

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Audit and Compliance Committee Meeting
September 2, 2016 – Draft Meeting Minutes

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

Other Attendees: Robert Frank, David Harris, Chaouki Abdallah, Amy Wohlert, Liz Metzger, Duane Arruti, Mike Schwantes, Stuart Freedman, Pamela Pyle, Robert Burford, Michelle Hale, Nicole McKibben, Pamina Deutsch, Carla Domenici, Francie Cordova, Ella Watt, Purvi Mody, Pepper Cooper (KPMG), Manu Patel, Chien-chih Yeh, Eileen Sanchez, Amy O'Donnell.

Chairman Fortner called the meeting to order at 9:00 AM in ROBERTS ROOM, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the meeting agenda and minutes from the meeting of May 5, 2016.
- The Committee approved the final meeting date for the 2016 calendar year: October 20, 2016 (Exit Conference for FY16 External Audit). This meeting only will start at 2:00 PM in the Roberts' Room. External auditors will submit the FY16 audit to the State Auditor's Office with the understanding that if there are any changes requested from the Audit and Compliance Committee at the October meeting, the audit will be amended after that date.

Committee members noted that they would like status updates from the external auditors prior to the October meeting. Internal Audit Director Manu Patel informed the Chairman that he has sent an email to KPMG and Moss Adams, and copied Committee members, asking them to contact the Committee members on the status of the audit and notify them if there are any issues or findings. Chairman Fortner stated the auditors have not contacted him, and asked Regent Clifford to send them an email.

- Pamina Deutsch addressed the Committee regarding revisions to Regents' Policy 7.17 on Affiliated Organizations. The policy was issued in 1996 and has not been updated since; therefore, the policy has been out of date for a long time. Revisions include updates to affiliated entities (i.e. some have been dissolved, were never 501(c)(3) organizations, or have name changes), and clarification of requirements of the statute. The scope of the revisions is limited to only the affiliated organizations that are classified as 501(c)(3). The organizations designated as fundraising and part of the Research Park and Economic Development Act are noted.

Director Patel provided the Committee with additional information regarding Form 990 and Form 990-T (unrelated business income) filing compliance. All of the affiliated entities are in compliance with this IRS requirement. Regent Clifford inquired about a table included in the materials that is labeled UNM. He wanted to know if that was related to UNM's audit, and not component units. Does UNM have unrelated business income? Director Patel stated that the IRS rule Section 511(a)(2)(B) states that unrelated income such as UNM Bookstore IT equipment sales, student union food sales, telecom services, and catering and rental services are taxable. Current UNM unrelated income is \$1,346,000 that must be reported.

Regent Clifford then asked about a loss related to the UNM Foundation. Director Patel stated the reporting takes into account gains and losses of investment income. Regent Clifford asked for more specific information about what income the Foundation has that is

unrelated. Regent Berryman asked about the same for the Alumni Department. Director Patel stated he will need to gather the specific information for the Committee members and provide it to them as a supplement to this report. The Alumni Office, for instance, does sell some merchandise, so that would be part of the income.

Regent Clifford asked about the Health Sciences Center (HSC). When they are compensated for medical care, is that consistent with their tax exempt purpose, even when there is no subsidy provided? Director Patel stated it is because they are in the business of healthcare. The hospitals are not required to file this return. Regent Clifford stated they may have some sales of food or items in the gift store that are unrelated and someone should perform this type of UBIT analysis on them, although it is understood it is not part of the scope here. Director Patel added that, for instance, they have a Subway outlet at the hospital, but that is a private entity and the income is reported through the Real Estate Department.

The Chairman asked for a motion to accept the proposed revisions to Regents' Policy 7.17. (Motion: Clifford; Second: Berryman). The motion was approved.

INFORMATION ITEMS:

- Chairman Fortner asked for advisor comments. There were no comments.
- Chairman Fortner inquired as to follow-up items from May 5, 2016. Director Patel stated there are no follow-up items from that previous meeting.
- Amy Wohlert, Chief of Staff, and Eileen Sanchez, Compliance Specialist, addressed the Committee regarding the Main Campus Quarterly Compliance Report. Dr. Wohlert asked Ms. Sanchez to provide the Committee with the current quarterly report information. Ms. Sanchez provided an overview of the compliance hotline, the reporting system for the University community. Persons can use this hotline to report violations of laws, regulations and policies.

The Main Campus Compliance Office administers the hotline for UNM Main and Branch Campuses, UNM Health Sciences Center, UNM Hospital, UNM Medical Group, and Sandoval Regional Medical Center. The hotline vendor is Ethics Point, a case management system provided by Navex Global. It has the capability to accommodate allegations and document all information gathered from an investigation. It was transitioned to the Main Campus Compliance Office from Internal Audit in March 2015 when the new system was implemented. The Compliance Office developed investigation procedures, compliance protocol, and best practices for investigators using the system. Ms. Sanchez is the system administrator and monitors and implements all access privileges for investigators. She monitors all the cases and produces analytic reports.

Ms. Sanchez provided some hotline data to the Committee. There were 167 cases in FY16. There is a steady increase in the number of cases. The analysis of FY17 will determine if the upward trend continues. The trend may be due to more awareness of the system. Employees are reporting the most cases. There are more than 70 issues in five categories that reporters can choose from when reporting cases either by phone or by web reporting. Reporters can be anonymous or provide their name. Of the 167 cases reported in FY16, 92 were anonymous and 75 were named. There were 122 cases closed in FY16; 14 were substantiated, 12 were partially substantiated, and

there were 36 “other” that could have required more information or did not respond to a follow-up inquiry, etc.; 60 of those were found by investigators to be unsubstantiated. Case closure time is rising a little throughout the Ethics Point community. There could be several reasons for this statistic, including a lack of resources.

Chairman Fortner asked how many employees work with Ms. Sanchez. Ms. Sanchez replied there are now more than 20 investigators in the system, working on the cases within their own areas. She monitors their access, makes sure they sign confidentiality forms, and makes sure they are working the cases. The investigators do not answer to Ms. Sanchez; she is the system administrator. Regent Clifford asked who determines if a case has actually been resolved. Ms. Sanchez replied that it is the investigator. Regent Clifford then asked if Legal has to sign off and if they review every case. Ms. Sanchez replied that they only review the ones assigned to their area. Chairman Fortner asked if the investigator has the discretion to refer cases to Legal. Ms. Sanchez stated they do. Mr. Patel added that in cases of criminal statute violations or fraud, Internal Audit does coordinate with Legal and the UNM Police Department. Regent Clifford asked if there are guidelines or policies that lay that out. Mr. Patel responded that it is a part of the Internal Audit manual. Regent Clifford stated he is concerned about the folks in each of the compliance areas. He would like to make sure they are adequately trained on how and when to do the referrals. Chairman Fortner added that there should be accountability to each other. Dr. Wohlert noted that the role of Chief Compliance Officer (CCO) is something she will get to in her report. The position is currently vacant but reports to the Committee in the same way as Internal Audit. That person has oversight in terms of guidance as to how investigations are conducted in units. That is part of the reason the University was anxious to fill the position; that person is trained in national standards for investigation compliance. Regent Berryman asked about when we hope to have a permanent person in that role. (See response from Dr. Wohlert below.)

Regent Berryman asked about benchmarking for substantiated cases and if the University's numbers in that area are normal. Ms. Sanchez stated that the University's numbers are pretty normal. If you have a higher substantiation rate, the statistics show you have a well-informed employee base making high quality reports with thorough investigations. Regent Clifford added they would like information on outcomes of substantiated claims and who is reviewing the consistent application of rules by investigators. The reporting is not quite clear. But the reports are good and it sounds like a really good tool. Regent Clifford stated perhaps he could work with the Compliance office to develop what could be a standardized report for the Committee.

Chairman Fortner inquired as to how the reporter knows that their complaint has been addressed. Ms. Sanchez explained there is a follow-up section in the case management system. Reporters are provided with a key and password to log back in to the case. The reporter only sees their original case details, the follow-up section, and a chat feature. If an investigator needs more information they can ask a question; however, the reporter needs to log back in to the case to find that out. If they never log back in, the case may need to be closed because the reporter didn't follow up. When a case has been closed, the investigator notes that for the reporter in the follow-up section.

Dr. Wohlert addressed the Committee regarding the role of the CCO. There is a distributed model, with one CCO and Compliance Partners that meet regularly in each of the component units, including those such as Safety and Risk Services, University Counsel, Internal Audit, Student Affairs, etc. It is the duty of the CCO to distribute investigations and gather back information about completion. An area where the University needs to continue to make progress is in the

monitoring of the quality of each investigation. The CCO role was created just about two years ago. Helen Gonzales was the first person to hold that position. She and Ms. Sanchez were an office of two people. The University is moving forward with an evolution of that model. Ms. Gonzales stepped down from the position and there is now a vacancy. She has been retained to provide a set of services to tide the University over.

The incoming Interim CCO, Elizabeth (Libby) Washburn, will be starting the week following this meeting. In the Committee's materials, Dr. Wohlert has provided information regarding the things Ms. Sanchez is continuing to oversee with Ms. Gonzales' input, to demonstrate the Compliance Office continues to provide the functions. Once Ms. Washburn is on board, the University will move forward with the reorganization plans. This means the CCO will take a more active role in overseeing the key partners within the President's organizations. This will allow for much more uniform processes and communication, neither duplicating nor omitting important activities. The office will also work closely with the other partners, such as Safety and Risk Services, Research Compliance, and the Policy Office. The President's Office is working closely with the Policy Office to revise pertinent policies, such as the Whistleblower Policy. President Frank noted that Ms. Washburn is a lawyer, so she brings a great set of skills to this role and to coordinate with our legal people. Chairman Fortner asked if Ms. Washburn would be eligible to apply for the position following the one year non-renewable interim contract. Dr. Wohlert replied that this interim position was done as a professional services contract so the University would not have to do a competitive search, because it was important to get somebody in there quickly. There will be an open search and Ms. Washburn will be able to apply. The President's Office also felt that with the reorganization, they wanted to allow time to make progress so that applicants can see what the organization is that they are being hired to lead.

- Stuart Freedman, Chief Compliance Officer, Health Sciences Center, addressed the Committee regarding the quarterly report for his area. The materials included some benchmark reporting. His Compliance Office tries to mirror what the Office of the Inspector General does when they look at compliance programs and their relationships to the seven sentencing guidelines. The first guideline is policies and procedures. The second section, which they are very proud of, is the training section. The information in that section is broken down in to in-person and on-line. At the HSC, they also require privacy and security training, a very serious concern in healthcare. There is also a lot of in-person training, allowing staff members to see a subject matter expert speak about a specific topic.

Most Hotline calls are HR-related, and that is common. Mr. Freedman reported that his area is very concerned about medical overbilling, and they have very few of those reports. Privacy is a very important thing that they have to monitor. Privacy issues are captured in the hotline, but they also track it in a separate database. Most inquiries come in through the hospital. People are concerned with access to records. Chairman Fortner asked if there is a privacy issue where someone's records are sent to the wrong place, is that a HIPAA violation and do they have to report it? Mr. Freedman replied that there is an obligation to report it. First, they would notify the entity that received the incorrect information to return the information. There is an annual report to the Office of Civil Rights. If it happens en masse, such as improper release of a file with 500 names, there are very clear state and federal laws about reporting directly to OCR, and they have to set up credit monitoring and a call-in center, etc., for all of the individuals affected. Those records could be sold on the black market. The HSC Compliance Office has a Privacy Officer

who is a subject matter expert. Mr. Freedman would like to introduce her to the Committee at some point and have her discuss details.

Going forward, Mr. Freedman reported they will be ranking their substantiated cases to determine if they are causing real concerns. There may be some system improvements that can be put in place. Regent Clifford stated it would be helpful to know how many result in personnel action. Mr. Freedman noted that the Compliance Officer does not take personnel actions. Outcomes of investigations are handed off to the appropriate HR area for them to take corrective action.

Mr. Freedman wanted to point out to the Committee some things that speak to awareness. The more people know about what the Compliance Office does, the more they will come forward. He supplied the Committee with copies of their new brochures. It is important to get a standard message out. They can be handed out to onboarding employees. The hotline poster is now published in English, Spanish, and Vietnamese. They say the same thing in each language.

Finally, their Code of Ethics is value-based, not rules-based. It helps people understand where to report different issues. Effective June, 2016, UNM and Hospital Purchasing departments now require vendors, as part of a purchase order, to read and follow the Code of Ethics.

- 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. When audits are issued, there are often findings, or recommendations. These recommendations are tracked on an individual basis, and each has a different time frame, depending on the amount of work required to implement. The auditor will work with the auditee to make sure the recommendations are implemented. The status is reported back to the Committee at each quarterly meeting. There are currently three subsets of the report – Implemented, Pending, and items specific to the audit of the Clery Act. Items that are shown as implemented have been verified by the auditors. Pending items are still in progress. There are a total of 21 items implemented in this reporting cycle. There are approximately 45 more items that will stay on the Pending report until they are implemented.

Regent Clifford asked Mr. Yeh if he could do a summary report that guides them through the issues, as well as these detailed reports. Several of them are related items and issues. It appears most of the Basketball P-Card items have been implemented. Regent Clifford noted, however, that the person responsible for addressing issues is the Chief Financial Officer. Has that position been filled? Mr. Yeh replied these tasks were reassigned to a financial analyst in that area. For the remaining recommendations, they requested an extension. Internal Audit acknowledged that an extension was warranted due to the change in staffing/responsibility.

President Frank asked Mr. Yeh if Internal Audit “pings” these folks. Mr. Yeh responded that Internal Audit does correspond with the auditees regarding open items. President Frank stated he was told that Athletics responded to all the basketball items and they were completed; Internal Audit says they have not been completed. Mr. Yeh stated that Internal Audit had a meeting with Athletics’ management, and they expressed the same sentiment. Mr. Yeh informed them that as auditors, Internal Audit staff need to validate the implementation of the recommendations. Perhaps from their standpoint they feel they were implemented. Auditors need to be able to see documentation that demonstrates adequate completion of an implementation.

Regent Berryman asked if Athletics has hired a Chief Financial Officer. President Frank stated they did but something happened at the last minute. Regent Clifford asked the Chairman if they can get a report from Athletics on these findings. President Frank replied that he would get with David (Harris) right away. President Frank agreed with Regent Clifford that the reports are in "accountant talk" and he would like something more operational and simpler. It is not acceptable to have this many audits outstanding. Regent Clifford stated part of that could be a response from the division. There are several Safety and Risk findings that go back to 2015. He would really like to know from the Director there what she thinks the status is on those. Mr. Yeh asked if there was a particular one. Regent Clifford stated in the future, they should get it ahead of time and if the Committee could get some kind of response it would be helpful.

Ms. Domenici and her team came forward to address the Committee's questions regarding their outstanding recommendations. She introduced Che Shu-Nyamboli, manager of Environmental Health, and Faron Valencia, Safety Specialist. Ms. Domenici stated they responded to Internal Audit on these outstanding items on August 24, 2016, and sent the progress they made to date. On some of these they have sought additional extensions to address certain things, and they can go through those. Regent Clifford asked for a timeline of those that are still open. Ms. Domenici stated that in reference to Recommendation #2, regarding a report to the members of the full Board of Regents, a report was submitted to the Board. They changed the way they prepared that report. Previously, they used staff input. This year, they formed a Safety and Risk Services Fire Safety Capital Committee and involved stakeholders from across the campus. The project that was forwarded is looking at the fire safety systems at Popejoy and some of the other theater buildings. The group actually recommended a feasibility study to see what it would cost and what actually needs to be done. Regent Berryman stated there are a couple of pending recommendations that involve unfilled or newly filled positions. He would like to know how the incoming staff is informed about the work that needs to be done for these serious audits. Mr. Yeh replied that the new CIO just arrived, so Internal Audit will give him a little time to address the questions. Internal Audit will report back on those issues at the next meeting in October. In terms of the Athletics' CFO, as far as Internal Audit is aware, they assigned the tasks to the financial analyst to complete. Internal Audit will work with her to get what is needed. Regent Berryman added that he hopes the new CFO is fully briefed on these issues.

Regent Berryman addressed President Frank regarding a review of the College of Education and reduction of the credit load to 120. There are a couple of deadlines that have passed. He would like to know if there is an update on that. President Frank replied that there is a number of missed deadlines that are really unacceptable. President Frank will work with Internal Audit to make sure they are better reviewed and completed more timely. Regent Clifford added that to that point, there are several related to a new payroll system. It says that implementation of the system has been delayed until July 2016.

- Mr. Patel reviewed his Internal Audit Director's Report. The Committee already approved the October 20, 2016 meeting date. Mr. Patel stated he would like to propose either February 16, 2017 or March 16, 2017 for the first quarter meeting, and May 18, 2017 for the second quarter meeting. Next year, the University will have a Request for Proposal for the financial statement audit. That needs to be approved by this Committee before a contract is signed. The budget is \$852,000. Of that, \$802,000 is from the general fund, and \$50,000 is from reserves from carryover funds. Mr. Patel provided the Committee with current, updated information regarding third party

audits/reviews underway. The Defense Threat Reduction Agency is auditing the University for their grants and contracts. The total amount is 1.8 million dollars. The National Science Foundation has various grants and contracts they are reviewing. CMS has contracted out with the private company Connolly. They usually request a number of patient records. In the past several years, there have been about 20 third party audits. Most result in no major findings.

By unanimous consent, the meeting went into Executive Session for the reasons stated in the agenda. The meeting went in to closed session at 10:21 AM.

- 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 FY17 Audit Work plan, pursuant to RPM 1.2
- d. Vote to re-open the meeting.

The meeting returned to open session at 11:53 AM, with certification that only those matters described above were discussed in Executive Session.

The Committee unanimously approved the following UNM Hospital audits:

- SRMC Purchasing, Report 2015-04
- UNMH Purchasing, Report 2015-05
- SRMC Outpatient Access, Report 2015-05
- UNMH Outpatient Access, Report 2015-06
- UNMH Facilities – Planning and Construction, Report 2015-05
- SRMC 501(r) Requirements, Report 2015-06

The Committee unanimously approved the following UNM audits:

- Audit of Research Agreement (Brain Safe Project), Report 2015-08; and
- UNM Section of Integrated Medicine/Center for Life - Cash Handling, Report 2016-12

The meeting adjourned at 11:54 AM.

Approved:

Audit and Compliance Committee Chairman