

THE UNIVERSITY OF NEW MEXICO
Board of Regents Audit Committee
March 3, 2008 – Meeting Minutes

Members Present: Chairman Regent Raymond Sanchez, Regent Carolyn Abeita, Vice Chairman Regent Mel Eaves (via telephone).

Other Attendees: David Harris, Richard Holder, Ava Lovell, Scott Eliason, Ron Martinez, Sandra Liggett, Helen Gonzales, Jack McIver, Barney Maccabe, Breda Bova, Viola Florez, Curt Porter, Bruce Cherrin, Kimberly Bell, Pam Losinski, Richard Swanson, Bill Cottrell, G. Christine Chavez, Yvonne Cox, Jason Darensburg.

Regent Sanchez called the meeting to order at 9:41am in ROBERTS ROOM, Scholes Hall, UNM.

ACTION ITEMS:

- The Committee approved the Minutes of the Regents' Audit Committee Meeting from December 10, 2007 (Motion: Regent Sanchez, Second: Regent Abeita).

INFORMATION ITEMS:

- Internal Audit Manager Yvonne Cox provided the Audit Committee with three reports: "Past Due Findings", "Cleared Findings", and "Not Past Due Findings". Ms. Cox pointed out that some of the older items on the list are still there because they relate to policy issues and they take a bit longer to get through the University process. Cox mentioned that many of the "Past Due" Harwood findings dates have been adjusted due to recent turnover at the facility. Some of the items were also moved off the "Past Due" list due to BANNER Payroll implementation issues. Regarding the "Cleared" findings: the first 2 items have been cleared. The finding on ASM sabbatical cleared through State Risk Management and University Risk Management since they did not find any validity to the employee dishonesty claim; so UNM is not collecting on the bond. The next item, Special Projects, has been around since before 2005. Ms. Cox informed the Committee that the University has recently settled with AIG for \$104,000 minus the \$1,000 deductible. A lot of work has been done on this report, with 5 pages of cleared items. Regarding the last schedule, "Not Past Due", Ms. Cox informed the committee that some of the dates have been adjusted, particularly due to the turnover in the financial staff at the UNM Gallup Branch. Regent Sanchez inquired about the period for completing the Harwood audit. Director Chavez explained that some responses such as the strategic plan would not clear until January 2009. EVP Harris stated that part of the reason for the delay is that Harwood is currently involved in a search for a new Director, and the board wants to defer formulating a strategic plan until a new Director is hired.
- Director Chavez presented the Internal Audit Director's Status Report. She informed the committee that Michael Carr has been hired as Chief Information Security Officer, and Interim CIO Barney Maccabe explained that this new position is responsible for information security on campus. This hiring was the direct result of a previous audit finding. Mr. Maccabe supplied the committee with a copy of Michael's resume and discussed his qualifications. He has previously served as Information Security Officer at the University of

Nebraska system and Purdue. He is a certified Information Systems Security Professional. Mr. Carr also has a JD and is licensed to practice law in Ohio and Kentucky.

Director Chavez was asked to provide an estimate of resources needed to assume the internal audit function of UNMH and what IA would need for additional audit resources to complete this task (Attachment 1). After consulting with the EVP for Finance, it was determined that the best plan would be to phase in 2 new auditors for main campus and 3 more for the Hospital, including an Audit Manager. The grand total requested estimate is \$305,000 including all operational costs and one-time costs such as phone lines, etc. UNM Internal Audit will also need additional office space, and the office directly behind and adjacent to the current office would be ideal. A bid has already gone out for the space. Ms. Chavez asked the committee to seriously consider this proposal. Regent Sanchez asked the EVP for an update on the HSC's position on the merger, since there was some reluctance to combining the two audit functions previously. Director Chavez stated that per her discussions with HSC representatives they are on board, and there is no longer any resistance. Ms. Chavez pointed out that she is in the process of performing a risk assessment and she expects to identify any budget shortcomings at that time. Regent Sanchez inquired about any saving associated with the HSC merger and it was suggested that this move could save around \$50,000. Regent Sanchez asked the Director to supply the committee with some further information to help them clarify what if any savings there might be by doing this. Director Chavez pointed out that under the current contract, University of New Mexico Hospital (UNMH) is getting about 1,600 hours of audit services and with 3 FTE they would get 3 times that amount for \$150,000, and in her opinion those extra hours are needed. Director Chavez stated she would provide the savings information.

Director Chavez wanted to know if the committee was interested in receiving reports on Institutional Compliance Office activities on a quarterly basis. According to policy, reports are supposed to be made through the Health Sciences Committee to the Regents, and although this is not currently the case, the process is being implemented. There was much discussion concerning the reporting structure and implementation timeframes. This issue surfaced because of research conducted to bring the UNMH Internal Audit function in-house. Several Universities require periodic reports to the Audit Committee on compliance activities. An organization chart (Attachment 2) provides the various compliance offices at Health Sciences Center (HSC). Regent Abeita suggested the report stay with the HSC, and Ms. Chavez will coordinate this with Pug Burge (Associate Vice President HSC Administration) and let the committee decide.

Regarding the status of the Audit Plan as of December 2007: substantial progress has been made. As of December 2006, Internal Audit had only completed 40% of the FY07 Plan and as of December 2007, the completion rate is 69.6%. Director Chavez described the follow up process, and Director Chavez expects to have at least four more reports ready by the end of the fiscal year.

A survey was also provided to the Committee members for their feedback. Before going into Executive Session, Regent Eaves asked for clarification on the process for reporting serious complaints. The current procedure is that anything over \$20,000 is reported directly to the Committee. Serious complaints would be reported to the Committee but most have been relatively small.

The meeting went into Executive Session for the reasons stated in the agenda. (Motion to close: Regent Sanchez, Second: Regent Abeita).

- a. Schedule of Audits in Process, pursuant to exceptions at Sections 10-15-1H(2 and 7), NMSA (1978)
- 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. Vote to re-open the meeting.

The meeting returned to open session (Motion: Regent Eaves, Second: Regent Abeita). Certification that only those matters described above were discussed in Executive Session.

The Committee approved the following two audits for publication:

- 2007-08 Student Financial Aid Office Audit of Internal Controls for Financial Aid Awards (Motion: Regent Eaves, Second: Regent Abeita)
- 2007-31 University of New Mexico – Los Alamos Audit of Financial and Operational Efficiency (Motion: Regent Eaves, Second: Regent Abeita)

The Committee tabled one audit (Motion: Regent Eaves, Second: Regent Abeita)

There being no further business, the meeting was adjourned at 10:56 a.m. (Motion: Regent Eaves, Second: Regent Sanchez)

Approved:

Audit Committee Chairman