

# UNIVERSITY-WIDE RISK ASSESSMENT AND PROPOSED FIVE-YEAR INTERNAL AUDIT PLAN

THE UNIVERSITY OF NEW MEXICO

Report 2017-07  
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# CONTENTS

## OVERVIEW OF RISK ASSESSMENT AND PROPOSED FIVE-YEAR INTERNAL

**AUDIT PLAN..... 1**

    Methodology ..... 1

    Risk Assessment Analysis and Risk Matrix ..... 2

**APPROVALS ..... 4**

## ABBREVIATIONS

ACUA.....	Association of College and University Auditors
ASM.....	Anderson School of Management
C&G.....	Contracts and Grants
Cancer Center.....	Cancer Treatment Research Center
CEOP.....	College Enrichment & Outreach Programs
CHTM.....	Center for High Technology Materials
CID.....	Center for Infectious Disease
CME.....	Continuing Medical Education Department
CPH.....	College of Population Health
ECE.....	Electrical Computer Engineering Department
EM.....	Emergency Medicine Department
EVP Admin.....	Executive Vice-President for Administration
GME.....	Graduate Medical Education Department
HIPAA.....	Health Insurance Portability and Accountability Act
HSC.....	Health Sciences Center
HSC Admin.....	Health Sciences Center Administration
HSC C&M.....	Health Sciences Center Communication and Marketing
HSC IT.....	Health Sciences Center Information Technology
Internal Audit.....	University of New Mexico Internal Audit Department
IT.....	Information Technology
KNME.....	KNME Television Station
OGBY.....	Obstetrics and Gynecology Department
OMI.....	Office of the Medical Investigator
P&T.....	Parking and Transportation
P-Card.....	Purchasing Card
PCI.....	Payment Card Industry's Data Security Standards
PHI.....	Protected Health Information
PPD.....	Physical Plant Department
Project ECHO.....	Project Extension for Community Healthcare Outcomes
SOM Dean.....	School of Medicine Administration
SRS.....	Safety and Risk Services
UME.....	Undergraduate Medical Education
University.....	The University of New Mexico
Units.....	University colleges, schools, branches, centers, departments, and programs
UNM.....	University of New Mexico
VPRED.....	Vice President for Research and Economic Development

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## **OVERVIEW OF RISK ASSESSMENT AND PROPOSED FIVE-YEAR INTERNAL AUDIT PLAN**

The UNM Internal Audit Department (Internal Audit) used a risk assessment methodology to select University colleges, schools, centers, branches, departments, and programs (“Units”) that will be included in the proposed five-year Internal Audit plan for Fiscal Years 2018-2022. Using the risk assessment model will ensure that Internal Audit’s priorities are focused on those areas where risks and material exposure is greatest. The development of a risk-based audit plan included the following procedures:

### **METHODOLOGY**

Auditable units are developed based on the University’s strategic goals, financial and key operational systems, organizational structure, significant University processes, and the Association of College & University Auditors’ Risk Dictionary. Core audit areas identify those business operations whose key controls are relied on day in and day out for the business of the University to be carried out, because risk assessment may not guarantee adequate coverage over time of these fundamental business operations. Examples would include student financial aid, budgeting, payroll, and accounts payable/purchasing. There were 212 Units included in Internal Audit’s University-Wide risk assessment.

Internal Audit prepared a risk assessment matrix for evaluating each individual Unit. The overall risk assessment is based on “Likelihood” and “Impact.” “Likelihood” is the probability that non-compliance, misstatement, or fraud may occur within the Unit, considering the Unit’s internal controls in place. “Impact” represents the effect a single occurrence of the risk will have upon the achievement of the Unit’s goals and objectives. Internal Audit identified various factors, which we determined to affect “Likelihood” and “Impact” risk assessments. Those factors are listed below.

- a. Likelihood
  - 1) Risk Assessment questionnaire
  - 2) Complaints
  - 3) Discussions with University officials
  
- b. Impact
  - 1) Size and significance of Unit
  - 2) Risk Assessment questionnaire
  - 3) Discussions with University officials

After the factors were identified, Internal Audit developed a numerical rating system for the risk assessments. The numerical rating system for each risk assessment scaled from 1 to 5 points.

**Risk Assessment Questionnaire:** Internal Audit distributed a risk assessment questionnaire via Opinio, a web-based survey software tool, to the head of each of the Units included in our University-Wide risk assessment. The questionnaire included 22 risk questions that were self-assessed by each Unit, and two (2) open ended questions for each Unit to identify any additional risks or concerns that may exist. The questionnaire presented several possible risk areas throughout the Unit, and requested that the recipient rank the risks based on their perceived likelihood of the risk occurring, and the impact of the risk on the Unit. The ratings for each of the 22 questions were self-rated, based on a five-point scale, with 1 being the lowest risk and 5 being the highest. Each self-rating question also included a “comment” section to provide detail for the question’s rated response. Comments were reviewed to identify common risks and concerns related to each question. Risk ratings for the two open ended questions were judgmentally assigned based on responses received. The total score for all questions on the questionnaire resulted in computation of a numerical risk rating that contributed to the overall “Likelihood” and “Impact” risks.

**Complaints:** Internal Audit compiled a list of complaints received by Internal Audit for Fiscal Years 2015-2017. The number of complaints reported, by Unit, contributed a numerical rating to the overall “Likelihood” risk.

**ACUA high risk area:** Internal Audit reviewed high risk areas as determined by the Association of College and University Auditors (ACUA). Areas that were identified as an ACUA high risk area contributed a numerical rating to the overall “Likelihood” risk.

**Discussions with University Officials:** Internal Audit had discussions with selected University officials to determine if they had any specific risks and/or concerns related to any college, school, branch, center, department, or program that reported to them. For any specific Units that the officials and the Chief Compliance Officer had concerns with, or they felt were high risk, this contributed to both overall “Likelihood” and “Impact” risks.

**Size and Significance:** The size of the Unit based on annual expenses and/or transaction volume, and the significance of their operations, contributed to the numerical rating for the overall “Impact” risk.

## **RISK ASSESSMENT ANALYSIS AND RISK MATRIX**

Risk Assessment questionnaires were provided to 212 Units included in the University-Wide Risk Assessment. The Units selected were “Level 3” or “Level 5” organizations on the University of New Mexico Organizational Reporting Structure. Of the 212 Units, 177 Units (83.49%) provided responses to the information requested on the Risk Assessment Questionnaire; 35 Units did not respond.

Common high risk areas identified by survey recipients and UNM officials include:

- Information Technology
  - Security over confidential data
  - Data loss
  - Ransomware/Viruses
- P-Card use (Chrome River)
- Athletics Financial Management
- Understaffing/loss of key positions
- Loss of funding
- Lab safety

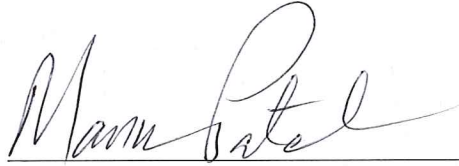
Upon completion of the University-Wide Risk Assessment, Internal Audit proposed a five-year audit plan to the UNM Audit and Compliance Committee for Fiscal Years 2018-2022 based on combined risk assessments for “Likelihood” and “Impact.” The summarized five-year audit plan is presented at **Exhibit 1**. Internal Audit also prepared a Risk Matrix bubble chart heat map for the UNM Main Campus and the Health Sciences Center, presented at **Exhibit 2 and Exhibit 3**, illustrating risks by “Likelihood” and “Impact.”

Internal Audit will revisit the Five-Year Internal Audit Plan on an annual basis. Any new information brought to the Internal Audit Department’s attention will be considered for future Internal Audit plans.

Internal Audit will develop and perform detailed procedures during the individual internal audits to address identified risks. Each internal audit includes its own risk assessment process which further evaluates risk and allocates audit effort to the highest risks.

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## APPROVALS



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Manu Patel, CPA  
Director, Internal Audit Department

Approved



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Chair, Audit Committee

## Proposed Five-Year Internal Audit Plan

Audit Area	Last Audit**	2018	2019	2020	2021	2022
<b>Contract</b>						
University President Travel & Entertainment Expenses *	2016	√	√	√	√	√
<b>Information Technology</b>						
Information Security (HIPAA)				√		
Information Security (Firewall)		√				
Information Security (Confidential Unclassified Information)			√			
Information Security (PCI audit)			√			
Talent Management System				√		
System Support					√	
Database Management Core					√	
Backup and Recovery Core						√
Administrative Support						√
Customer Service						√
Critical Applications		√	√	√	√	√
<b>Human Resources</b>						
Benefits Management		√				
Employment Contracts				√		
Tuition Reimbursement						√
<b>Colleges and Schools</b>						
Anderson School of Management	2007		√			
School of Law	2008			√		
College of Pharmacy					√	
<b>Academic Departments</b>						
Biology	2010		√			
Chemistry					√	
Arts and Sciences Dean's Office	2013				√	
Anthropology					√	
Electrical Computer Engineering						√
Internal Medicine - (SOM)		√				
Emergency Medicine (SOM)	2012		√			
SOM Surgery/Neurosurgery (SOM)				√		
Anesthesiology (SOM)				√		
Pediatrics (SOM)					√	
Psychiatry (SOM)						√
<b>Branches and Centers</b>						
UNM Los Alamos	2008	√				
UNM Valencia	2008		√			
UNM Gallup	2011			√		
UNM Taos	2015					√
Children's Campus	2015					√
Research and Economic Development	2008		√			
Center for High Tech Materials (CHTM)				√		
Cancer Treatment Research Center	2014			√		

**Exhibit 1**



## Proposed Five-Year Internal Audit Plan

Component Units						
Lobo Club					√	
UNM Foundation (Donor Intent)	2013	√				
Academic/Student Welfare & Success						
Financial Aid	2008	√				
Student Services			√			
College Enrichment & Outreach Programs (CEOP)					√	
Equity and Inclusion					√	
Food Services						√
Graduate Studies						√
Residence Life and Student Housing						√
Graduate Medical Education						√
Athletics						
Athletics Administration ***		√				
Program Specific			√	√		√
Men's Basketball	2016				√	
Auxiliary Enterprises						
Bookstore			√			
KNME				√		
UNM Press						√
Facilities and Project Management						
Physical Plant Department	2017		√			
Capital Projects	2009			√		
Financial and Administrative Management						
P-Card - Chrome River (Main Campus and HSC)	2013	√				
Cash Receipts (Main Campus and HSC)			√			
Purchasing and Accounts Payable (Main Campus and HSC)	2008			√		
Payroll (Main Campus and HSC)	2016				√	
Contracts and Grants (Main Campus and HSC)						√
EVP Administration				√		
Provost's Office	2012				√	
Health and Safety						
Safety and Risk Services	2016		√			
Project Echo		√				
<b>Total</b>		<b>11</b>	<b>15</b>	<b>16</b>	<b>15</b>	<b>17</b>

\* Internal Audit conducts a contract audit of the UNM President's travel and entertainment expenses on an annual basis (RPM 3.9).

\*\* Audited within the last 10-year period

\*\*\* Internal Audit will conduct periodic audits within the Athletics Department. Program specific audits for Athletics will be determined based on Internal Audit Risk Assessment procedures specifically for Athletics.

**Exhibit 1 - continued**

### Risk Matrix - Main Campus and Branches

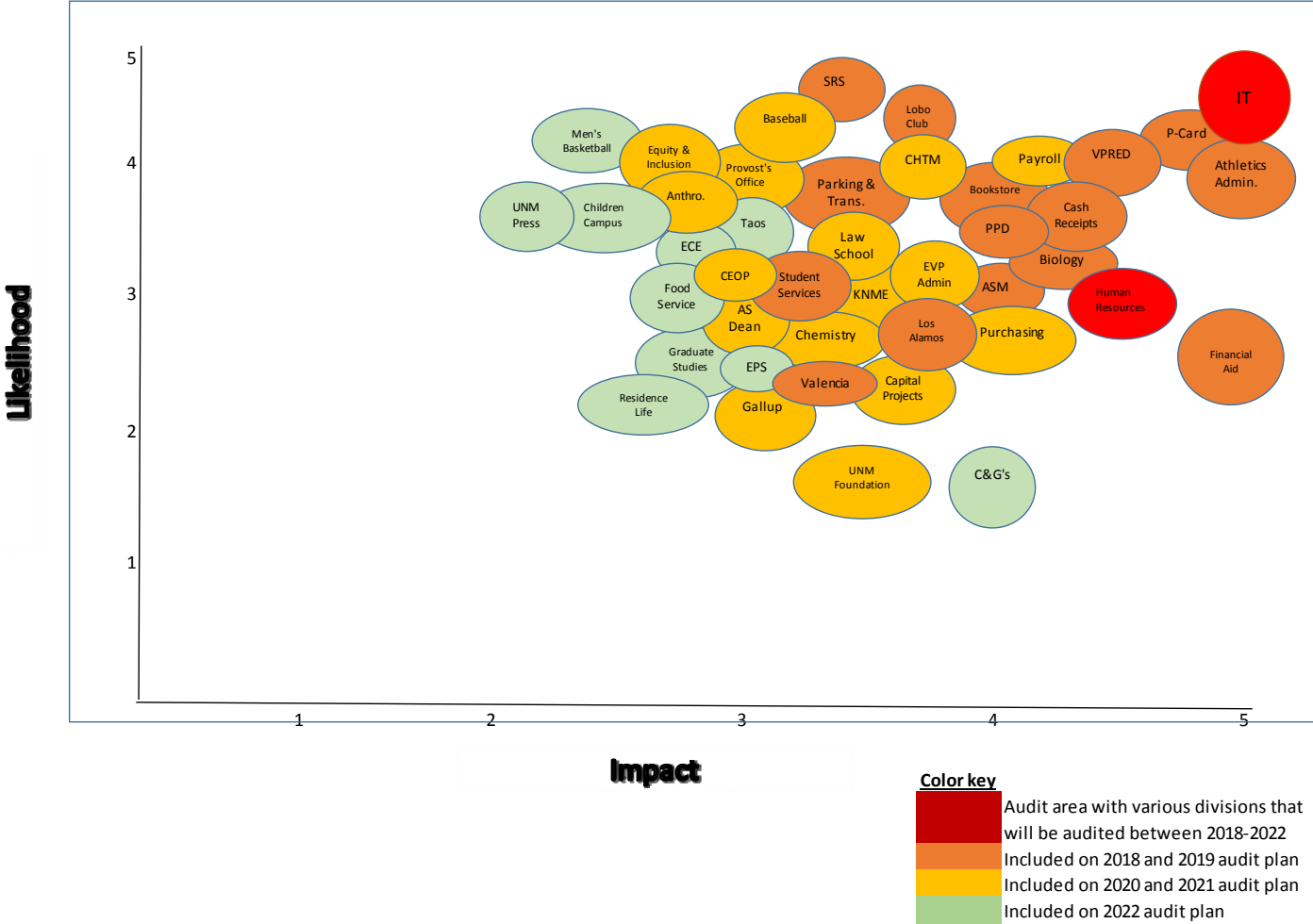
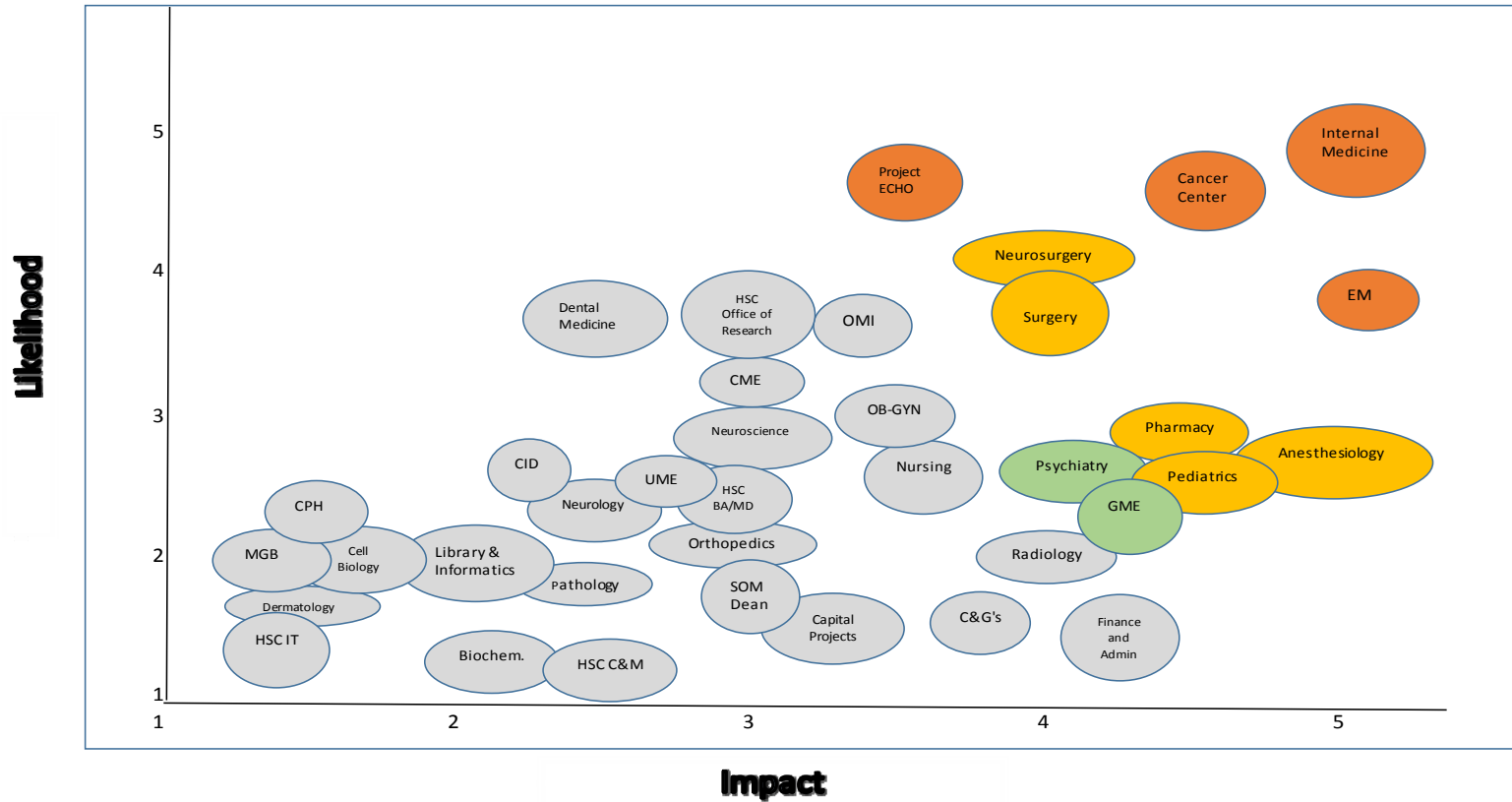


Exhibit 2

# Proposed Five-Year Internal Audit Plan

## Risk Matrix - HSC



**Color key**  
 Included on 2018 and 2019 audit plan  
 Included on 2020 and 2021 audit plan  
 Included on 2022 audit plan  
 Not included on Five-Year Plan

Exhibit 3