

## Draft 3.19.19

# NEW UAP 6030: Oversight of University-Affiliated Organizations

Authorized by RPM 7.17 (“University-Affiliated Organizations”)

Process Owner: University President

## 1. General

This policy provides a framework for guiding University employees and units in monitoring “University-Affiliated Organizations,” also referred to as “related parties.” The University recognizes the value of University-Affiliated Organizations and has an interest in their success. The University seeks to provide oversight for the efforts and activities of each University-Affiliated Organization, while preserving their separateness. See RPM 7.17 (“University-Affiliated Organizations”) for a list of such organizations.

## 2. Senior University Oversight Official

The University President will assign a Senior University Oversight Official for each University-Affiliated Organization who is responsible for monitoring the University’s relationship with the University-Affiliated Organization and is required to submit an annual report each fiscal year to the Office of the President with respect to that organization. The Chancellor for Health Sciences is the Senior University Oversight Official for University-Affiliated Organizations that are components of the Health Sciences Center. The Senior Vice President for Finance and Administration is the Senior University Oversight Official for all other University-Affiliated Organizations, unless otherwise appointed by the University President.

The Senior University Oversight Official appointed by the University President will normally be the individual to whom the Chief Executive Officer of the University-Affiliated Organization reports. The Senior University Oversight Official is responsible for identifying and mitigating risks that may arise in the relationship with the University-Affiliated Organization and advise the University-Affiliated Organization on how to avoid conflicts of interest between the operations of the Organization and missions of the University.



## **2.1. University-Affiliated Organization Annual Report**

The annual report shall contain at least the following for each University-Affiliated Organization:

- A list of the University-Affiliated Organization's Officers and Board members with explanations of any changes within the past fiscal year;
- A copy of its annual year-end financial/audited report;
- A copy of its federal tax return (e.g., IRS Form 990);
- The articles of incorporation, bylaws, affiliation agreement or other organizational and governance documents, if there are changes to those documents;
- A summary of business activities for the past year, including any significant asset purchases or financial arrangements, list of any subsidiaries, joint ventures or investments, and list of material litigation;
- A copy of the Master Services Agreement (see Section 3 below)
- A description of significant agreements, MOUs, policies, etc. between the University-Affiliated Organization and other University-Affiliated Organizations regarding accounting controls for related-party transactions.
- A summary of significant, material or unusual transactions with the University or between the University-Affiliated Organization and other University-Affiliated Organizations, indicating the dollar amount and a description of the transaction(s).

## **3. Master Services Agreement**

The Senior University Oversight Official will, on behalf of the University, execute a Master Services Agreement with each University-Affiliated Organization under their responsibility. The Master Services Agreement should reference the Affiliation Agreement per RPM 7.17 ("University-Affiliated Organizations"). The Master Services Agreement will:

- Affirm the relationship between the University-Affiliated Organization and the University, and affirm the missions of the University-Affiliated Organization;
- Identify and disclose the major expected and allowable business transactions between the University and the University-Affiliated Organization;
- Provide for authorizing transactions or arrangements outside the normal course of business should they arise;
- Permit task-order agreements as needed under the Master Services Agreement to ensure adequate transparency into intercompany transactions;
- Ensure compliance with applicable federal and state rules and regulations;
- Describe the applicable requirements for reporting and accounting for related-party transactions, consistent with preparing the University consolidated financial statements.

## **4. University-Affiliated Organization - Chief Executive Officer**

The Chief Executive Officer of each University-Affiliated Organization (Organization CEO) is responsible for managing its operations and affairs in a manner consistent with their

University-enabling mission and its own governance documents and policies; and adhering to standards of ethics and integrity.

#### **4.1. Guiding Principles**

- Each Organization CEO is expected to work cooperatively and collaboratively with the applicable Senior University Oversight Official;
- The Organization CEO will provide the Annual Report for his or her University-Affiliated Organization to the applicable Senior University Oversight Official (see sections 2 and 2.1 above);
- The Organization CEO will participate in developing and adhere to the Master Services Agreement (see section 3.1 above); and
- The Organization CEO must implement sound fiscal and accounting procedures, and have an annual audit completed by an independent professional auditor as required by the NM State Audit Rule.

### **5. Sanctions**

Individuals who do not demonstrate due care and good judgment in the administration of their duties pursuant to this policy may be subject to disciplinary action, up to and including discharge.