

THE UNIVERSITY OF NEW MEXICO
Board of Regents Audit Committee Meeting
October 25, 2013 – Meeting Minutes

Members Present: Chairman J.E. “Gene” Gallegos, Vice Chair Lt. Gen. Bradley Hosmer, Regent James Koch (Quorum).

Other Attendees: Liz Metzger, Helen Gonzales, Jewel Washington, Gil Gonzales, Chris Vallejos, Tim Martin, Carol Parker, Richard Holder, Laura Putz, Eileen Sanchez, Mike Duran, Duffy Rodriguez, Elsa Cole, Mallory Reviere, Purvi Mody, Cynthia Reinhart (KPMG), Joaquin Noon (KPMG), Brandon Fryar (Moss Adams), Melissa O’Neill, Shawna Gonzales, Sophia Collaros, Stuart Freedman, Monica Wilson, Keith Mellor, Pamina Deutsch, Bonnie Leigh Reifstek, Manu Patel, Chien-chih Yeh, Lisa Wauneka, Brandon Trujillo, Victor Griego, Amy O’Donnell.

Chairman Gallegos called the meeting to order at 9:08 AM in ROBERTS ROOM, Scholes Hall, UNM.

- At the last Board meeting, there was a proposal in closed session to bring the UNM Hospital audit function in-house. Purvi Mody, UNMH Executive Director of Compliance and Audit, provided the Committee with information on the plan. It is currently outsourced to REDW. Their contract expires at the end of the calendar year 2013.

Ms. Mody’s office will hire two internal auditors – an Auditor 1 and an Auditor 2. UNMH will advertise. Director Patel will participate in the hiring committee. The auditors will report to Ms. Mody. UNMH Internal Audit will work with UNM Main Campus Internal Audit and the Health Sciences Center Compliance Office to review audit software, specifically TeamMate and ACL. Ms. Mody will report to the Boards for UNM Hospital, Sandoval Regional Medical Center (SRMC), and UNM Medical Group, as well as the UNM Regents’ Audit Committee and the HSC Board. UNM Internal Audit will cover Main Campus, branches, affiliate entities (i.e. Lobo Development, Foundation, etc.), and Health Sciences Center’s School of Medicine, College of Pharmacy, and College of Nursing. UNMH Internal Audit will cover the clinical portion of Health Sciences Center. UNM Internal Audit will audit the Cancer Center non-clinical areas, and UNMH will audit the clinical portion. Ms. Mody stated that bringing the function in-house saves approximately \$30,000, and will add SRMC and the Cancer Center clinical portion. The cost for the annual REDW contract was \$177,000 plus tax. Chairman Gallegos asked Ms. Mody about their audit plan and scope. Ms. Mody stated she set up a risk assessment meeting on November 1, 2013 with Kevin Rogols at SRMC. She will bring the results of the assessment to the Health Sciences Center Board and this Committee for approval. It will be a three-year plan. For UNMH, they will assess the existing REDW risk assessment (from 2012) and see what they need to do from there. Director Patel will continue as an advisory member of the UNMH Audit Committee. The reporting function for the audit reports will remain the same as it is now.

Regent Hosmer stated he would like a diagram and organizational charts to show the relationship.

- The Committee discussed Regent policies 1.2, 7.2 and 7.3. Chairman Gallegos stated this will probably not be an action item now. They have drastically changed since they saw them before and there is no way to act on them at this point. Regent Hosmer agreed, and the Committee passed on the item. Pamina Deutsch, Director, UNM Policy Office, stated that she was out during on leave for a week; however, she thought that they were bifurcating the process, changing the name of the Committee right away and then working on the policy changes for the addition of the Compliance at another point. Chairman Gallegos stated they could do that, but he is not sure why they are changing the name of the Committee when it does not look like we have a Compliance Office. Duffy Rodriguez, Executive Assistant to the President, passed out a page containing the HSC compliance policy. Chairman Gallegos stated that what had been before the Committee until 4:00

yesterday afternoon was an integrated policy for Compliance and the Compliance Officer on the same level with Internal Audit and the Audit Director. Therefore, the Committee name was changed to recognize that. There was lengthy policy in that regard and they spent a lot of time on the structure and launching the Compliance Office. Then the change yesterday removed the whole thing. Ms. Rodriguez stated that the President wants to take the policies to the Executive Compliance Committee. Chairman Gallegos stated the Regents need to coordinate with the President. Regent Hosmer confirmed that they received extensive changes the day before that will take time to work through. There is no helpful explanation for purpose, intent, or summary of their effect. If that was laid on the table, it might have made this a non-issue. That makes it difficult to act. Regent Koch stated that if it could have been laid out and discussed, it might have worked. He thought perhaps the Chairman asked for the changes. Chairman Gallegos stated he did not.

INFORMATION ITEMS:

- Chairman Gallegos asked the audience if there were any advisor's comments. There were none.
- Chairman Gallegos referred back to the previous meeting for follow-up items. At the last meeting, Provost Abdallah provided information on the progress of the Special Administration Compensation (SAC) and Special Teaching Component (STC) policies. Carol Parker, the new Associate Provost for Academic Personnel, updated the status. She has assumed the responsibility of implementation and for the reporting and monitoring requirements. The final SAC policy is adopted and effective as of 8/27/13. She met with the deans yesterday and asked them to provide her by February 1, 2014 a copy of the guidelines they are now required to keep on file. They are going to begin to work with the data people to start testing, hopefully starting data pulls in early April. They will run a report at the end of the fiscal year. They hope to have that report validated and provided to the Operations Committee of the Faculty Senate when they return in August. The report will also be posted on the Academic Affairs website. Chairman Gallegos stated they would like to see that report.

The STC process is not as far along but should parallel the SAC process. It should be similar and seamless. The proposed guidelines will go before the Faculty Senate Policy Committee on November 6, 2013. If the procedural changes are adopted at any time prior to mid-spring semester, the Provost's Office can run a report on that as well. The goal is to ensure equity and transparency. Ms. Parker noted she is also seeking to align the policies more closely with HR Banner systems. This was a good opportunity to look at it holistically. Chairman Gallegos stated that it is gratifying to see that something that surfaced as a problem has worked through the system as is coming to really rational guidelines. Regent Hosmer asked Ms. Parker about the functional impact. Ms. Parker replied that at this point, any comment on that would be speculative. After they pull the data, they will know more. In addition, she has only been in the position for six weeks. Dr. Holder stated he anticipates there will be a more regular approach to SACs. He agrees with Ms. Parker that they will have to see the data. The SAC policy did go through Faculty Senate. The Committee will hear from Ms. Parker again on the STC policy.

- Director Patel addressed the Committee regarding third-party audits. There were two external audits performed by Los Alamos National Labs and Sandia National Labs. Everything met their requirements. The combined total amount they audited was 412 million. They did not have any major findings. They found an immaterial amount of \$2,000 for foreign travel. The reports are not finalized, but when they are, Director Patel will get them. Los Angeles County is looking in to one of the contracts related to employment funding. The off-site review is not complete. UNM has

provided all documentation and we are awaiting word from them. The National Science Foundation is also in the process of completing an off-site desk review.

- Stuart Freedman, Chief Compliance Officer, Health Sciences Center, informed the Committee that his office would give two informational presentations - one on best practices, and one on HIPAA changes. Mr. Freeman introduced Monica Wilson, Health Sciences Center Compliance Officer, and Sophia Collaros, Health Sciences Center Privacy Officer.

Ms. Wilson provided the information regarding best practices. The title of the presentation is "HSC Code of Ethics: a New Vision." Ms. Wilson pointed out it is important to think about vision. They do things in an ethical way. The previous document was completely re-written. The goal of the Health Sciences Center Compliance Office was to create a value-based, best-in-class code of ethics for the Health Sciences Center. Last year's update was the first update in seven years. The previous version was very legalistic and took a punitive approach, and the reading level was at a post-graduate level. The first rewrite attempt brought it down to a tenth grade level. In the quest to revamp the code of ethics, their Compliance Office looked at other code of ethics documents. Mayo Clinic had one of the best. However, most of the good ones came from industries such as General Mills. Four areas of commonality for what Ms. Wilson believed were the best code of ethics documents included format (less like a policy and more like a handbook, with a table of contents), readability, an ethics-driven approach, and that it is personal and inclusive. Most people want to do the right thing. They consulted with subject-matter experts to ask about problems they see in real life, added information on social media. They made many presentations and took suggestion. In addition, there is now a table of contents, scenario-based training, and an introduction by Dr. Roth. Four other experts contributed introductory information for chapters. Some things did change under professionalism. There was no requirement previously that people report issues. Small changes about patient care were included, care management and child abuse. There is now added information on research integrity, treatment of human and animal subjects, grants, etc. The completed document is available on their portal and website. It is available to the public.

Chairman Gallegos stated it is a model. He can see other institutions looking to it. Mr. Freedman stated Ms. Wilson did a fabulous job on this over the past year. He also stated that more people are coming to them with questions. He encourages other people to go look at it and read it. It is a living document and they will continuously introduce new topics. Things happen quickly and are always changing. Ms. Rodriguez asked about their meetings with faculty and staff and if they were done throughout the process. Ms. Wilson said that was the case and they went to staff meetings and gave short presentations as well. Regent Hosmer inquired about how they picked best practices from what they researched. Ms. Wilson looked at the ones who had awards as a starting point, then also thought about how they felt after reading them. They were aiming for a "touchy-feely document that also has teeth." That is a difficult balance. Regent Hosmer also asked about assessing effectiveness. Mr. Freedman said they just finished the second survey and their office can come back and share results.

Ms. Collaros presented information regarding the HIPAA Omnibus Rule. She has been employed as the Privacy Officer since December 2005. She was asked to provide this Committee a brief update of changes within HIPAA. HIPAA is about transparency, trust, and accountability. We are accountable to ourselves to demonstrate to patients that they can trust us. As of October 10, 2013, HSC has addressed over 3,000 consultations about complying with HIPAA. They make themselves available to their workforce. There are changes occurring within HIPAA to privacy, security and enforcement. The enforcement piece is always at the forefront because it is monetary. There are entities that have received million-dollar penalties. There are also changes to the Genetic

Information Non-Discrimination Act. Genetic information receives enormous privacy protections – for patients and family members.

HIPAA is an amendment to the Social Security Act. Some significant changes are for what are known as business associates (third-party entities). Business associates' liability used to be by contract, now it is by the regulations and implemented through the Omnibus Rule. Subcontractors of business associates are also subject to HIPAA now. If there is unauthorized access, use or disclosure, or acquisition of health care information, there is presumption there is a breach. That information is immediately reported to the Privacy office where they are required to track it and perform risk assessments. If they cannot determine there was a low compromise, they have to engage in breach notification. Chairman Gallegos asked about the parameters of access. Ms. Collaros stated access can be unauthorized to the electronic health care record. Treating physicians will of course access the record and no prior written permission will be required. Three are permitted disclosures and disclosures required by law (stab wounds, gunshot wounds, sexually transmitted diseases, etc.). Disclosure may be required by a court order. The subpoena provision has changed. Now, the individual whose health records are being subpoenaed must be given notice and opportunity to object. Subpoenaed records go through the Office of University Counsel. There are also requests for restrictions. For instance, patients can request that no one is told they are in the facility.

UNM follows "NIST" standards – National Institute of Standards and Technology. The NIST individuals have publications that demonstrate what you have to do to protect the technology. Health and Human Services has provided guidelines for data. If the information is encrypted with the latest encryption technology, you do not have to send breach notification letters. Exceptions to breaches include acting in good faith – an employee enters incorrect search criteria, etc., and therefore makes a mistake when accessing.

Civil money penalties are broken down into four categories. The most important is willful neglect, not corrected. You know what you are supposed to do, but you disregard it and do not fix it. The penalties are in the million-dollar category. The fine is one thing, but then they have to hire third-party monitors and the one million can turn in to several million.

Regent Hosmer asked if the standards correspond to what is required for privacy information on the University side. Ms. Collaros stated it depends on the type of information; there can be health information on the University side as well.

- Helen Gonzales, UNM Chief Compliance Officer, provided the committee with a brief status report. The compliance directory now includes a fairly comprehensive list of compliance obligations, laws, and regulations. Next, Ms. Gonzales is working on identifying internal controls and monitoring for each of those obligations. She is working with Internal Audit on the risk assessment process. In the future, she will bring a compliance partner to each meeting, i.e. Theresa Ramos from OEO, Janice Ruggiero from Athletics, etc. Compliance with Title IX is a significant obligation. The amount and scope of obligations for Athletics is astounding. Research conflict of interest is another area that is being well managed and has good metrics.

Ms. Gonzales provided an update on some key actions UNM has done with regard to recommendations from the Louis Freeh report:

- Convened a Civil Campus Council chaired by the Dean of Students
- Completed a comprehensive list of conflict of interest policies

- Has a conflict of interest policy for the Board
- Reviews policies on a regular basis
- Established a Chief Compliance Officer position
- Updated and prioritized a risk audit schedule
- Integrated the Vice President of Athletics in to the University structure with clear reporting lines
- Effectively manages an Athletics compliance office
- Effectively manages Clery reporting through the UNM Police Department
- Is reviewing programs with non-student minors

There is no overall code of ethics document on Main Campus. UNM will undertake a similar exercise as the Health Sciences Center. Ms. Rodriguez noted we might as well use our own model.

- Director Patel presented the Internal Audit Director's report. There are two more meetings left for the fiscal year. The meetings are February 20, 2014 and May 15, 2014. The audit plan status shows the Department completed four audits, one is in report writing, and two are in fieldwork. There are 101 combined complaints this fiscal year. The Department closed 17. There are 84 outstanding. The Department is hiring three student interns that will start November 4, 2013, and will end the fiscal year with approximately \$25,000 in reserve funds. A schedule of third-party audits is attached to the Director's report in the Committee's meeting materials.
- Chien-chih Yeh, Audit Manager, supplied the Committee members with the status of audit recommendations of prior audits. At the prior meeting, Mr. Yeh reported implementation of 15-17 items, so this report has fewer items. The two implemented items for this meeting are the College of Arts and Sciences' reserve balance forms and the Internal Audit QAR risk assessment. The Internal Audit department is able to clear the College of Arts and Sciences item. They developed and provided training for an on-line form, housed on their website, for their areas to categorize and document funds. Our auditor attended the training. They must provide an explanation and attach proof. Regent Hosmer asked if there is something like this happening in other colleges. Director Patel responded that Arts and Sciences is the first one to computerize the process.

The Audit Plan, prepared using the risk assessment, is in front of the Committee today, so the Department considers that item cleared as well. Other items are updated but not due. There is nothing past due. Chairman Gallegos noted that five years is the normal cycle for an assessment of Internal Audit, but since the last one was overdue, the Committee would like to see this done again in three years.

The meeting went into Executive Session for the reasons stated in the agenda. (Motion: Regent Koch, Second: Regent Hosmer).

- a. Presentation of FY13 External Financial Audit pursuant to exceptions at Section 10-15-1H NMSA (1978) and Section 12-6-5 NMSA (1978) (*KPMG, Moss Adams, and Liz Metzger, University Controller*)
- b. Discussion of Final Internal Audit Reports, pursuant to limited personnel matters exception at Section 10-15-1.H(2) NMSA (1978) and exception for matters subject to attorney-client privilege pertaining to threatened or pending litigation at Section 10-15-1.H(7), NMSA (1978)
- c. Schedule of Audits in Process, pursuant to exceptions at Sections 10-15-1H(2 and 7), NMSA (1978)
- d. Proposed FY14 Audit Workplan exceptions at Sections 10-15-H(2 and 7), NMSA (1978)

e. Vote to re-open the meeting

The meeting returned to open session at 2:34 p.m., with certification that only those matters described above were discussed in Executive Session. The Committee had the exit conference with the outside auditors for the annual audit report for FY13. The report is submitted to the State Auditor's office.

ACTION ITEMS:

- The Committee unanimously approved the minutes from the Special Meeting on September 18, 2013 (Motion: Regent Hosmer, Second: Regent Koch), and the Quarterly Meeting on September 19, 2013 (Motion: Regent Hosmer, Second: Regent Koch).
- The Committee approved the UNMH Audit Plan (Motion: Regent Koch, Second: Regent Hosmer).
- The Committee passed on approving the amended Regents' policy nos. 1.2, 7.2 and 7.3, as the members felt more work is needed.
- The Committee approved the following UNM audits: (Motion: Regent Hosmer, Second: Chairman Gallegos).
 - UNM Foundation Spending Distribution Donor Intent #2013-08 (Motion: Regent Hosmer, Second: Regent Koch);
 - University President's Travel, Entertainment, and Other Expenses #2013-12 (Motion: Regent Koch, Second: Regent Hosmer); and
 - Safeguards for Protecting Private Data - Service Providers and Contractors #2013-15, subject to adding a bullet point for Recommendation 2 – approved as amended (Motion: Regent Hosmer, Second: Regent Koch).
- The Committee approved the audit work plan for FY2014 (Motion: Regent Koch, Second: Regent Hosmer).

Motion to adjourn (Motion: Regent Koch, Second: Regent Hosmer). There being no further business, the Chairman declared the meeting adjourned at 2:36 p.m.

Approved:



Audit Committee Chairman