

**SAFETY AND RISK SERVICES
AUDIT OF OPERATIONS AND COMPLIANCE**

THE UNIVERSITY OF NEW MEXICO

**Report 2010-13
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ABBREVIATIONS

CSHEMA.....	Campus Safety, Health & Environmental Management Association
EH&S.....	Environmental Health & Safety
EPA.....	Environmental Protection Agency
ERM.....	Enterprise Risk Management
FTE.....	Full Time Equivalent
HR.....	Human Resources Division
IT.....	Information Technology
NFPA.....	National Fire Protection Association
NMED.....	New Mexico Environmental Department
RMD.....	State of New Mexico Risk Management Division
SRS.....	Safety and Risk Services Department
SFMO.....	State Fire Marshal's Office
UBP.....	University Business Policies and Procedures Manual
UNM.....	University of New Mexico

EXECUTIVE SUMMARY

As part of the fiscal year 2010 audit plan, the Internal Audit Department conducted an audit of the Department of Safety and Risk Services (SRS) with focus on Environmental Health and Safety (EH&S). Since the SRS Department was identified as a component of the University's Strategic Framework in 2008, SRS senior management is required to monitor and measure progress and adjust goals and direction to meet the changing UNM challenges.

ORGANIZATIONAL STRUCTURE

The Human Resources Division (HR) should perform a complete evaluation of the hiring and promotion practices within SRS. The SRS staff should consolidate into one location to operate more efficiently and cost effectively. Ultimately, full implementation of Enterprise Risk Management may result in organizational separation of safety from risk management; a model more commonly found in higher education institutions.

COMPLIANCE WITH UNIVERSITY POLICIES AND REGULATORY AGENCIES

Risk Management policies for UNM are outlined in UBP 6100 through 6150. If followed, these policies provide the basis for an effective safety and risk management system. However, SRS does not follow certain basic policies, and/or these policies are no longer effective as a model for safety and risk management at UNM.

LIFE SAFETY/FIRE SAFETY

Fire safety is one of the most important risk areas on any university campus. UNM needs to meet basic minimum National Fire Protection Association (NFPA) regulations. The current fire safety resources, policies, and procedures are not adequate to meet basic fire safety requirements at UNM. While University Administration is addressing the current fire safety issues at UNM, greater efforts are required in this area.

DATA MANAGEMENT

SRS is not currently meeting the departmental electronic data needs. Each safety program is expected to develop individual systems to track and manage required program information. A lack of proper data management results in fractured, inefficient systems that do not allow for tracking, analysis, management, and follow up. This affects every safety program within the department. SRS should increase its commitment of resources to Information Technology.

CASH MANAGEMENT

SRS did not make deposits in a timely manner. SRS cash deposits often included multiple warrants held for substantial periods of time, resulting in loss of investment income and increasing the chance of theft. SRS, as an agent for University departments who incur losses, should act responsibly in performing its fiduciary duties by depositing payments and reimbursing the proper departments in a timely manner. SRS should notify the State of New Mexico Risk Management Division (RMD) that any warrants issued in relation to UNM insurance claims should be made payable only to UNM.

RESPONSIBILITY AND ACCOUNTABILITY FOR INFORMATION AND TRANSACTIONS

The SRS Director must institute proper internal controls and procedures to assure that University policies related to business and administrative functions are being followed. This will help to secure and protect University resources.

COST CONTAINMENT/REVENUE ENHANCEMENT STRATEGIES

Opportunities exist for cost containment and revenue enhancement within SRS. The SRS senior management should make this a priority in order to achieve the stated mission of SRS, and to address budgetary concerns at UNM. Cost savings should be devoted to meeting the basic minimum requirements for life and fire safety.

CONCLUSION

UNM is faced with ever-increasing regulatory compliance and threats to safety on campus. Compounding these challenges are severe budgetary constraints that will continue in the near future.

The current organizational structure of SRS is based on a consolidated scheme that is outdated. Staff turnover and personnel issues have compounded the problem, resulting in increased risk, potential gaps in safety, and duplicative or inefficient effort. The ERM model is the preferred approach at leading research universities and it should be implemented at UNM.

An opportunity exists to build the next generation of Environmental Health & Safety at UNM. This can be accomplished by using a new organizational model, but building on the experience of their professional and dedicated staff, many with decades of service to UNM.

The Department of Safety and Risk Services should perform a comprehensive evaluation of all administrative processes and expenses. Improving IT will result in more efficient administrative processes. The main goals of this evaluation should be to identify cost savings opportunities and reduce duplication of work.

The Department of Safety and Risk Services should follow all University policies regarding financial transactions and cash management. The Director of SRS is responsible for ensuring that internal controls and procedures are in place to protect University resources and to insure that business and administrative functions are handled appropriately.

SRS senior management and staff need to focus on their mission of providing a safe UNM campus. SRS senior management should support and enhance the University goal of implementing an Enterprise Risk Management model that can ultimately be used to effectively assess overall risk and allocate resources in the future.

INTRODUCTION

BACKGROUND

The stated mission of SRS is to collaboratively integrate safety, health, environmental and risk management principles and practices throughout UNM. SRS promotes a culture of safety by providing excellent customer service and professional support to the campus community. Health and safety programs included under SRS are Campus Safety, Environmental Health, Industrial Hygiene, and Radiation Safety.

SRS also handles property, liability, and workers compensation insurance and claims. The State of New Mexico Risk Management Division establishes premiums based on exposure and experience components for various types of coverage. Premiums are apportioned to individual agencies, including UNM, based on their share of the experience and exposure components.

The priorities and goals of SRS, as stated in the Strategic Framework document prepared by SRS in July 2008, are as follows:

Promote a Culture of Safety

- Increase innovative and effective training programs
- Expand effective risk management and activities data collection and analysis
- Create additional partnerships with the University community to identify and reduce risk
- Increase campus visibility of Safety and Risk Services as an expert source of risk information
- Serve as an information resource for subject matter expertise to additional customers

Promote a Culture of Environmental Protection

- Support the efforts of the University to increase environmental initiatives
- Increase University awareness of SRS as a source of information when making decisions effecting air and water quality
- Promote sustainability initiatives through reuse and recycling

Support University Regulatory Compliance

- Review and revise Safety and Risk Services manual to support current University activities
- Advise University entities on securing and maintaining required permits
- Assist in interpreting statutory requirements and meeting report deadlines
- Prepare University entities for and give support during regulatory inspections

PURPOSE

The purpose of our audit was to perform a high-level review of SRS, with particular attention given to Environmental Health and Safety (EH&S). As a high level operational and compliance audit, the purpose is to substantiate that the priorities and goals of SRS are being efficiently, effectively, and economically achieved. Specifically, SRS will: (a) promote a culture of safety; (b) promote a culture of environmental protection; and, (c) support UNM compliance with regulatory agencies.

SCOPE

The audit focused on the basic organizational structure of SRS in conjunction with its current mission. Internal Audit evaluated the priorities and goals developed by SRS management in the University Strategic Framework to determine whether they are being met.

Internal Audit evaluated compliance with the University of New Mexico Business Policies (UBP), UNM Board of Regents Policies, and regulations of the State of New Mexico Risk Management Division (RMD). Additionally, Internal Audit reviewed whether SRS accomplished their goal of supporting University regulatory compliance. During the audit, we assessed SRS' follow-up on safety issues resulting from self-inspections, regulatory inspections, and hazard reports.

AUDIT PROCEDURES

Audit procedures included but were not limited to the following:

- Interviews with SRS Director, managers and staff
- Review of key SRS staff certifications and license requirements
- Interviews with staff in Office of Capital Projects
- Interviews with staff in UNM Health Sciences Center
- Interviews and meetings with Risk Management Division's management and staff
- Review of regulatory agency inspection reports for federal and state compliance issues within each SRS safety program
- Research of safety and risk management best practices at peer universities, including: University of Arizona, University of Washington, University of Texas at Austin, University of Virginia, University of Kansas, University of Oklahoma, and other universities including New Mexico State University
- Review of existing SRS data management systems for adequacy and effectiveness
- Review of random sample of SRS self-inspections within various safety programs
- Review of a sample of UNM insurance claims files and all claims payments made by RMD to UNM for FY2008 through December 2010

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

ORGANIZATIONAL STRUCTURE

Human Resources

During the process of interviewing SRS staff, Internal Audit became aware of numerous discrepancies between the Position Classification Descriptions and actual duties of certain SRS employees. In addition, Internal Audit was unable to verify a key SRS manager's certification with the Institute of Management Accountants. Accuracy in fundamental personnel information is needed to successfully assess current employee performance and for future recruiting needs. Additionally, the published SRS Organization Chart does not adequately represent all current Position Classification Descriptions and Job Titles.

Recommendation 1

HR should perform a complete evaluation of the SRS departmental practices related to hiring and promotion. This evaluation should include a comparison of job duties to current job descriptions. HR should evaluate the appropriate grade level and salaries to support accurate and fair assessment of SRS staff performances.

Management Response:

The Division of Human Resources concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to	Target Completion Date
All staff at SRS will complete and sign a Position Review Questionnaire (PRQ).	Safety and Risk Services	Completed 3/25/11
PRQ's will be signed off by both the employee and the supervisor of record as being a true and complete record of actual duties and responsibilities being performed, and will be approved for review in writing by the Director of SRS.	Safety and Risk Services	04/30/11
Classification Review Study--Evaluate current SRS staff positions for appropriate position classification, using completed PRQs received for SRS staff. Perform specific job analyses if and when needed to clarify and verify data received.	Human Resources	07/15/11

Prepare and present a summary of recommendations for the realignment of staff positions in SRS, based on findings of the Classification Review Study, for review by EVP for Administration.	Human Resources	08/01/11
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Facilities

SRS employees are physically separated into two locations; SRS management identified this as an internal weakness in their Strategic Framework. Five fulltime SRS employees, including the Director, Manager of Insurance and Claims, Communications Specialist, Workers Compensation Specialist, and an Administrative Assistant II are currently located in Oñate Hall. In addition, there is space for an additional employee; however, the position is currently vacant.

The remaining 26 SRS employees are located approximately a mile away in the SRS Building at 1801 Tucker (Tucker Building). UNM is providing approximately 650 square feet of office space in the Tucker Building to five RMD employees.

Recommendation 2

SRS should consolidate into the Tucker Building to operate more efficiently and cost effectively. This consolidation will necessitate relocation of the RMD employees, but will solve organizational challenges identified by SRS senior management and will allow for some administrative job consolidation within SRS. Additionally, there will be a facilities cost savings as the Oñate Building space will be available for other UNM needs.

Management Response:

The EVP for Administration agrees that it is ideal to consolidate SRS in one location; however, the Tucker Building is scheduled for demolition to make way for a hospital expansion. In addition, the Onate location will also be eliminated as a result of planned housing expansions.

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
Work with the Manager of Space Management and the Main Campus Space Allocation Committee to identify an appropriate space for the relocation and consolidation of SRS. This analysis will include an evaluation of the unique relationship of UNM as RMD's largest customer and the expense incurred by the state to establish a customer service base at UNM.	Safety and Risk Services	6/30/11

<p>The Director of SRS will submit a plan, including a projected timeline for relocation of all offices, labs, and warehouses to one location to the EVP for Administration.</p>		
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Campus Loss Control Committee

During the past five years, the Campus Loss Control Committee has not functioned as an advisory and oversight committee, as required by “Risk Management” Policy 6100, UBP. Section 2, “Risk Management” Policy 6100, UBP:

A campus-wide advisory committee, the Campus Loss Control Committee, works to control risk and to ensure compliance with regulatory mandates. This Committee will be chaired by the Director of Safety & Risk Services and consist of representatives from the University's Athletic Department, Audit Department, College of Arts and Sciences, Department of Human Resources, Facility Planning, Family & Community Medicine, Health Sciences Center, Physical Plant, Police Department, Purchasing Department, Student Affairs, University Controller, and University Counsel.

Related to this policy is Section 1, “Safety & Risk Services” Policy 6110, UBP:

To achieve these goals the University has an extensive loss control program administered by the University Safety & Risk Services Department. This program is described in "Risk Management" Policy 6100, UBP. The University Safety & Risk Services works with the Campus Loss Control Committee to identify, evaluate, and control hazards and potential losses.

The Campus Loss Control Committee has only met twice in the past five years. There are numerous specialized safety committees, but none is acting in the capacity of evaluating overall University risk. This allows SRS to assess and monitor UNM risks independently.

The approach to risk management taken by many universities is changing and evolving as their needs and challenges change. A growing number of universities are embracing the concept of Enterprise Risk Management (ERM). ERM allows risk assessment to be an integral part of all strategic planning and decision-making processes.

The ERM concept is being tested at UNM by an ERM Council; however, budgetary constraints have limited the use of ERM. Since the current oversight and advisory Campus Loss Control Committee is not functioning as intended, SRS senior management is operating autonomously in many areas of risk assessment and control.

ERM will help upgrade the UNM campus health and safety programs, and direct UNM’s overall approach to risk management. Peer institutions are using ERM to identify institutional risk

appetite, effectively evaluate risk, and focus available resources. This is particularly important when resources are limited.

Recommendation 3

Internal Audit recommends that UNM Administration accelerate full implementation of the ERM program. ERM Council would then replace the Campus Loss Control Committee, providing a more collaborative and effective means of campus-wide risk assessment.

Full implementation of ERM may result in the organizational separation of safety from risk management, an organizational model more commonly found in peer institutions. UNM Health Sciences Center (HSC) should continue to develop and manage ERM at UNM; the highest claims risk at the University is associated with health and medical missions.

Management Response:

Enterprise Risk Management differs from traditional risk management, which views risk as a hazard to be minimized, by viewing risks not just as uncertainties that need to be prevented or minimized but as potential opportunities that need to be managed. All successful enterprises take risks, but the important point is how they manage those risks. ERM takes an integrated and holistic approach of strategically managing risks to enhance stakeholder value.

The EVP for Administration agrees that ERM is the best approach to managing risks at UNM and submitted a proposal to establish ERM at UNM to the President in July 2010. However, in light of the severe economic crisis affecting the nation and the State of New Mexico, the President determined that a full implementation of ERM would overwhelm the University's current resources. In August 2010, he decided to take a phased approach to establishing ERM at UNM by appointing an ERM Council charged with applying the principles of ERM to address key risk concerns as they are identified. Full implementation of ERM at UNM can take place when the economy recovers and adequate resources are available. As the ERM Council's first project approaches completion June 30, 2011, and the Council can begin to address some of the concerns and recommendations contained in this Audit Report.

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The ERM Council will establish the Loss Control and Prevention ERM Subcommittee, chaired by the Director of SRS, with institution-wide membership that will ensure a collaborative, comprehensive, campus-wide assessment of risks that focuses on the good of the whole and reduces the presence of silos. The ERM will provide the Subcommittee with distinct, clearly defined	ERM Council	6/1/11

roles and responsibilities.		
The Campus Loss Control Committee will continue to meet during the transition and membership will be incorporated into the Loss Control and Prevention ERM Subcommittee.	Safety and Risk Services	Met 3/31/11

Budgets and Cost Tracking by Program

Individual safety programs do not have separate budgets. This results in an inability to hold managers accountable for their individual programs. There is currently no way to benchmark or assess SRS cost effectiveness and outcomes by individual programs. External benchmarking is a commonly recognized method of comparing processes and performance metrics to institutional peers or best practices. Quality, time, and cost are typically measured when benchmarking.

Part of the SRS Vision as stated in their Strategic Framework is to promote the application of best practices and benchmarking; however, this is not occurring. Campus Safety, Health & Environmental Management Association (CSHEMA) benchmarking, which began in 1996, provides one method for SRS to measure safety program cost effectiveness and outcomes. Over 70 other higher education institutions, including New Mexico State University, use CSHEMA benchmarking.

Recommendation 4

SRS needs to track budgets and costs by individual safety programs. This will allow for comparison of safety costs and outcomes with peer universities. In addition, SRS senior management can then hold managers accountable for cost effective operation of their programs.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS Management will work with the Financial Services Division to put into place a completely new accounting and financial reporting structure. This new accounting structure will be established to track costs by specific function. The new indexes will be set up in a manner that is consistent with CSHEMA benchmarking categories and therefore in the future, the University	Director, Safety and Risk Services & VP Finance Staff	Completed 3/21/11

will be able to make comparisons with peer universities by each individual safety program. All revenues, expenditures and encumbrances, both actual and budget will be moved from the former indexes into these new indexes.		
SRS Senior Management is now provided with a monthly management reports package prepared by the Financial Services Division, which can be used to track the costs for each safety program.	VP Finance Staff	4/11/11

Recommendation 5

Current higher education best practices recommend an Environmental Health & Safety (EH&S) peer review; however, UNM has not participated in an EH&S peer review since 1994. SRS should participate in regular peer reviews, including one in the next 18 months, in order to gain insight and efficiency through interaction with similar institutions.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The ERM Council will evaluate the need for, costs associated with, process for obtaining a peer review, and submit a full recommendation for the appropriate course of action to the EVP for Administration.	ERM Council	11/30/11

COMPLIANCE WITH UNM AND REGULATORY POLICIES AND PROCEDURES

SRS Mandates

There is a divergence between expectations for SRS based on University Business Policies, versus the actual practices and stated mission of SRS. The current SRS customer service practice is to provide recommendations to their customers. SRS management believes this aligns with their mission to “collaboratively integrate safety, health, environmental and risk management

principles and practices throughout UNM.” The SRS mission of collaboration follows best practices by peer institutions.

Section 7.3, “Risk Management” Policy 6100, UBP states:

Safety & Risk Services is responsible for conducting safety audits and will mandate corrective action to ensure compliance with applicable laws, regulations, and policies.

SRS conducts safety audits and then works collaboratively with other UNM departments to correct deficiencies. SRS Management does not mandate corrective actions to effectively address safety deficiencies, nor do they mandate compliance with applicable laws, regulations, and policies. SRS Management believes mandates do not result in an effective safety culture at UNM.

Recommendation 6

Since SRS does not mandate compliance, the University Policy Office should change “Risk Management” Policy 6100, UBP to reflect the current practices and mission of SRS. Those practices also reflect current best practices in higher education.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The ERM Council will review current risk management policies and practices and submit recommended policy revisions quarterly to the EVP for Administration with all policy revision completed by target date.	ERM Council	7/1/12

Construction Safety

SRS senior management acknowledged that for the past several years, SRS has not followed written procedures outlining their involvement with new construction and remodeling on UNM campuses. The Director of SRS made procedural changes to minimize potential liability due to construction safety issues. However, SRS did not change written documentation when the procedural changes occurred. SRS staff was directed by SRS senior management to discontinue their involvement in construction design and planning, as well as monitoring of construction activities.

This change resulted in preventable construction and maintenance issues for newly constructed and renovated UNM facilities, including:

- Additional construction and ongoing maintenance costs due to installation of fire suppression systems not required by code
- Removal of storage areas due to lack of fire suppression systems required by code
- Painting of fire sprinkler heads during construction, later identified through State Fire Marshal’s Office (SFMO) inspection
- Additional construction costs and delays due to code violations, resulting in late facility openings
- Approximately \$43,000 in additional future costs to bring one building up to code as a result of similar issues identified during a recent SFMO inspection

SRS involvement in construction planning and design is warranted and welcomed by other UNM departments.

Recommendation 7

SRS and other stakeholders, including the Physical Plant Department, the Office of Capital Projects, Student Housing and the Real Estate Department need to review policies regarding SRS involvement during preconstruction, construction and renovation. The Executive Vice President for Administration should appoint a Task Force headed by the University Architect to review and evaluate the current procedures. The Task Force should determine best practices in order to address not only liability, but also future costs and ongoing maintenance issues associated with decisions made during construction planning and design. The Task Force should also determine a mutually agreed upon course of action regarding new construction and renovation, and modify written policies and procedures to reflect best practices.

Once policy and procedure modification is complete, SRS will be accountable for handling their assigned responsibilities as an active participant in UNM construction and remodeling. Any future changes to SRS procedures should be discussed with all affected stakeholders and properly documented.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The ERM Council will appoint a Task Force headed by	ERM Council, then	

the University Architect and composed of other appropriate individuals to review and evaluate the proper degree of SRS involvement during preconstruction, construction and renovation and best practices in order to address not only liability, but also future costs and ongoing maintenance issues associated with decisions made during construction planning and design. The ERM Council will submit Task Force recommendations to the EVP for Administration.	assigned to University Architect and Safety and Risk Services	10/31/11
SRS will actively support the Task Force in developing standards while continuing to actively support the remodeling and construction projects as they interface with the campus community.	Safety and Risk Services	Upon appointment of task force
SRS addresses life safety and environmental issues at construction sites on behalf of UNM.	Safety and Risk Services	Current & Ongoing
SRS will be a member of the Capital Planning Process Retreat.	Safety and Risk Services	Completed 1/21/11

Insurance Coverage and Risk Reduction

UNM is required to purchase insurance coverage through RMD for risks where the Tort Claims Act has waived governmental immunity. This is not only a State requirement (Section 15-7-2 NMSA 1978 as amended), but it is addressed by “Risk Management” Policy 6100, UBP.

Section 4.1 “Risk Management” Policy 6100, UBP states, “The Director of Safety & Risk Services will advise the administration of potential risks and the appropriate risk control techniques which can be used to limit or avoid exposure.”

While performing audit procedures, Internal Audit identified several risk areas that are uninsured. Specifically, UNM does not have insurance coverage for environmental or hazardous waste cleanup.

UNM does not have coverage for cleanup of petroleum storage tanks as required by the US Environmental Protection Agency (EPA) and the New Mexico Environmental Department (NMED). Although the EPA identified this violation during an inspection in November 2009, the Director of SRS chose not to obtain coverage to protect UNM assets. The EPA again identified this violation during an inspection in October 2010.

Recommendation 8

SRS should follow all University policies related to risk management. SRS is required to advise the UNM Administration of risk exposure and potential for losses. Risk can then be properly transferred through insurance or indemnity provisions.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will provide quarterly reports concerning risk exposure and potential for losses to the Executive Vice President for Administration, the Chancellor, the Provost, and the ERM Council beginning 4/1/11.	SRS Director	Initial report Completed 4/1/11
EPA's written request for Underground Storage Tank coverage was met.	Insurance Manager	Completed 10/31/10

UNM Loss Control Program Not Updated

According to General Government Administration, Risk Management 1.6.4.8 (C), NMAC, "Each agency shall submit a copy of its plan and initial appointments to the state loss control manager." Additionally, the Director of SRS is required to report any changes to the program or appointments in writing to the state loss control manager. Internal Audit discovered that SRS has not reported these changes to RMD as required. Failure to comply with the agency requirements allows RMD to increase insurance premium rates paid by noncompliant agencies.

SRS misrepresented information in the UNM Loss Control Plan and did not report this to RMD. The misrepresentation includes (as discussed above) failure to hold required quarterly meetings of a Loss Prevention and Control Committee.

SRS is not following requirements for the Loss Control Plan and the RMD regulations. The RMD requires the Loss Control Plan to identify Loss Prevention and Control Coordinators. The official UNM Loss Control Plan includes individuals who are no longer UNM employees. The UNM Loss Control Plan has not been amended since the FY2008 plan was filed, even though RMD regulations require changes to be made in writing.

Recommendation 9

The Director of SRS should amend the UNM Loss Control Plan so it does not contain misrepresentations of fact. The Director of SRS needs to designate current employees as Loss Prevention and Control Coordinators, inform them of their duties regarding the UNM Loss Control Plan filed with RMD, and properly identify these employees to RMD.

Management Response:

The Director of SRS concurs with this recommendation and has complied.

Action Items		
Corrective Action Planned The Loss Control and Prevention Plan mandated by the state Risk Management Division was amended by SRS to reflect actual practice and accepted on December 21, 2010 by RMD.	Assigned to: SRS Director	Targeted Completion Date Completed 12/21/10
Responsible employees will be designated and informed of duties and responsibilities	SRS Director	Completed 3/1/11

LIFE SAFETY/FIRE SAFETY**Chemical Hygiene and Safety**

University research and teaching labs do not adequately label and age track laboratory chemicals. Turnover at the SRS Chemical Hygiene Manager position delayed implementation of the electronic chemical inventory tracking system used for tracking purposes. This presents safety, compliance and prohibitive disposal cost issues for UNM. The University is not currently meeting all regulations for chemical safety. The Department of Homeland Security, US Environmental Protection Agency, New Mexico Environmental Department, and the US Department of Transportation regulate chemicals. The Occupational Safety and Health Administration also regulate employee health and safety issues.

Recommendation 10

SRS needs to develop a comprehensive plan to implement and fully utilize the database program for chemical inventory tracking, and develop a process for accountability. UNM laboratories that do not use the inventory tracking system should be held responsible for the cost of disposal if proper labeling and tracking is not followed. Involvement by the Principal Investigators and the departments where the laboratories are housed is imperative for a successful outcome.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned In many universities, an inventory is generated when the chemical is purchased. This provides the data to label and age track the chemicals. UNM Purchasing does not have that capacity. SRS developed a stand-alone software system that is being Beta tested with PIs. The in-house program that has been developed by SRS with the input of PIs can be implemented as reduced IT staff time allows. The reports generated from the program will act as maps for SRS staff to monitor labs and PIs that take the extra step to input purchases, will have an accessible inventory.	Assigned to: Chemical Hygiene Manager and User Support Analyst I	Targeted Completion Date Database Implemented 3/25/11, Database should be populated by Sept 1, 2011

Recommendation 11

It is imperative that representatives from research labs be included in addressing chemical tracking and aging requirements, and be held accountable for intentional non-compliance. Texas Tech instituted a Research Safety Committee because of a serious lab accident in January 2010 that occurred because of deficiencies in their chemical safety program.

Internal Audit recommends that UNM also institute a Research Safety Committee. UNM has over 400 laboratories with specific safety challenges that must be addressed by the individuals who are accountable for managing their unique and challenging safety needs.

Management Response:

The EVP for Administration concurs with the recommendation and proposes the following action:

Action Items		
Corrective Action Planned The ERM Council will review the membership and scope of the two current Chemical Safety Committees	Assigned to: ERM Council	Targeted Completion Date 10/31/11

to determine the level of support needed to address Research Safety.		
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Fire Safety Program

The current fire safety resources, policies, and procedures are not adequate to meet basic fire safety requirements at UNM. Additionally, due to the lack of communication by SRS senior management regarding changes to SRS staff responsibilities, as discussed above under Organizational Structure, there is confusion among the UNM community about responsibility within SRS for the Fire Safety Program.

Internal Audit also found the following areas of concern in the Fire Safety Program:

- Student housing buildings currently have fire drills once or twice a year, rather than the quarterly drills required by HR 4137 and now mandated by the Department of Education.
- UNM has outsourced the flushing, repairing, modifying, installing, and testing functions for fire suppression systems. A random sample of the contractor's inspection reports shows there was normally not a UNM representative present to sign reports or answer questions. This presents potential safety and liability issues due to incomplete inspections and follow-up.
- The SFMO has one representative responsible for performing building inspections and preparing inspection reports for UNM. With only one SFMO representative, it takes over two years to inspect all UNM buildings. An SRS representative is present during all SFMO inspections. SRS does not track, prioritize, and communicate major fire and life safety deficiencies to the Board of Regents and other stakeholders.
- Internal Audit tested the electronic system used to track fire extinguisher inspections and found it was not working properly. SRS did not reliably upload information from the scanner into the tracking software, resulting in inaccurate information. This situation had been occurring for over a year.
- There is confusion regarding responsibility for training, inspecting and maintaining working fire extinguishers on North Campus.
- SRS instituted The Duty Officer Program to provide 24-hour support by SRS personnel in emergencies. The program uses a list of buildings published in 2006 by the Physical Plant Department; some of the buildings on the list no longer

exist, and some exist but are not on the report. This presents a safety issue, as the list is used as reference in the case of fires or other emergencies.

- UNM currently has 41% of its residential buildings covered by sprinklers or other automatic fire suppression systems. The 2008 CSHEMA benchmarking survey indicates that 74% of residential buildings at peer research institutions are sprinkled or have automatic fire suppression systems.

The entire UNM community must address fire safety shortfalls. Although SRS needs to take the lead in addressing this issue, the solution must include representation by all campus stakeholders. Overall deficiencies need to be addressed at many levels in order to upgrade fire suppression systems and provide necessary resources for SRS to meet required drills, inspections, and training.

Recommendation 12

Fire safety is one of the most important risk areas on any university campus with student housing facilities. UNM is no exception. The UNM Administration needs to make it a priority to upgrade the Fire Safety Program. This may necessitate a Fire Safety Task Force with representatives from all stakeholders, including students and parents. UNM needs to retrofit or sprinkle all living facilities and become compliant with basic NFPA regulations.

Management Response:

UNM is rapidly upgrading old housing and replacing or adding new housing that meets or exceeds code. SRS commits major resources to fire safety, involving almost every employee at some time during a year. SRS will continue to fully support Resident Life and ACC in the development of campus housing with fire safety that meets or exceeds code requirements.

The EVP for Administration concurs with the recommendation that UNM make Fire Safety a priority and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The ERM Council will review and evaluate the status of the Fire Safety Program and establish a Fire Safety Task Force if necessary to ensure compliance with fire regulations. The Council will make recommendations to the EVP for Administration pertaining to retrofitting or sprinkling all living facilities.	ERM Council	12/31/11
A Fire Safety Capital Funding Report will be prepared	ERM Council	3/1/12

annually for the Board of Regents by SRS in conjunction with appropriate departments.		SRS provided Housing Report 3/7/11
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Recommendation 13

Internal Audit recommends consideration of the following to provide funds for improving the fire safety program:

- Pending Federal legislation (HR 2136 Honorable Stephanie Tubbs Jones College Fire Prevention Act), if passed, may provide funds to upgrade fire suppression systems. Additional grants may be available for this cause.
- SRS should evaluate the efficiency and cost effectiveness of outsourcing the fire suppression system inspection and maintenance responsibilities. To meet basic minimum fire safety requirements, it may be beneficial to take back these duties and reallocate funds paid to the contractor (approximately \$88,000 in FY10) as a way to increase resources available for the entire Fire Safety Program.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will research the allowable uses of BR&R Sprinkler Testing funds, the source of the \$88,000. In addition, SRS will contact the Budget Officer to request that SRS manage a portion of the Life Safety funds in the BR&R allocation to upgrade and install fire suppression systems.	Safety and Risk Services	Completed: SRS submitted request for funds March 2011
SRS will track HR 2136 for passage, rule making, and funding.	Safety and Risk Services	Completed: did not become law
Note: Passed House 5/19/10, but cleared from books when did not become law.		

DATA MANAGEMENT

Information Technology Strategic Plan

Section 5, “Risk Management” Policy 6100, UBP states that:

Safety & Risk Services is responsible for developing and maintaining an information system in coordination with existing systems for timely and accurate recording of incidents, losses, claims, insurance premiums, compliance with federal and local mandates, and other related information and costs.

Each program is currently expected to develop individual systems to track and manage information. This method results in fractured, inefficient systems that do not allow for tracking, analysis, management review and follow up. SRS is not meeting program data needs and this deficiency is affecting every program in SRS.

The following list identifies some of the needs for data tracking within the various safety programs:

General information

- Hazard report tracking for follow-up and analysis
- Facilities self-inspection reports and follow-up
- Compliance calendar (all-inclusive with deadlines)
- Building Coordinators by location
- Emergency contacts by building and research lab
- Training and certification tracking

Radiation Safety

- Dosimeter tracking by employee
- Radioactive material purchase, usage, and inventory
- Radioactive material disposal

Fire Safety

- Fire drill tracking
- Fire evacuation plan tracking
- Fire extinguisher inspection tracking
- State Fire Marshal’s Office inspection tracking
- Fire suppression systems tracking
- Fire hood suppression systems tracking
- Student housing fire data tracking required by US Department of Education

Industrial Hygiene

- Biosafety cabinet certification tracking
- Biowaste tracking
- Employee exposure tracking by building

Hazardous material disposal tracking
 Asbestos testing and follow up
 Indoor air quality tracking of issues and follow up

Environmental Health

Generator environmental data tracking and reporting
 Drinking water quality tracking
 Ground and storm water
 Above ground and underground petroleum storage tank tracking

Chemical Hygiene

Chemical inventory tracking (all purchases, usage, and inventory)
 Material Safety Data Sheets
 Lab inspection tracking and follow up

Recommendation 14

SRS should review and evaluate each information tracking requirement to determine if SRS is meeting it in the most efficient and effective manner. SRS handles many information needs manually, by e-mail archival or in separate systems not accessible by appropriate SRS staff.

Without timely and accurate information, it is impossible for SRS to achieve its goals and efficiently meet its mission. SRS should work with UNM IT to evaluate their technology needs and options. This evaluation should include research of peer institutions and their IT programs.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will guide development of forms and hardware applications to electronically input this information by handheld device into a database that is easily retrievable.	Safety and Risk Services	FY 14
FAMIS software that contains all locations at UNM is used in the Planning Dept. Modules will be sought by SRS that will map the databases already in use and to be created into the locational database.	Safety and Risk Services with Planning Department	1/1/12

Information Technology Staff

SRS management has not committed adequate resources to Information Technology (IT) needs. SRS is not meeting current requirements for information tracking and analysis, nor is it achieving their stated goal of expanding effective risk management and data collection and analysis.

The SRS IT position is currently vacant due to recent turnover. The IT position is key for supporting the President's goal of developing and sustaining the leading edge technological capability required to carry out the mission of UNM.

Recommendation 15

SRS should hire an experienced IT individual with a background in database systems to handle the management information system needs for the SRS programs. SRS should work with the IT and Human Resources Departments to properly recruit a permanent replacement.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will initiate an MOU with IT to provide Student Field Agents to assist the Support Analyst I.	Safety and Risk Services	Completed 3/16/11
HR will evaluate the User Support Analyst Position and the vacant position and make recommendations to the EVP of Administration. <u>Note:</u> Given the critical nature and significant impact of this IT position, all efforts within policy should be made as quickly as possible to retain current IT staffing within SRS.	Human Resources	7/15/11

Recommendation 16

Turnover within the IT area of SRS has played a significant role in their lack of direction and proper technology. Once the IT position is filled, SRS senior management should work with IT to establish an overall strategic plan for technology in the department.

Management Response:

The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will consult with UNM IT to develop a strategic plan for technology in the SRS Department.	SRS Director	8/1/11

CASH MANAGEMENT**Untimely Deposits and Loss of Investment Income**

According to Section 2, “Cash Management” Policy 7200, “Monies received should be deposited at the University Cashiers Department intact *by* the next working day following receipt.” In addition, Section 2.2, Checks Larger Than \$100,000, states, “For investment purposes, it is desirable to deposit large checks in the bank as quickly as possible.”

At the request of Internal Audit, RMD provided a listing of liability claims payments made by RMD to UNM from FY 2008 through December 2010. The listing included 192 items and Internal Audit sampled 10%, or 19 payments, included on the list. Based on the sample review made by Internal Audit, SRS is not following the University policy requiring deposit of monies within one working day. The sample showed that SRS did not deposit some checks for several weeks or even months after receipt.

On December 22, 2010, the Director of Safety and Risk Services provided Internal Audit with copies of four money lists and checks, representing deposits made on December 21, 2010. Supporting documentation indicates SRS possessed these 17 warrants and checks and they did not deposit them until December 21, 2010. One check for \$300,000, received on March 19, 2010, represented a claim payment associated with a Brain Center loss. One check for \$6,092, dated May 28, 2010, was void after 90 days. However, the check cleared the bank when SRS deposited it in December 2010.

Money List	Items	Amount
122110	2	\$6,717.28
122111	12	\$38,077.19
122112	2	\$478,883.90
122113	1	\$1,028.00
TOTAL	17	\$524,706.37

Based on the results of the audit sample and improper handling of the above checks, Internal Audit determined that all warrants (payments) received by UNM from RMD should be tested for timely deposit and allocation to the appropriate department. The University Controller's Office assisted in compiling information related to all warrants shown on the listing provided by RMD. The following table summarizes results of the Internal Audit testing of warrants:

	Warrant Amount	Date SRS Received Warrant	Date SRS Deposited Warrant	# of Days To Deposit	Lost Interest Earnings
>\$100,000	\$119,540	Aug 26, 2010	Oct 20, 2010	56	\$137
12 items	\$120,522	July 23, 2010	Aug 10, 2010	19	\$84
as shown	\$159,435	Nov 21, 2009	Jan 14, 2010	55	\$496
	\$178,884	Nov 3, 2010	Dec 21, 2010	49	\$486
	\$195,246	Feb 15, 2009	May 7, 2009	82	\$1,641
	\$251,910	Oct 20, 2009	Nov 25, 2009	37	\$764
	\$300,000	Mar 19, 2010	Dec 22, 2010	279	\$1,758
	\$328,655	April 28, 2010	May 7, 2010	10	\$157
	\$499,000	July 6, 2010	Aug 10, 2010	36	\$678
	\$1,166,667	Nov 29, 2007	Dec 7, 2007	9	\$1,347
	\$1,166,667	Nov 29, 2007	Dec 7, 2007	9	\$1,347
	\$1,166,667	Nov 29, 2007	Dec 7, 2007	9	\$1,347
Subtotal	\$5,653,193				\$10,242
<\$100,000	\$2,024,884	Various	Various	Ranges from 2 – 326 days	
178 items in total					
Timely Deposit	\$714,169	Various	Various	1	N/A
2 items in total					
TOTAL	\$8,392,246				\$10,242

SRS made 39 deposits during the test period, which included the above items. As illustrated above, SRS did not make deposits in a timely manner. The deposits included multiple warrants, often held for substantial periods of time. This pattern appears to be the usual procedure followed by SRS regarding cash deposits.

Further analysis of the 178 items, which are individually less than \$100,000 and over \$2.0 million in aggregate, showed deposits made 2 days to 326 days after receipt by SRS. One warrant for \$49,000 was deposited 326 days after receipt by SRS and 410 days after it was issued by the State. Although the warrant should have been stale after one year, it was cleared by the State Treasurer's Office. The University lost interest on all warrants that were not deposited in a timely manner.

SRS performs fiduciary functions to facilitate filing of insurance claims for the entire University. When SRS receives funds for claims, SRS has a fiduciary responsibility to promptly deposit the funds and transfer them to the appropriate department where the claim originated. Analysis of these 192 items showed that SRS did not distribute \$149,734 in prior fiscal years' payments to the appropriate department after receiving payment from RMD. The unallocated amounts include \$103,000 recovered under an Employee Dishonesty policy during FY2009. SRS is researching proper allocation of this claim payment.

On February 1, 2011, staff in the office of the Vice President for Finance assumed all accounting and business functions for SRS. Since that date, SRS has implemented accounting procedures that comply with University policies regarding finance and cash management.

Recommendation 17

SRS management should implement both a system of internal control and a monitoring process to ensure that funds are deposited intact by the next working day following receipt. SRS, as an agent for other University departments who incur losses, should act responsibly while performing their agency or fiduciary duties by depositing payments and reimbursing departments in a timely manner. The designated SRS Financial Manager should reconcile the insurance claims general ledger account on a monthly basis to assure that funds received are transferred to the appropriate department.

Management Response:

The Executive Vice President for Administration agrees that internal controls and monitoring process need to be developed and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
The accounting and business functions of SRS will be assigned to a position reporting to the Vice President for Finance who will design appropriate accounting and monitoring processes for SRS. This transfer of duties will begin Feb 1, 2011.	VP for Finance	Completed 1/19/11
SRS will trace all insurance payments from GSD/RMD to SRS to the recipient for the last three fiscal years. IA will review the process and the final report.	SRS Manager of Insurance and VP Finance Staff	Completed 2/15/11
SRS will deposit checks within 24 hours and distribute funds to known claimants in a timely fashion. SRS cash handlers and their direct supervisor will complete the Cash Management training module per UNM Policy 7200.	SRS Director/ VP Finance Staff	Completed 2/18/11
SRS will ascertain the appropriate recipient and distribute the 2009 Employee Dishonesty claim payment.	SRS Director/ VP Finance Staff	Completed 3/31/11
The VP Finance Staff will reconcile the insurance claims deposit account on a monthly basis and ensure that all funds have been distributed to the appropriate departments.	VP Finance Staff	Ongoing
An insurance claims procedure will be established.	SRS Director/VP Finance Staff	Completed 3/8/11
An insurance claims database has been constructed for use in the tracking of all insurance claims warrants received and their subsequent distribution to departments.	VP Finance Staff	Completed 2/25/11
SRS will verify that stale dated checks have been accepted by the issuer following deposit.	VP Finance Staff	Completed 3/29/11

Undeposited Joint Insurance Claims Payments

Some insurance claims payments made by RMD to UNM were payable to UNM and a vendor; others were payable only to a vendor or subcontractor on behalf of UNM. Those warrants were either endorsed by SRS and given to the vendor, or given directly to the vendor.

As stated in Section 1.4, “Cash Management” Policy 7200, UBP “All funds must be deposited in a University account...” By not following this University policy and not depositing the RMD warrants into a UNM account, SRS was allowing UNM financial transactions to occur without recording them in the University financial records. This procedure could potentially effect financial statements, as well as cause possible legal liability. This is particularly important if the payments are made in conjunction with construction contracts or purchase agreements between UNM and a vendor or subcontractor.

Recommendation 18

SRS should notify RMD that any warrants issued in relation to UNM insurance claims should be made payable only to UNM. If SRS does receive a warrant that includes payees other than UNM, the check should either be returned to RMD and reissued or endorsed by the other payee and deposited into a UNM account as required by UBP 7200.

Management Response:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will notify GSD/RMD that only warrants issued with UNM as the sole payee will be accepted.	SRS Director	Completed 3/31/11

RESPONSIBILITY AND ACCOUNTABILITY FOR INFORMATION AND TRANSACTIONS

The responsibility for University business and administrative functions is outlined in Section 1, “Responsibility and Accountability for University Information and Transactions” Policy 2000, UBP states that:

Deans, directors, and department heads will define departmental approval processes and designate individuals in their organizations who are authorized to process business and administrative transactions. This policy defines the specific

responsibilities of individuals who request, initiate, approve, and/or review business and administrative transactions and reports.

Related to this is Section 2, “Deans, Directors, and Department Heads” Policy 2000, UBP which provides that:

Deans, directors, and department heads are responsible for ensuring designated individuals have attended the necessary training required to effectively and efficiently complete authorized business and/or administrative processes and transactions. Deans, directors, and department heads are accountable for exercising good judgment, upholding ethical standards, and should have internal procedures in place to ensure periodic review of designations and related training.

The previous Financial Manager for SRS was allowed to eliminate certain controls related to proper segregation of duties for processing business transactions. This resulted in a situation whereby University policies related to financial reporting and cash management were not followed by the Financial Manager. Segregation of duties is needed to minimize risk of loss and fraud.

Recommendation 19

Responsibility and accountability for SRS business and administrative functions ultimately rests with the Director of SRS. The Director must institute proper internal controls and procedures to assure that University policies are followed and University resources are protected by the SRS Department.

Management Response:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will adopt an Insurance Claims Procedure for handling payments.	SRS Director	Completed 3/8/11
SRS p-card holders will allocate expenses to appropriate Index. Financial Manager will reconcile.	SRS Director	Completed 4/1/11
SRS managers will learn to navigate Banner and Hyperion reports for monthly review.	SRS Director	5/1/11
The SRS Director will review deposit, distribution, and	SRS Director	4/10/11

expense reports at least monthly.		
At year end, all insurance premium collections will be reconciled and the accounts zeroed out with adjustments to contributors.	SRS Director	6/20/11
Purchasing at SRS requires a form developed internally that provides the business purpose, the immediate supervisor, and the Director's signature.	SRS Director	Completed Initiated 1/10/11
Expertise from the Finance Department will be retained using an MOU.	SRS Director	FY 12

COST CONTAINMENT/REVENUE ENHANCEMENT STRATEGIES

During completion of the audit procedures, Internal Audit made the following additional observations and recommendations for potential cost savings and increased revenue:

- Due to current UNM budget constraints, SRS should consider limiting continuing education fees and related travel expenses to technical professionals who require them for professional licenses.
- SRS should evaluate all special events that utilize significant SRS resources but do not generate revenue. Examples of special events that utilize major SRS resources are Gathering of Nations, the New Mexico Bowl, Professional Bull Rider's Rodeo and the annual New Mexico College and University Workshop. At a minimum, SRS should consider billing for their services at these events.
- SRS methodology for tracking exempt employees' annual and sick leave provides that leave be tracked in blocks of eight (8) hours or more. This is not the usual interpretation of departmental leave tracking, and results in unnecessary leave and retirement cost to UNM.
- Grants are available for OSHA training. Although SRS is not currently applying for these grants, they should pursue grants of this type to help cover the cost of training at UNM.

Recommendation 20

In order to achieve the primary SRS mission, SRS management should evaluate these and other cost containment/revenue enhancement strategies to provide additional resources.

Management Response:

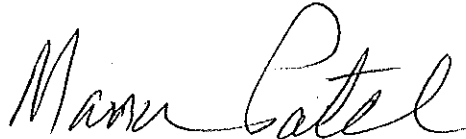
The EVP for Administration concurs with this recommendation and proposes the following actions:

Action Items		
Corrective Action Planned	Assigned to:	Targeted Completion Date
SRS will continue to review and limit professional fees and travel expenses within budget. Professional organizations are resources for required certification, peer review, benchmarking and experienced problem solving. The initial approval will be made by the employee's direct supervisor and the final approval by the SRS Director.	SRS Director	Up-to-date and Continual
SRS will request that UNM Policy 2010 revisions include SRS involvement in the development and review of contracts.	SRS Director	Completed 3/8/11
SRS will consult with HR and determine the best application of the exempt leave policy for the work pattern of the department.	SRS Director	Completed 3/18/11
SRS will identify appropriate grants and identify the resources needed to apply for and manage the grant(s). <u>Note:</u> SRS researched multiple sources including professional organizations: CSHEMA & University Risk Managers and no grants have been identified to date.	Safety and Risk Services	Completed 3/31/11

Comment:

SRS would like to thank the Internal Audit Department for the assistance in improving the Department and improving the service that SRS provides. We look forward to making these corrections and expect that in the process other improvements will result.

APPROVALS



Manu Patel
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee