantinidis, Duane Arruti, Paul Roth, Kate Becker, Loretta Martinez, Arthur Culpepper, Ari Vazquez, Brian Colón, Lynette Kennard, Liza Kerr, Natalie Cordova, Lisa Todd, John Kennedy, Mark McComb, Cynthia Rooney, Bob Harmon, Mallory Reviere, Victor Griego, Chien-chih Yeh, Gonzalo Olivas, Amy O'Donnell. (Note: others, including members of the public, were able to sign on as attendees, possibly even not with full names. They were not shown on screen for identity verification; therefore, those attendees are not included in this list.)

Chairman Brown called the meeting to order at 9:15 AM. He confirmed the quorum and that this virtual meeting is conducted in accordance with the rules established by the New Mexico Attorney General's Office.

ACTION ITEMS:

- The Committee approved the meeting agenda.
- The Committee approved the Special Meeting minutes from April 7, 2020.
- The Committee approved the next meeting dates of August 13, 2020 and October 15, 2020.

INFORMATION ITEMS:

- Advisors' comments: None.
- Lisa Todd, Partner, Moss Adams, John Kennedy, Partner, KPMG, Marc McComb, Partner, KPMG, Brian Colón, State Auditor, Lynette Kennard, Financial Audit Division Director, Liza Kerr, Audit Manager, and Natalie Cordova, Deputy State Auditor all joined together to present the Committee with the entrance conference information for the FY20 external financial statements audit.

Ms. Todd provided details regarding her service team, scope of the audit, summary of audits to be performed, and discussion of materiality. Mr. Kennedy and Mr. Todd supplied information regarding their service team. Both external audit teams have many years of experience regarding this audit process with UNM.

Ms. Todd explained they use a risk-based audit approach and focus on areas of significant risk, based on risk of material misstatements in specific areas of the financial statements. They use their experience with the specific types of institutions and organizations, and have discussions with management and audit committees. They have multiple meetings with the Controller's Office, CFO, and Audit Committee Chair. Everything goes into their analysis and how they focus the audit. The teams look at and test internal controls, including design and implementation. They focus on IT controls as well, using a specific team of IT professionals.

They 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.

The external audit staff provides an opinion on the government-wide financial statements of the University, including main campus, branches, hospitals, Health Sciences Center (HSC), and all component units. This year Moss Adams is also working with the Office of the State Auditor (SAO). SAO will be performing about 250 hours and \$50,000 of the audit contract work, as well as about 200 additional hours looking at various areas of the audit process.

Mr. Colón informed the audience he is looking forward to working on the audit engagement and with the two premier audit firms. He introduced his team, and noted that the Committee members are always welcome to reach out to him directly. He thanked the Regents and President Stokes for their leadership efforts to regain trust and restore faith in UNM as the flagship university. Chairman Brown thanked Mr. Colón and his team for their support. Ms. Todd explained that everyone is working remotely, both University staff and the audit team staff. They are committed to getting the work done in the remote environment. The SAO will have direct access to their audit files, just like all other team members who are working remotely. They do not foresee any significant impact, especially as they already have a good base working with the University. Moss Adams staff is not travelling at this time in an effort to keep everyone safe. They have now canceled all conferences and events for the rest of the year. The presentation provided further guidance information regarding COVID-19 resources.

Mr. Kennedy stated that KPMG is also focused on safety. He also provided a COVID-19 resource slide. His team is working remotely while developing a play book on coming back; there are no specific dates for that yet. Coincidentally, they were already updating technology this year, with a data sharing platform called Clara.

Mr. McComb presented information on COVID-19 impacts on healthcare. Most hospitals have seen significant declines in total volume due to preparation for anticipated COVID-19 capacity needs that in most cases thankfully have not materialized. That has caused significant financial pressure, so cash flow and budgeting issues are occupying a lot of energy. Internal control issues arise with working remotely, and with collectability of receivables. There are changes in government programs, and CARES act funding to make up for some costs.

Ms. Todd informed the Committee that the teams will present again at the October meeting.

- Mr. Griego presented his Director's Report. Proposed meeting dates for the rest of the calendar year are August 13, 2020 and October 15, 2020. The external audit exit conference will be presented October 15th. Mr. Griego worked with Ms. Reviere in the Regents' Office to make sure the dates align with providing reports to full Board meetings.

All Internal Audit regular staff members are classified as Tier 2 staff, working remotely. The department has one student employee on call as a Tier 3 employee, providing support when needed. The remote environment does have an impact on the audit world, limiting ability to do face-to-face interviews. However, audits and complaint investigations are progressing. There will be one audit presented in this meeting's closed session. There are two audits in field work that should be completed for the August meeting. Several complaints have been closed.

Mr. Griego presented the status of the 2020 audit work plan. The Department has completed six (6) audits, one (1) will be presented in this meeting, and four (4) are in planning and fieldwork. Two (2) have been assigned, and two (2) are not yet assigned. They should all be assigned by the end of FY2020.

Mr. Griego updated the Committee on the status of complaints. Internal Audit has been assigned a total of 38 complaints. As of March 31st, the Department has completed and closed 22 of those complaints. There are 16 in fieldwork and planning. Chairman Brown stated he was glad to see complaint numbers being investigated by Internal Audit are starting to edge down, as it is taking up too much departmental time. Mr. Griego stated the Department is implementing some processes to resolve the complaints more efficiently.

The Department's adjusted budget at the beginning of FY 2020 was approximately \$889,900. That includes \$76,000 in departmental reserves. As of March 31st, the Department has actual expenditures of \$590,332, with encumbrances of \$176,305. That is primarily for labor-related costs, as labor is approximately 90% of the department budget.

For FY2020, the Department had some professional training paid for that had to be canceled due to the pandemic. The Department received refunds for all of the conference and travel-related costs. Hopefully staff can attend in FY2021. Mr. Griego stated he is waiting to hear from the accountancy board if there will be any exceptions made for CPE requirements for licensure. He is looking for alternative options as well for virtual training.

The FY2020 University-wide risk assessment survey was launched on April 30th with the help of Institutional Analytics. It was distributed to all main campus, branches, hospitals, Health Sciences Center, the health systems areas, etc. The deadline to complete the survey is May 28th. Recipients will receive reminders through Opinio, which is the software UNM uses for surveys. Mr. Griego has been working with leadership across all areas to ensure they have the most effective risk assessment process. This should result in really good work plans to propose to the Audit Committee at the August meeting.

There are currently three external audits in process. The Defense Intelligence agency has reviewed two grant programs totaling \$3.9 million. They have closed one program. UNM is waiting on documentation for closure on the second grant program. There are no findings or recommendations on that review. The National Science Foundation completed a review of a grant totaling \$7.2 million. They sampled 43 transactions representing approximately \$658,000. An item did come back; they are questioning a PI salary structure. The department in the College of Arts and Sciences subsequently provided all the information. UNM is waiting for a response on that, and the draft report, which is expected to be received soon. UNMH and Sandoval Regional Medical Center provided 364 records totaling \$2.2 million for RAC-related patient billing. As of March 31st, 143 claims have been reviewed for reimbursements of approximately \$1 million. \$148,000 was refunded based on review of those claims. The remaining 221 claims are pending with original reimbursement of \$788,000. From December to March, no other audits have been completed, likely due to barriers from COVID-19.

- The Main Campus Compliance Office provided a presentation to the Committee. Ms. Cordova stated the Ethics Task Force has completed their report to President Stokes. It will be submitted to her this week, and then presented to this Committee at the August meeting. There are some measures that can be taken immediately, and some are more aspirational.

Ms. Cordova provided detailed information on COVID-19 FAQs at UNM. She is the ADA coordinator for UNM, and she has received a substantial number of questions about COVID and people who have vulnerabilities based on their medical condition. Also, there is EEOC

information for employers regarding questions they normally would not be able to ask about a person's medical condition related to COVID. They put out the FAQ info through social media and on their websites at Compliance and OEO to let people know what the new norm is with COVID and how to make accommodations for vulnerable persons.

Next, Ms. Cordova relayed information on investigation status for civil rights cases, particularly sexual assault /sexual harassment. They have found ways to continue successfully with investigations without any real hiccups. With people who have been affected by COVID, it may slow down the process for a period of time. They also wanted to make sure people know all the resources are still available. There has been an uptick in mental health conditions and cyber issues. The hate speech that has happened will require an all hands on deck type of approach from a criminal, administrative, and control perspective.

There are new Title IX regulations just recently released by the Department of Education. They are busy trying to unpack and digest the information that comprises about 2,000 pages. OEO has been doing a lot of background work in preparation because they were anticipating a lot of it. Ms. Cordova stated she will provide a report on it at the next meeting.

- Mr. Burford provided Clery peer comparisons to the Committee, as previously requested by Chairman Brown. The data is unfortunately from 2018, because 2019 data is not available until 2021. It includes only on-campus incidents, not everything that needs to be reported.

In 2018, at UNM there were 24 on-campus rapes, compared to 33 at peer institution Texas A&M. The most reported was at Ohio State University, with 123. NMSU reported 12. UNM's reported fondling incidents in 2018 totaled 12, compared to 146 at Texas A&M and 1040 at Ohio State. NMSU had six (6).

The next information detailed on-campus burglaries and aggravated assaults (threat or injury with a weapon). Ohio State again had the most burglaries at 95. Peer institution Texas A&M had 59, NMSU had 19, and UNM had 35. For aggravated assaults, University of Iowa had 16, UNM had 10, and NMSU had 2. For on-campus robberies, the university with the most was George Washington University with 10. Peer institution University of Houston had seven (7). UNM had five (5), and NMSU had none reported.

Domestic violence cases were highest at Rowan University at 68. For peer institutions, Texas A&M was highest at 26. UNM had 13, and NMSU was a bit higher at 15. As for dating violence, Prairie View University had the most at 41, peer institution University of Houston had 36, UNM had 16, and NMSU did not report any. Mr. Burford believes that is because they included that statistic in domestic violence. Stalking cases were highest in the country at peer institution Texas A&M with 175. UNM had 36, and NMSU 20. For disciplinary action, such as alcohol and drug referrals - typically within residence halls - University of Colorado was highest in the country and as a peer institution in these categories.

The statistic UNM gets the most negative publicity for is vehicle theft. In 2018, UNM was the institution with the most in the country with 129. NMSU had six (6). For 2019, the numbers are almost done, and they are showing to be down to just under 80. Mr. Burford wanted to thank President Stokes for what she has done to improve this problem.

Mr. Burford stated UNM was spotlighted in the Clery report, and he can provide the link to the Regents if they would like. Regent Lee asked about a comparison per capita, as some of UNM's numbers compared to peer institutions do not look good. Mr. Burford replied he could run a comparison based on enrollment numbers. Regent Lee responded she thinks that would be helpful. Chairman Brown stated all this data is helpful; it's just too bad the information is a year behind. He is puzzled about why UNM is such an outlier on vehicle theft, though it is improving. He hopes we can work with local law enforcement to look at patterns. There must be organized crime going on. Mr. Burford stated Albuquerque is the top city for vehicle theft in the country, and UNM is in the middle of the city. He added that UNM is teaming up with local authorities. That is making a big difference, as well as additional staffing and cameras. Regent Lee added it is interesting that UNM is not as close to the border as NMSU, and NMSU's numbers are much lower. She remembers NMSU had the issue several decades ago, and she believes they figured out a way to stop that.

- Dr. Culpepper, HSC Chief Compliance Officer, presented the Committee with an update on HSC Compliance. There are operational changes due to COVID-19, specific to adherence with guidelines for clinic visits. Some of his staff are Tier 1, and some are Tier 2.

Earlier in the year, Dr. Culpepper shared with the Committee the process for exclusions and sanctioning. There was no activity in the first quarter. In the second quarter, some confirmed matches were found and have been addressed. Two vendors were banned as a result, and an employee left the HSC before the process could be completed. There were no matches in the third quarter. They are in the process of developing a policy for HSC so that all parties know what is expected when new employees or vendors are onboarding.

They are also developing research screening guidance. In 2018, the National Institutes of Health put out a warning regarding threats of biomedical research theft, specifically from China, North Korea, Iran, and Russia. As a result, they began to work with the FBI, so that all faculty and students traveling abroad are setting up the screening process. In 2019, the Department of Energy put out a paper that said none of their employees or vendors could contract with any of these groups that were recruiting. These warnings and responses were the basis of HSC putting together the research screening guidance. Temptations might be even greater going forward for economic reasons.

HSC Compliance revised their compliance education in the beginning of the year. Parties came to them with concerns that English is not always the first language. They talked to a number of supervisors that had to sit down with staff one-on-one to complete the training. They are now deploying a Spanish version.

The Policy and Alignment Workgroup was looking at an easier way for everyone to have access to policies, so the HSC launched new software. The HSC Compliance Program is also revising the Code of Ethics to present to the Compliance Committee on May 20th, and then bring to this Committee. They are updating personal relationships policy to address conflicts of interest, perceptions, and potential bias, and have a rigid process for this when onboarding new employees. Dr. Culpepper's office will manage those plans and Legal will review them.

HSC has a new Information Security Officer and hired an Executive Director. In conjunction with Main Campus, they are in an RFP phase for a new cybersecurity insurance vendor. An update will be provided at the next meeting.

HSC is advancing enterprise risk management through a collective effort. They are working on a joint database. Dr. Culpepper provided the Committee with a document showing the timeline for development of their work plans. Chairman Brown asked if the new Title IX regulations impact his area as well. Dr. Culpepper affirmed this is correct. They work closely with OEO.

- Chien-chih Yeh, Internal Audit Manager updated the Committee with the status of audit recommendations. First, are the audit recommendations that Internal Audit has been able to verify with the auditees and close out as implemented. There are seven (7) of those this time; that is pretty good, as it is almost half of the total. Items were implemented for HSC Master's Degree Tuition, Reserves, UNMMG and HSC Hiring, and Purchasing Operations audits.

There are currently only eight (8) outstanding recommendations. Mr. Yeh reviewed which audits still have pending recommendations. Three (3) Alumni Association recommendations are coming past due, but due to turnover in leadership, Internal Audit is able to work with them on these and provide an update to the Committee at the next meeting. The final recommendation regarding Chrome River was implemented in the past, but is going to stay as pending for additional monitoring by Internal Audit.

Internal audit has a separate report regarding Athletics recommendations. There are only three (3) remaining; one was implemented this time, and the other two are implemented but kept as pending for further monitoring as well. One of those is to continue to monitor progress of their deficit reduction plan. Chairman Brown noted he is afraid the deficit reduction plan will be placed on hold due to tremendous declines in revenue, as with other parts of the University in this period ahead. Regent Lee added it is good news for Athletics on the other recommendations.

By unanimous consent, the meeting went into Executive Session at 10:40 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 Proposed FY20 Audit Work plan, pursuant to RPM 1.2
- 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.

The Committee unanimously approved the following UNM reports:

- 2020-02 Audit of Los Alamos Branch Campus

The meeting adjourned at 11:21 AM.

Approved:



Audit and Compliance Committee Chairman