

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Special Meeting
November 11, 2016 – Meeting Minutes

Members Present: Chairman Jack Fortner, Tom Clifford, Ryan Berryman (Quorum).

Other Attendees: Robert Frank, Liz Metzger, Libby Washburn, Duane Arruti, Jeff Gassaway, Elaine Rising, Mike Schwantes, Kimberly Bell, Carla Domenici, Mike Tuttle, Robert Burford, Pamina Deutsch, Elsa Cole, Ella Watt, Purvi Mody, Manu Patel, Chien-chih Yeh, Lisa Wauneka, Eileen Sanchez, Mallory Reviere, Amy O'Donnell.

Chairman Fortner called the meeting to order at 1:04 PM in ROBERTS ROOM, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the meeting agenda and minutes from the meeting of October 21, 2016.

INFORMATION ITEMS:

- Libby Washburn, Interim Chief Compliance Officer, presented the Main Campus Chief Compliance Officer Status Report. Ms. Washburn's presentation focused on the things she is hoping to accomplish in the coming year. The biggest compliance challenge at UNM right now is complying with the Department of Justice (DOJ) agreement. Ms. Washburn included an implementation plan with actions required, who is in charge, the due dates, and where they are at in the process. Another document is included with those same deliverables sorted by date.

The agreement was signed October 17, 2016. There are 17 items and a majority are due December 1, 2016; three are due December 31, 2016. The Compliance Office's goal is to send the first status report early. After the status report is submitted, the DOJ will get back to UNM with any edits. The Compliance Office is working on about 700 pages of attachments. The next big deadline is February 1, 2017. Training is a large component, and they have a plan about how they are going to train the students and employees as well as specialty staff. They are doing a hard push on communication regarding training that needs to be done before December 31, 2016. There are 35,000 students UNM is required to train in-person, but some of them have already been trained. Ms. Washburn noted they are also doing climate surveys. They have begun meeting with all of the deans. They are starting off with incentives to get people to do the training; next year they will have to get harsher, and are debating on putting a hold on grades until training is complete.

Regent Berryman asked if there are consequences for staff who do not complete the training. Ms. Washburn replied they will probably be debating it; that has not happened before. President Frank stated they target the supervisors, who then tell the employees they have to complete it. Ms. Washburn added that the DOJ wants UNM to deliver the names of everyone who has not taken the training. UNM has to provide a plan on how they will force those people to take it. Regent Clifford asked if UNM can make that a condition for registration for students. Ms. Washburn stated that has been discussed but would be a last case scenario.

Another focus for the Compliance Office is the compliance hotline. There are a lot of things they are working on with regard to the hotline. They want to increase awareness. People know about it but the reporting numbers are lower than the industry average, indicating not as many people are using the hotline as could be. The Compliance Office will be doing an awareness campaign. They are also drafting internal protocols and have circulated the documentation to their internal

partners. In the next week or so, they will put it out more broadly and welcome any comments or suggestions for edits. Campus outreach and further training opportunities for the investigators are also in development. In addition, the Compliance Office is doing more to follow up on complaint outcomes. They are developing a roster of neutral investigators for times where there are items that may be referred back to the unit where they were created.

Internal Audit and the Compliance Office are coordinating on development of a risk assessment in 2017. The last one was done two years ago. Director Patel stated that there were good responses to the last one in 2015. Internal Audit's five year audit work plan is based on that assessment. If Ms. Washburn and Mr. Patel are able to finalize the questions in December, they could send a survey out in late December or early January, and then develop a revised work plan for Compliance and Internal Audit. Ms. Washburn added the risks would be beyond financial and include strategic, compliance, reputational, and operational risks. The current draft has 15 rating questions and five open-ended questions.

Finally, the Compliance Office will be focusing on minors on campus. UNM adopted a policy on this in April. This resulted in expanded background check and waiver form implementation. There is no one entity that controls minors on campus. There is no exhaustive list as to what minors are on campus. Chairman Fortner asked about what the ages are. President Frank replied it can be all ages, and control/procedures need to be centralized. Ms. Washburn noted it is not only camps, but day care, schools, younger students taking classes, etc.

Regent Clifford noted his primary concern is somehow they have to prioritize all of that work. President Frank stated that the DOJ is inescapable and the high risk of minors on campus requires that we absolutely attack that.

Eileen Sanchez, Compliance Specialist presented the latest hotline report/benchmarking information. Ms. Sanchez explained they benchmark against national and global companies within Navex Global's Ethics Point database system. This gives a broad spectrum of organizations for reference to see how UNM is doing. There are currently over 850,000 reports and about 800 educational institutions in their system.

The first item is report volume. UNM's report volume is very low as Ms. Washburn mentioned earlier. Only 0.29 per 100 employees at UNM are reporting through the hotline, vs. the 1.43 average. Compliance units really need to capture and input all inquiries, complaints and allegations and enter them into the hotline system.

The next report is the anonymous reporting rate. UNM is exactly the same as the Ethics Point average at 59%. Out of 131 open cases, 77 of them are anonymous. However, UNM's rate has increased and the overall average has decreased. Reporters sometimes withhold their identity because they fear retaliation or they do not want to become involved – not because it is particularly frivolous.

In the substantiated or partially substantiated reports, out of 124 closed cases, 26 cases were substantiated or partially substantiated; that's about 21 percent. Ethics Point is averaging about 41 percent. A higher rate will tell you that you have well-informed employees and good quality investigations.

Case closure time has increased. Best practice is 30 days. If reporters do not get an outcome in a timely manner it may be damaging because they may not trust the system or feel the report was taken seriously. The average increased from 46 to 80 days, but there are cases that are skewing the numbers. There are some that have taken over a year to complete. Chairman Fortner asked if part of the problem might be lack of resources. Ms. Sanchez replied that it is possible, but also some cases have become very complex. Some have multiple departments working on them.

Their office is beginning to look at cases of retaliation. Ethics Point just started benchmarking this data so this is their first opportunity. Out of 131 cases opened in the last nine months, four percent were retaliation cases. This is only six cases, but it is slightly higher than the average. Five of them were unsubstantiated with no action taken. The other was an inquiry that was resolved. The hotline is a good way to monitor retaliation cases.

Since the implementation of the Ethics Point system at UNM, out of 206 closed cases, 51 cases - or 25 percent - were substantiated (29) or partially substantiated (22) with various outcomes. Regent Clifford asked if there is benchmarking on outcomes. Ms. Sanchez replied that Ethics Point does not have that benchmarking capability.

Ms. Sanchez is tracking cases by quarter. This will help determine trends and peak reporting volume. She can also drill down to actual locations to see if specific areas are having problems.

- Chairman Fortner asked for advisor comments. There were no comments.
- Chairman Fortner inquired as to follow-up items from September 2, 2016. Internal Audit Director Patel stated there is only one item, regarding 990T forms (unrelated business income). Regent Clifford had asked what made up \$1.3 million in UNM's unrelated business income. The taxable amount was \$356,000. Most of this income is from Athletics, special events, club sports, the UNM Bookstore, housing, and IT. Secondly, Regent Clifford wanted to know what made up the unrelated business income for the Alumni Association. This amount was \$19,000. Most of this income was generated from merchandise sales and tour packages. Finally, Regent Clifford inquired about unrelated business income for the UNM Foundation. Based on the IRS rule, they are classifying income generated when the Foundation invests in a Subchapter-S corporation or partnership as taxable.
- Internal Audit Manager Chien-chih Yeh provided the Committee with a list of outstanding audit recommendations and updated them on the status of those recommendations. The current committee has asked for a streamlined format of these reports. Internal Audit will be working with the President's Office to firm up a new template. The first set of recommendations (implemented) lists a total of items that were closed in this reporting cycle (since the September meeting of this Committee). The second set contains items that remain open because they are not complete.

Regent Clifford asked about the Payroll audit. Mr. Yeh stated that they are awaiting implementation of a new system, the Talent Management System. The estimated implementation is sometime between April and June 2017. Regent Clifford asked if the report could contain a management response stating what they are doing to implement the items. Mr. Yeh replied it could be added. Mr. Patel added that the information was included on the previous version of the report, but the worksheet was getting very large. The way the process works is that Internal Audit

makes the recommendation and gets a response from the auditee, including an implementation date. The auditor will then go back into the department and test to make sure it was indeed implemented. If the auditor is satisfied, they will clear the item, and all the documentation is kept in the audit workpapers.

Regent Clifford stated his concern is if management feels there is a different response that should be made rather than what is recommended. If there is, as long as Internal Audit flags that for the Committee, it is sufficient, if presented along with a date of implementation reported on the follow-up report. Mr. Patel replied that the report could have the recommendation title and what was actually implemented instead of detail.

Regent Clifford asked about a recommendation called PCard but says it is actually about handling of hazardous materials. Mr. Yeh stated it had to do with Safety and Risk Services and the purchase of chemicals and related inventory tracking. It is a repeat finding so the first one cannot be closed until it is all completed.

Regent Clifford stated there are a lot of good projects going on. He had particular interest in a completed audit for Arts and Sciences. Director Patel informed the Committee that when President Frank came onboard at UNM in 2012, one of the concerns was if there were enough resources to hire proposed faculty. Internal Audit performed a thorough audit on the entire college of Arts and Sciences. This included how many faculty they have, how many vacancies, who was retiring or otherwise leaving, etc. Regent Clifford asked for a copy of this report from 2013. He also asked if the follow up reports could include the date of the original audit.

- Mr. Patel reviewed his Internal Audit Director's Report. The Department expects to close out the fiscal year 2017 with approximately \$30,000 in reserves. Also included with the report, is a summary of third party audits. The good news is there are only two ongoing right now, the National Science Foundation and the continuous audit of patient billing by CMS that started in July of 2015. CMS contracted with Connolly and requested 626 records worth \$15.8 million. For about 495 of those records, worth about \$13 million, there were no findings or exceptions. The hospital had to repay about \$610,000 because of overbilling or mismatched diagnoses versus billing codes, etc. Chairman Fortner noted these are not allegations of fraud, but rather differences in billing and coding. Ella Watt, HSC CFO added that it is a very subjective review. They know which ones to pick; which are hot topics across the country. UNM is performing better than average on these audits.

Lastly, the department currently has four student interns. One is graduating in December and due to budget shortages the department will not fill the vacancy at this time.

By unanimous consent, the meeting went into Executive Session for the reasons stated in the agenda. The meeting went in to closed session at 1:50 PM.

- a. Discussion of draft Internal Audit Reports, and discussion of information subject to attorney-client privilege pursuant to 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 FY17 Audit Work plan, pursuant to RPM 1.2;
- d. Vote to re-open the meeting.

The meeting returned to open session at 3:19 PM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following UNM Hospital audits:

- UNMH Admitting, Report #2016-03
- SRMC Admitting, Report #2016-03

The meeting adjourned at 3:20 PM.

Approved:


Audit and Compliance Committee Chairman